Effect of Justice towards Customer Loyalty in Mobile Telecommunication Services

Nor Sabrena Norizan¹, Siti Hajar Mohd Hussain², Jefry Elias²

Faculty of Business Management
¹Universiti Teknologi MARA, KM26 Jalan Lendu, Alor Gajah, Melaka, Malaysia
²Universiti Teknologi MARA, Merbok, Kedah, Malaysia

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ABSTRACT

The study explores the dimensions of justice that contributes the most to the customer loyalty and investigate the relationship that may influence the relationship between perceived customer dimensions of justice and loyalty in mobile telecommunication services. It is an important determinant on the confirming perceptiveness on the service failure that they experienced while using the services provided by the companies. Service failure may influence the customer awareness towards the organization as customers want to view the organization’s willingness and effort during the service recovery processes. The organizational justice theory was adopted as a main framework to recognize and identify the customer perception on dimensions of justice with their loyalty level. Customers view justice based on three components which are procedural, distributive and interactional justice. The study was carried out among 364 full time students in Universiti Teknologi MARA (UiTM) Terengganu. The results confirmed dimensions of justice have a significant impact on customer loyalty and it is shown that when the service failure has happened, the organizations can use these dimensions as a systematic approach in their service recovery processes. Furthermore, the result shows that procedural justice is the factor that most contributes to the customer loyalty in mobile telecommunication services. It is found that customers expected that they will be treated fairly in terms of company decision making, processes and procedures used and whether the company provide a quick response to customer complaints.

KEYWORDS: Procedural Justice, Distributive Justice, Interactional Justice, Customer Loyalty, Mobile Phone Services.

INTRODUCTION

Nowadays, there are increasing numbers of customer complaints in the service industries due to service failure [37]. Complaint about the failure of a service was a challenges moment in the relationship between service providers and consumers [21]. Service failure is something unavoidable due to organizational or human error. It occurs due to the customers do not obtain the service they expect to receive from the service provider [1]. During the service failure arises, it is important for the service provider to take pertinent recuperations to turn the frustrated customer to a state of satisfaction. Moreover, the customer must be able to enhance customer retention rate and help develop long-term relationship to ensure the loyalty of customer retains [43]. It is found that service recovery is the best way on how to calm the dissatisfied customers and to smooth the negative relationship between the organization and the customer [12].

This study focuses on the mobile phone industry as consequently this industry was found to be the ones with the most critical challenges in customer retention as it had experienced major growth year after year [7]. In order to allow the customers to stay with the organization, effective recovery effort need to be developed towards the service failure as it will help to minimize the customers’ dissatisfaction.

The demand for lines and consumption of services by using the communication through mobile networks has grown enormously from year to year [14]. However, retaining customers is one of the challenges for the mobile telecommunication industry as there are strong levels of competitions among the service providers as they spend large sums of capital in acquiring new customers [33]. Previous researchers indicated that handling dissatisfied and customer churn is one of the serious problems for the mobile service provider. It becomes worse every day as the annual churn rate ranges from 20%-40% for most of the global telecommunication industry [4, 22, 29, 18]. The customer churn affect telecommunication industry and it give a big impact in terms of a great deal of price premium, decreasing in company profit and loss of potential customers [31].

The mobile phone services in Malaysia have existed for nearly two decades and now they are facing service delivery problems whereby the customers keep experiencing dropped and failed calls when they were using the services [36]. According to [20], poor services in the Malaysian telecommunication industry have led
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to (35%) of customer complaints, content (16.7%), bill and charging (13.9%), Short Message Service (SMS) (10.1%), poor service coverage (3.5%) and no service coverage (4.3%). Besides, the Malaysian Communications and Multimedia Commission (MCMC) added that the higher customer complaint percentage is due to the poor service customers received from the service provider. Therefore, in order to allow the customers to remain loyal with the organizations, effective recovery efforts need to be developed towards the service failure as it will help to minimize the customers’ dissatisfaction. Thus, this study helped to identify the most dimensions of justice that contributes to the customer loyalty in mobile telecommunication services and to explore the relationship between perceived customer dimensions of justice and loyalty in mobile telecommunication services.

LITERATURE REVIEW

Dimension of Justice
The researchers decided to adopt justice theory as the main framework in recognizing and identifying the customer perception on the dimensions of justice and the service recovery procedures. The relevance is justice theory is a well-known concept, valid and may be useful to represent the customer perceptions regarding the fairness of service recovery [26] which supported this statement as the researchers stressed that the customer perceptions on service recovery fairness would highly affect customer satisfaction and customer loyalty. In organizational settings, justice refers to the workplace fairness and it can be classified as a key component in influencing the formulation of consecutive customer satisfaction and loyalty in service recovery settings [43]. In [25, 28] found out that by using justice theory or concept, it helps determine the level of justice that the customers perceived towards the service recovery. Fundamentally, there were three components of justice which are procedural, distributive and interactional justice [44]. In [17] stressed that these three dimensions of justice can help influence customer satisfaction and loyalty by enhancing the service organization’s relationship with its customers. In [15] supported that who indicated that high levels of justice would result in a high-level of complainant’s loyalty.

Procedural Justice
Procedural justice refers to an organizational approach in dealing with any problems arises during the service delivery process such as availability, timing or promptness, process control, postponement and flexibility to adapt to the consumer's recovery needs [33]. Previous studies indicated that procedural justice is significantly related to customer loyalty. In [10] claimed organization who provide recoveries based on procedural justice will likely to increase customer loyalty. It was further supported by [15] that highlights the effects of complainants’ perceptions of justice on satisfaction and loyalty, which also indicated that procedural justice has a stronger impact on customer satisfaction and loyalty.

Distributive Justice
In dealing with the service recovery problem, it is important for the organization to have distributive justice. Distributive justice is one of the perceived fairness which help to regulate the problem that the service failure created to its customer. It relates to the compensation offered to customers in resolving the complaint during recovery process [3]. If distributive justice contemporaneous between the customer and the service provider, it may aid the customers who experienced service failures in terms of receiving monetary compensation from the mobile telecommunication organization. In [39] supported that compensation is very essential as it is the most important dimension that associated with complainants’ perception.

Most customers expect they will receive a discount, coupons, refunds, free giveaways or any other compensation as one of the recovery solutions [5, 11, 13, 39]. On top of that, there is evidence from past studies that indicates distributive justice exerts a significant positive influence on complainant loyalty. The study among the Turkish guest in Northern Cyprus hotels which conducted by [15] showed that there a positive relationship between distributive justice and customer loyalty. Similarly in[23] study, in a retail context found that distributive justice has a positive relationship with customer loyalty in the low price increases and justifiable reason condition.

Interactional Justice
Interactional justice represents a specific role as it is the only dimension of justice that has direct effects on the customer’s behavior [6]. It refers to the degree of fairness which organizations disseminate with and treat the dissatisfied customers [43]. Most failed customers assume interactional justice as one of the service recovery action when organizations are willing to solve their problem and communicate with them courteously, honestly and empathetically [11, 25, 39, 41]. Interactional justice includes reliability, detail explanation, sincerity, apologetic attitude, communication, politeness and respect, willingness to hear complaints and resolve the problem[5, 37, 41]. There is evidence from the past studies shows that interactional justice exerts a significant
positive influence on complainant loyalty. According to the study by [15], the effects on complainants’ perceptions of justice on satisfaction and loyalty, interactional justice had a significant impact on complainant loyalty. Similar to [34], customer who receive fair treatment (interactional justice) from the service providers have a larger impact on their loyalty.

**Customer Loyalty**

Loyalty is a customer trust about the company’s product, services and other tangibles and intangible promises. It can be honored according to the customer’s consumption experience and thus generate sense of trust companies [44]. In other words, customer loyalty is a situation where repeat purchase behavior is accompanied by a psychological bond and repeat purchase intention and behaviors [32]. A loyal customer is the one who feels responsible to continue a relationship with the organization through good and bad times. There are many benefits of loyal customers as they help to provide strong word of mouth, making business referrals, providing references and serving as an advisory board [30]. There is evidence shown that company growth depends on the positive word of mouth and loyalty made by the customers. Thus, perceived fairness has been classified as one of the factors for maintaining customer loyalty [19, 27]. It is supported by [2] that perceived justice is positively impact on customer loyalty. Indeed, in [42] also found that customers’ perceptions of justice are positively related to customer loyalty.

![Theoretical framework](image)

**Figure 1: Theoretical framework [16]**

**METHODOLOGY**

The research design for this study is a correlational and was done under non experimental settings. It was conducted to explore the relationship between customer dimensions of justice and loyalty pertaining to the product and services provided by the telecommunication companies in Malaysia. Furthermore, this research was conducted as a response to complaints’ made by the customer who experiences service failures, service interruptions and other related problems that is associated with the products and services provided by the mobile telecommunication organization. The population for this study is university students’ who experiences service failures from Universiti Teknologi MARA (UiTM), Terengganu. The students that were selected as the chosen population are from four clusters and seven faculties in the university. Previous studies have shown that university students were the heaviest user’s mobile phone followed by high school students and non-students adult [9].

A sample of 364 from the total population of 6184 full time students, registered during Session 2 2012/2013 of the academic calendar were collected for this study. A restricted or complex probability sampling method that is disproportionate stratified random sampling was employed in this study. This method is chosen because there is variability (unequal number of students in each faculty) within a particular stratum in this study. The researchers used a set of structured questionnaires to collect the data. A cover letter was attached to each set of the questionnaires. The purpose of the cover letter was to clarify the objective of the study as well as to ensure the confidentiality of the information given. The researchers decided to distribute 364 questionnaires to the students. Furthermore, it was distributed directly by hand to the students and the researchers assisted the students in answering the questions. The respondents were given a time frame between 10 to 15 minutes to answer the questions in the questionnaires.

The researchers used a survey questionnaire as the instrument for this study. The questionnaires were adapted from the previous researchers. Besides, the researchers used five-point Likert scale (1-very disagree, 2-disagree, 3-uncertain, 4-agree and 5-very agree). The questionnaires were distributed by hand to the selected respondents. The validity of the instrument was tested for both face and content validity. For the research questionnaires, the researchers had adapted the questionnaires from previous researchers as stated in the table above. The researcher then modifies the questionnaire to suit for this study. As the questionnaires were adapted, the researchers only conduct content validity which it referred to someone who is an expert in the topic being studied, whom the researchers had selected a person who have expertise in customer service. The amendments were done according to the expert comments and suggestions.
Three hypotheses were developed:
H¹: There is a relationship between procedural justice and customer’s loyalty in mobile telecommunication services.
H²: There is a relationship between interactional justice and customer’s loyalty in mobile telecommunication services.
H³: There is a relationship between distributive justice and customer’s loyalty in mobile telecommunication services.

FINDINGS AND DISCUSSION

This study helps to identify the factor of justice that contributes the most to the customer loyalty in mobile telecommunication services. There are three dimensions of justice which are procedural, interactional and distributive justice. Among the 364 questionnaires distributed only 243 respondents make a complaint regarding the service failure. The results were analyzed by using descriptive statistics comprises of minimum, maximum, mean and standard deviation amongst the 243 complainants.

Table 1: Min, max, mean and standard deviation results

<table>
<thead>
<tr>
<th>Dimensions of Justice</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedural Justice</td>
<td>243</td>
<td>1</td>
<td>5</td>
<td>3.61</td>
<td>5.01</td>
</tr>
<tr>
<td>Interactional Justice</td>
<td>243</td>
<td>1</td>
<td>5</td>
<td>3.59</td>
<td>3.86</td>
</tr>
<tr>
<td>Distributive Justice</td>
<td>243</td>
<td>1</td>
<td>5</td>
<td>3.56</td>
<td>3.59</td>
</tr>
</tbody>
</table>

The mean scores for the three factors in justice range from 3.56 to 3.61 whereby the standard deviation scores from 3.59 to 5.01. The results show the mean for three dimensions of justice which are procedural justice (M=3.61, SD=5.01), followed by interactional justice (M=3.59, SD=3.86) and distributive justice (M=3.56, SD=3.59). From the findings, the factor that most contributes to the customer loyalty in mobile telecommunication services is procedural justice (M=3.61). It is found that there are several factors in procedural justice that the respondents considered to be used by the failure company in service recovery processes. Most of the respondents agreed relatively to the company which give them the opportunity to tell their side of the story and when the employee let them explain the events which led to their complaint (M=3.74). Furthermore, they agreed that the mobile service provider made it easy for them to voice their complaint (M=3.71) and it was easy for them to determine where to lodge their complaint when the service failure occurred (M=3.65). In addition, the respondents also agreed that it is easy for them to figure out to whom they should complain (M=3.60) and the complaint process was easy to access (M=3.54). Lastly, most of the respondents agreed that the arrangement for handling customers who are waiting to be served was good (M=3.44) and the mobile service provider responded quickly to their complaint (M=3.42).

Table 2: Multiple regression results

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Std. Error of Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.594a</td>
<td>0.345</td>
<td>0.345</td>
<td>3.28954</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Independent Variable</th>
<th>β</th>
<th>Beta</th>
<th>T-Value</th>
<th>P-Value</th>
<th>R²</th>
<th>F-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer loyalty</td>
<td>Procedural justice</td>
<td>0.424</td>
<td>0.524</td>
<td>9.541</td>
<td>0.000</td>
<td>0.274</td>
<td>91.034</td>
</tr>
<tr>
<td></td>
<td>Interactional justice</td>
<td>0.550</td>
<td>0.523</td>
<td>9.518</td>
<td>0.000</td>
<td>0.273</td>
<td>90.599</td>
</tr>
<tr>
<td></td>
<td>Distributive justice</td>
<td>0.666</td>
<td>0.575</td>
<td>10.911</td>
<td>0.000</td>
<td>0.331</td>
<td>119.047</td>
</tr>
</tbody>
</table>

Table 3: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1409.084</td>
<td>3</td>
<td>469.695</td>
<td>43.406</td>
<td>0.000b</td>
</tr>
<tr>
<td></td>
<td>2586.233</td>
<td>239</td>
<td>10.821</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3995.317</td>
<td>242</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 1 and 2 summarizing the multiple regression results. The multiple regression model with all three predictors produced R²= 0.594, F (3,239) = 43.406, p < 0.001. Hence, this confirms that the three independent variables consists of procedural, distributive and interactional justice had a significant positive relationship with customer loyalty. The standardized coefficients were 0.524, 0.523 and 0.575. Procedural justice refers to the fairness the customer perceived in terms of decision making, procedures and scale that the organization used [6]. From the table above, the result of procedural justice shows β= 0.524, t= 9.541, p= 0.000, adjusted R²= 0.274 and F= 91.034. The value of beta falls between -1 and 1, t is greater than 2 and p is less than 0.01. Even though, the value of adjusted R² was able to explain only 27.4% loyalty in dimension of justice, still the regression values indicated that there exists a strong and significant relationship between procedural justice and loyalty.
Thus, the results supported the research hypothesis one. So, H\(^1\) is accepted. The results are consistent with [40] whose stated that perception of procedural justice had a positive impact on customer loyalty.

Besides, the results also show that interactional justice had a significant positive relationship with customer loyalty. Interactional justice refers to the fairness of the interpersonal treatment people receive during the service recovery [39]. The result shows \(\beta = 0.523, t = 9.518, p = 0.000\), adjusted \(R^2 = 0.273\) and \(f = 90.599\). The value of beta falls between -1 and 1, t is greater than 2 and \(p\) is less than 0.01. Even though, the value of adjusted \(R^2\) was able to explain only 27.3% loyalty in dimension of justice, still the regression values indicated that there exists a strong and significant relationship between interactional and loyalty. Thus, the results supported the research hypothesis two. So, H\(^2\) is accepted. The results are consistent with [35] who found interactional justice in service recovery management had more influence on the reaction of loyal customers.

Lastly, the results show that distributive justice had a significant positive relationship with customer loyalty. Distributive justice focuses on the compensation the customer receives with respect to the outcome of the recovery process [38]. The result shows \(\beta = 0.575, t = 10.911, p = 0.000\), adjusted \(R^2 = 0.331\) and \(f = 119.047\). The value of beta falls between -1 and 1, t is greater than 2 and \(p\) is less than 0.01. Even though, the value of adjusted \(R^2\) was able to explain only 33.1% loyalty in dimension of justice, still the regression values indicated that there exists a strong and significant relationship between distribution and loyalty. Thus, the results supported the research hypothesis three. So, the H\(^3\) is accepted. The results are consistent with the previous research made by [8, 24] whereby distributive justice has the greatest impact on customer loyalty.

From the results above, the researchers’ findings found out that the three dimensions of justice are significantly and positively related to customer loyalty. It shows that when the service failure has happened, the organizations can use these three dimensions as a systematic approach in their service recovery processes. Hence, it will help to ensure customer loyalty and expectation will remain even the service failure happens. This finding is consistent with the results of the research conducted by [44] that the three dimensions of justice effect customer loyalty directly and indirectly.

**CONCLUSION AND RECOMMENDATIONS**

The result shows that procedural justice is the most factors that contributes to the customers loyalty in mobile telecommunication services with the mean score of \((M=3.61, SD=5.01)\). After the service failure occurred, dissatisfied customers will assume that they will be treated fairly by the service provider. They will wish the company to offer a good decision making, efficient processes and procedures and deliver a quick response to a customer complaint. Additionally, it was found that the three dimensions of justice are significantly and positively related to the customer loyalty in the telecommunication sector. It can be seen from the tables and results provided above. Hence, these results appear to support H\(^1\), H\(^2\) and H\(^3\). The existence of the relationship between customer dimensions of justice and customer's loyalty shows that the service provider can practice this recovery method in keeping and enhancing the customer loyalty after the service failure. Procedural justice is important in making the customer stay loyal to the organization as the customer will prefer a company who knows how to control their processes, making decisions, accessibility and provide on time delivery. Moreover, in aspect of interactional justice, the customer will wish the service providers to communicate well with them whereby the interaction should include several factors such as good explanation and efforts, empathy and politeness. Finally, distributive justice is very important as the customers assume that they will obtain a fair outcome’s in terms of coupons, refunds, gifts, replacement and apologies as a way to reduce their satisfaction of the service failure. Therefore, it can be concluded that for the organization to guarantee the customers will continuously loyal and remain for a long-time, they need to always provide a good recovery action after the service failure.

From the findings, here are some of the suggested recommendations made. This study revealed that procedural justice is the most factor contributes to the customer loyalty. Due to that, it is very important for the organization to increase and retain the customer loyalty after the service failure. The mobile service provider has to make sure that they are having a fair policy and procedures and have a good decision making in dealing with the customers during the service recovery effort. They have to make sure the processes, procedures, and the policies are both fair for the customers and also for the organization. The manager’s needs to make sure they are given the authority to their employees in dealing with customers so that they will feel part of an organization’s decision making and also the employees are able to make a quick resolution during the service failure. The organization needs to train the employees on how to deal with those customers, so they will be able to handle dissatisfied customers effectively.

The study revealed that perceived dimensions of justice are very important aspect in determining whether the service recovery effort taken by the company was able to retain customer loyalty when a service failure happens. The dimensions of justice consist of procedural, interactional and distributive justice. Thus, the importance for all mobile service providers in considering the importance of perceived justice in delivering services or products to their customers and it should not be overlooked. The managers need to identify current
processes (procedural justice), outcomes (distributive justice) and the communication between employee and customer (interactional justice). This is important due to the results obtained that perceived customer dimension of justice are significantly and positively related to customer loyalty.

There are a few recommendations suggested by the researchers for further research. Instead of using procedural, interactional and distributive justice, further research should be carried out to find the other determinants that contribute to customer loyalty. As this research was conducted in telecommunication sector, it is applicable if further research can use respondent from the other settings that can portray similar behavior. In addition, for further research it is suggested that, if the researcher can expand the population as this research used students as the respondent, therefore it will help to generate different views and assumptions from people of different categories.

REFERENCES