

Loyalty Breeds Loyalty: Nailing Customer Churn through Satisfied and Loyal Employees in Telecom Sector of Pakistan

Author's Details:

⁽¹⁾**Rabia Sarfraz** - Lecturer-Govt. College University Faisalabad ⁽²⁾**Dr. Babak Mahmood** -Associate Professor - Govt. College University Faisalabad

Abstract - Customer retention is a serious concern for the organizations around the world. They want to retain employees so their profits can elevate but for the fulfillment of this desire, satisfaction and loyalty levels of employees need to be taken care of while making them work for the organization. The customer can't be convinced not to churn if they are not satisfied with the services being offered to them and this level of satisfactory service can only be provided through the pool of satisfied employees who have loyalty running in their veins, for the organization they are working for. Employees transmit their satisfaction and loyalty into the customers they serve, resulting in a reduction in their churn behavior. Loyalty can't be bought, it has to be won, and service provider can win their customers' loyalty through winning their employee's loyalty first and making them feel like they are at the right place which will increase the satisfaction level of both staff and customers alike. This study signifies the influence a satisfied and loyal employee can have on organization's efforts to reduce subscribers from churning away.

Keywords - Customer Churn, Customer Satisfaction, Customer Retention, Employee Satisfaction, Employee Loyalty

I. INTRODUCTION

The sole purpose of any organization is to earn a profit, rather maximum possible profit and Telecom sector is no exception, but the road towards riches has become very bumpy for all service providers because of the rising churning trend among subscribers. Though organizations are making so much effort to develop and target segments that promise growth, sustainability and a pool of potential customers, to analyze the needs and wants of the customers deeply and with accordance to the cultural values of the particular place, to provide superior value to the customers so they continue a relationship with the organization. But while doing so, they often fail to understand that long-termed relationship with the clients cannot be enjoyed without making one's employees satisfied with their job and loyal towards the organizations they are working for.

Employees, if satisfied, feel pride in their association with the company, may act as one of the biggest influencers in making the customers feel satisfied and proud to avail the service or to use the product of their company. And when employees become loyal, they transmit that loyalty in their customers. Such employees may become the volunteer advocates of their company to clients or even be willing to go an extra mile to do their job and so ending up assuring lesser churn among the subscriber and more benefits for the organization. The rule is simple, satisfy your employees to satisfy your customers. Seed loyalty in your employee's heart to harvest loyal customers. As said by (Leonard, 2009), "if you look after your staff, they will look after the customers who in return will look after your business."

II. SIGNIFICANCE OF THE STUDY

Employees get neglected most of the times when organizations are strategizing for higher profitability and customer satisfaction leading towards customer retention because it is often considered that employees are only a working tool to get things fixed for the organization and to

follow what is asked them to do while ignoring the fact that if they are not happy and satisfied with their employer or organization they work for or the work they do, customers can't be expected to have a satisfying experience. In the same way, if an organization can't make its employees loyal then how can it be expected to be able to make its customers loyal. This is important for such organizations to realize how important the existence of their employees is in the organization and how significantly they may impact their fight to tame down the increasing rate of customer churn.

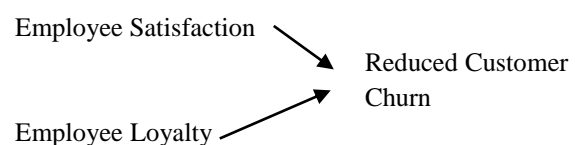
III. OBJECTIVES OF THE STUDY

- To make organizations realize the importance of employee satisfaction.
- To highlight the wonders, loyal employees can show
- To establish a relationship between employee loyalty and satisfaction with customer churn.
- To help organizations retain their customer base.

IV. HYPOTHESES

- H1: Employee satisfaction influences customer churn
- H2: Employee Loyalty influences customer churn

V. CONCEPTUAL FRAMEWORK



VI. LITERATURE REVIEW

Impact of Employee Satisfaction on Customer Churn

Employees represent a company, but if they are not motivated and unsatisfied, then they can devastate their company's performance and image (Croston, 2008). This is something many employers don't understand. Employees are expected to yield profits and win customers for their employers, but employers often neglect to notice and provide what is expected of their employees. No rainbows can be drawn without making one's employees happy, satisfied and ultimately loyal at their workplace. (Baldoni, 2012) agrees that an unhappy employee conveys a message through his work behavior, connection, and interaction with his fellow workers and above all the way he deals with the customers. If the employee is not happy and satisfied, then the customer would be unhappy and unsatisfied which would cause them to churn, risking organization's profits. (Athanassopoulos, 2000) believes that customer churn increases company's costs. (Adam, Passmore, & Simpson, 2003); (Van den Poel & Lariviere, 2004) confirm it through their research that reduction in customer churn can elevate financial gains. But the problem is, keeping customers' relationship with their company intact, for a longer period of time, is not just challenging but tedious as well (M.Balasubramanian & Selvarni, 2014). This tedious job can only be accepted by the ones which are whole heartedly willing to put an extra effort on behalf of the organization to please their customers, and a satisfied employee is definitely amongst those employees. (Mohamed, Omar, & Ibrahim, 2013) confirm a strong relationship between retention of customers and satisfaction of employees, a relationship which ultimately promises larger market share for the organization.

There is no denial that employee satisfaction helps the organization to grow better in the market and serve better to its customers. (Robbins & Judge, 2007) believe that customers can be retained if employees are made satisfied with the work they perform, especially the frontline employees who interact directly with the customers. But this is not an easy task to accomplish, as making employees satisfied can become a hard rock to swallow. (Aziri, 2011) agrees that raising the satisfaction level of employees is one of the biggest and difficult challenges faced by current era's managers. If this is true then this is also true that one can't afford to back out from accomplishing this challenge, as the temptation of the shinier outcomes is too good to resist.

(Asplund & Blacksmith, 2011) suggests organizations around the globe must design a system to ensure that their workers are in a right position and are emotionally connected with their jobs. This is a very affective way not only to acquire new customers but to retain the old ones as well. Winning customers and bigger market share are only possible through winning the hearts and minds of the people who work for and with them (Gallup, 2012). And to win their hearts and minds, organizations have to change their old rusted ways of managing their employees and adapt according to the current situations, and it can be done by focusing on their employees first and putting serious efforts

to ensure and increase their satisfaction level at work. As (Spector, 1997) considers employee satisfaction as one of the most important elements to elevate individual and organizational progress and better performance towards their customers. And if customers are served better, they are more likely to stay loyal and avoid from churning.

An organization which is not capable of making their employees satisfied, can't be expected to satisfy their customers and dissatisfied customers may churn at the availability of any available option. (Kousar, Qureshi, Shahzad, & Hasan, 2012) agrees that dissatisfied customers are very hard to retain as they are seeking possibilities of switching. It's always easier to keep the customers satisfied at the first place, and employees can do this very well if they themselves are motivated enough. (Harter, Schmidt, & Hayes, 2002); (Kular, Gatenby, Rees, Soane, & Truss, 2008) believes, the satisfaction of employees motivates them to serve better as they feel more engaged with the organization and with its customers. This leads to the impressive customer base and lower churn rate.

Impact of Employee Loyalty on Customer Churn

(Duboff & Heaton, 1999); (Reichheld F., 1996) considers loyalty to be one of the best ways to achieve success in business and to increase value. And this value acts as a big incentive to not only acquire new customers but to retain the old ones as well.

while many researchers are busy talking about the concept of employee loyalty, but there are also the ones who totally negate the existence of it in a way it is commonly known. (Duska, 2000) considers the existence of loyalty towards one's duties and the organization as a mistake and even declared that loyalty towards the employers misguides employees and (Carbone, 1997) agrees with that as well but (Larmer, 1992) declares (Duska, 2000)'s thoughts about employee loyalty as flawed. (Hajdin, 2005); (Kleinig, 1993); (Gilbert, 2001); (Hart & Thompson, 2007) also disagree with (Duska, 2000) and (Carbone, 1997) and considers employee loyalty among the vital things to generate desired results and serve the customers well. (Larmer, 1992) further, explains that loyalty in employee doesn't mean that they won't whistle blow the wrong doings done by those to whom that employee are loyal but required to do what a good employee is supposed to do. (Elegido, 2013) also, believes that loyalty demands a willful commitment by the employee to do things what benefits the organization the most, but he also includes the element of sacrifice in the concept of employee loyalty as loyalty demands the sacrifice of some of the employee's self-interests. In general term, an employee's attachment and commitment, on a psychological level, to the employer and/or organization is called employee loyalty (Wan, 2012) and this exactly what organizations need if they want to manage their subscribers from swinging from one service provider to another. The positive impact of loyalty, in this regard, is widely accepted and appreciated.

Employers at times feel reluctant to initiate action to trigger loyalty among their employees but those who do choose that path to know how amazing the results are. As said by (Cohen, 2009) the cost of employee loyalty is high and so is the prize. Employee loyalty helps the organizations on multiple fronts. It not only elevates productive and financial performances but also saves customer base. (Silvestro, 2002). (Reichheld F. F., 1993) also, links employee loyalty with organization's success. (Reichheld F. , 1996) further, adds that organizations ensure not only solid profit scales but also steady growth and customer satisfaction leading towards customer loyalty. It is not possible for any organizations to maintain a base of loyal customers without having a base of employees having high loyalty for the organization and the employer they are working for. This is the reason, progressive companies around the world are focusing on increasing employee loyalty though it becomes more and more difficult.

The telecom sector is facing the problem of customer churn, and these companies can cut their trouble in half if their employees are more engaged because engaged employees help in discourage customers to churn more effectively. (Duboff & Heaton, 1999) proves that employee loyalty ensures higher engagement which in return increase better value for the customers, convincing them not to discontinue their relationship with the company. A study was conducted by the researchers of (Sears, Reobuck & Co.) which were a retail giant showed the results in support of the idea that employee loyalty effect engagement levels in employees which in return increases revenues and customer churn (Rucci, Kirn, & Quinn, 1998)

VII. RESEARCH METHODOLOGY

The targeted population for this study is to employees working in the telecom sector of Pakistan. 127 respondents are chosen as a sample from all operating telecommunication companies. Through these 127 respondents' data has been collected via questionnaires, to test the relationship of the chosen variables. Statistical analysis is performed to verify hypotheses.

Hypothesis 1: Employee satisfaction influences customer churn

Table 1: Relationship between employee satisfaction and customer churn

Employee satisfaction	Customer Churn			Total
	Low	Medium	High	
Low	5	5	9	19
	26.3%	26.3%	47.4%	100.0%
Medium	13	41	12	76

	17.1%	53.9%	15.8%	100.0%
High	12	14	6	32
	37.5%	43.8%	18.8%	100.0%
Total	30	68	29	127
	23.6%	53.5%	22.8%	100.0%

Chi-square = 16.97 d.f. = 4

Significance = 0.002* Gamma = -.436

** = Highly-Significant

Table 1 represents the association between employee satisfaction and customer churn. Chi-square value (16.97) shows a high significance ($P=.003$) in the association between employee satisfaction and customer churn. A strong negative relationship between variable is observed through Gamma Value which means if the employees are more satisfied then customer churn would be low. So, the hypothesis "Employee satisfaction influences customer churn" is accepted.

Hypothesis 2: Employee loyalty influences customer churn

Table 2: Relationship between employee loyalty and customer churn

Employee loyalty	Customer Churn			Total
	Low	Medium	High	
Low	5	8	15	28
	17.8%	28.6%	53.6%	100.0%
Medium	8	49	5	62
	12.9%	79.0%	8.1%	100.0%
High	17	11	9	37
	45.9%	29.7%	24.3%	100.0%
Total	30	68	29	127
	23.6%	53.5%	22.8%	100.0%

Chi-square = 39.39 d.f. = 4

Significance = 0.000* Gamma = -.459

** = Highly-Significant

Table 2 represents the association between employee loyalty and customer churn. Chi-square value (39.39) shows high significance ($P=.000$) in the association between employee loyalty and customer churn. A strong negative relationship between variable is observed through Gamma Value which means if the employees are more loyal then customer churn would be low. So, the hypothesis "Employee loyalty influences customer churn" is accepted.

Table 3: Pearson Correlation Coefficient Values showing relationship between predicting (independent variables) and response (Customer churn) variable

Variables	Pearson correlation coefficient	P-value
Employee satisfaction	-.428	.000**
Employee loyalty	-.393	.000**

Dependent variable: Customer churn

Using statistical techniques to different sorts, for the purpose of analysis of collected data for the result verification and eradication of factors of extraneous nature for the identification of non-spurious relationship. Addressing problem through formulating rational policy via conclusive decision is the objective of ultimate nature of scientific based research of every type. For the purpose of finding relationship or associating between response and predicting variables, the cross-table analysis was employed along with a different test of significance. For further verification of relationship and the degree to which they are associated, Pearson Correlation Coefficient values are used.

The value of correlation coefficients is shown in the table 3 which show the degree to which independent variables and the dependent variables are inter-correlated. Chi-square test is also employed to check the relationship between the variable, the results of correlation coefficients further confirm the relationship i.e. customer churn. Correlation coefficients' value for independent variables such as employee satisfaction and employee loyalty are in associate with the variable which is dependent. The significance of all variable at one percent level of significance (0.01 percent) is observed.

VIII. FINDINGS

- Organizations can reach towards success in terms of higher profits, larger market share and growth without their employees.
- Satisfied employees create satisfied customers who end up continuing their relationship with their service provider for a very long time.

- Loyalty is vital for a long last lasting relationship. If service providers own loyal employees, then they are in a better position make their customers loyal as well, resulting in lower churn rate experience by that service provider.

IX. CONCLUSIONS

- Customer churn has a visible existence in the telecommunication sector of Pakistan.
- Subscriber churn affects the profitability of service providers very badly.
- Acquiring new customers is important but retain the old ones is more important and profitable.
- Satisfaction experience by employees helps them becoming highly engaged employees.
- Satisfaction among employees leads to satisfaction among service users resulting in higher retention rate.
- Loyal employees are more prone to become engaged with the organization and their job.
- If the loyalty of employees is owned by their company, then nothing can stop that company from increasing and maintain its customer base.

X. RECOMMENDATIONS

- Cellular service providers should make efforts to acquire new customers, but they should not forget the importance and benefits of retaining the old customers as well. Retaining customers cost much less than hunting the new ones.
- Employees should be prioritized.
- Serious efforts should be made on the part of the organization to create such an environment at the workplace which ensures satisfaction and loyalty leading towards higher engagement among employees.
- Instead of doubting the working capabilities and intentions of employees, they should be made to feel trusted by their organization.
- The churning trend among subscribers should be estimated and forecasted on regular intervals.

REFERENCES

- Adam, B., Passmore, W. J., & Simpson, M. (2003, November). Going the Distance with Telecom Customers. *McKinsey Quarterly*, 1-16.
- Asplund, J., & Blacksmith, N. (2011, April 7). How Strengths Boost Engagement. *The Gallup Business Journal*.
- Athanassopoulos, A. (2000). Customer satisfaction cues to support market segmentation and explain switching behaviour. *Journal of Business Research*, 47(3), 191-207.
- Aziri, B. (2011, December). Job Satisfaction: A Literature Review. *Management Research and Practice*, 3(4), 77-86.
- Bakalis, S., & Joiner, T. A. (2006). The Antecedents of Organizational Commitment: The Case of Australian Causal

- Academics. *International Journal of Educational Management*, 20(6), 439-452.
6. Baldoni, J. (2012). *Lead with Purpose: Giving Your Organization a Reason to Believe in it*. New York: AMA.
7. Carbone, J. H. (1997). Loyalty: Subversive Doctrine? *The Academy of Management Executives* (1993-2005), 80-86.
8. Cohen, L. (2009, March). Loyalty-Based Portfolio Choice. *The Review of Financial Studies*, 22(3), 1213-1245. Retrieved from www.jstor.org/stable/30225690
9. Coughlan, R. (2005). Employee Loyalty as Adherence to Shared Moral Values. *Journal of Managerial Issues*, 17, 43-57.
10. Croston, D. (2008). *Employee Engagement: The First Approach to Building Business*. California, USA: Moonstone Media.
11. Dicke, C., Holwerda, J., & Konyakos, A.-M. (2007). Employee Engagement: What do we really know? What do we need to know to take action? *CAHRS (Center for Advanced Human Resource Studies). Spring Sponsor Meeting May 22-23, Marriott Paris Champs-Elysees*. Paris, France.
12. Duboff, R., & Heaton, C. (1999). Employee Loyalty: A Key Link to Value Growth. 27(1), 8-13.
13. Duska, R. (2000). 'Whistleblowing and Employee Loyalty.' In J. R. Desjardins, & J. J. McCall, *Contemporary Issues in Business Ethics, Fourth Edition* (pp. 167-172). Wadsworth, Belmont, CA.
14. Elegido, J. M. (2013). Does it Make Sense to be a Loyal Employee. *Journal of Business Ethics*, 116(3), 495-511. Retrieved from <http://www.jstor.org/stable/42001938>
15. Gallup. (2012). Living in a Hyperconnected World.
16. Gilbert, D. R. (2001). An Extraordinary Concept in the Ordinary Service of Management. *Business Ethics Quarterly*, 11, 1-10.
17. Hajdin, M. (2005, July). Employee Loyalty: An Examination. *Journal of Business Ethics*, 59(3), 259-280. Retrieved from <http://www.jstor.org/stable/25123558>
18. Hart, D. W., & Thompson, J. A. (2007, April). Untangling Employee Loyalty: A Psychological Contract Perspective. *Business Ethics Quarterly*, 17(2), 297-323.
19. Harter, J. K., Schmidt, F. L., & Hayes, T. I. (2002). Business-unit-level relationship between employee satisfaction, employee engagement and business outcomes: A meta-analysis. *Journal of Applied Psychology*, 87, 268-279.
20. Kleinig, J. (1993). Loyalty. *Criminal Justice Ethics*, 12, 34-36.
21. Kousar, R., Qureshi, S., Shahzad, F. A., & Hasan, H. (2012). Factors influencing the customers' satisfaction and switching behavior in cellular services in Pakistan. *Interdisciplinary Journal of Research in Business*, 2(1), 15-25.
22. Kular, S., Gatenby, M., Rees, C., Soane, E., & Truss, K. (2008, October). Employee Engagement: A Literature Review. *Working paper series no. 19. Kingston University*. Retrieved from ISBN No. 1-872058-6/978-1-872058-39-9/9781872058399
23. Larmer, R. A. (1992, February). Whistle Blowing and Employee Loyalty. *Journal of Business Ethics*, 11(2), 125-128. Retrieved from <http://www.jstor.org/stable/25072254>
24. Last Name, F. M. (Year). Article Title. *Journal Title*, Pages From - To.
25. Last Name, F. M. (Year). *Book Title*. City Name: Publisher Name.
26. Leonard, S. (2009). *My Story*. Colle & Co., Publishers.
27. Lockwood, N. R. (2007). Leveraging Employee Engagement for Competitive Advantage: HR's Strategic Role. *SHRM - Research Quarterly*.
28. M.Balasubramanian, & Selvarni, M. (2014, April). Churn Prediction in Mobile Telecom System Using Data Mining Techniques. *International Journal of Scientific and Research Publications*, 4(4).
29. Mohamed, A. I., Omar, A. H., & Ibrahim, I. S. (2013, November). The relationship between employee satisfaction and customer retention in Somalia Companies. *Academic Research International*, 4(6).
30. Reichheld, F. (1996). *The Loyalty Effect*. Harvard Business School Press.
31. Reichheld, F. F. (1993). Loyalty-Based Management. *Harvard Business Review*, 71(2), 64-73.
32. Robbins, S. P., & Judge, T. (2007). *Organizational Culture*. Prentice Hall.
33. Rogers, R. W. (1994). The psychological contract of trust. *Development Dimensions International*.
34. Rucci, A. J., Kim, S. P., & Quinn, R. T. (1998). The employee-customer-profit chain at Sears. *Harvard Business Review*, 76, 82-98.
35. Saini, D. S. (2006, October). Managing Employee Relations through Strategic Human Resource Management: Evidence from Two Tata Companies. *Indian Journal of Industrial Relations*, 42(2), 170-189.
36. Sears, Roebuck & Co.
37. Silvestro, R. (2002). Dispelling the modern myth: Employee satisfaction and loyalty drive service profitability. *International Journal of Operations and Production Management*, 22(1), 30-49.
38. Spector, P. E. (1997). *Job Satisfaction: Applications, Assessments, Causes and Consequences*. Thousand Oaks, CA: Sage.
39. Turkyilmaz, A., Akman, G., Ozkan, C., & Pastuszak, Z. (2011). Empirical study of public sector employee loyalty and satisfaction. *Industrial Management and Data Systems*, 111(5), 675-696.
40. Van den Poel, D., & Lariviere, B. (2004). Customer attrition analysis for financial services using proportional hazard models. *European Journal of Operational Research*, 157(1), 196-217.
41. Wan, H. L. (2012). Employee Loyalty at the Workplace: The Impact of Japanese Style of Human Resource Management. *International Journal of Applied HRM*, 3(1). Retrieved from <http://www.managementjournals.com>
42. Wellins, R. S., Bernthal, P., & Phelps, M. (2005). Employee Engagement: The Key to Realizing Competitive Advantage. *Development Dimensions International*.