



Faculty of Economics and Business

**AN EXPLORATORY STUDY OF SERVICE QUALITY
EFFECTIVENESS ON INTENTION TO COMPLAIN AMONG
MOBILE PHONE USERS IN KUCHING**

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KUCHING**

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THIS PROJECT IS SUBMITTED IN PARTIAL FULFILLMENT OF THE
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Statement of Originality

The work described in this Final Year Project, entitled
**“AN EXPLORATORY STUDY OF SERVICE QUALITY EFFECTIVENESS ON
INTENTION TO COMPLAIN AMONG MOBILE PHONE USERS IN
KUCHING”**
is to the best of the author’s knowledge that of the author except where due reference
is made.

13th May 2011

(Date submitted)

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Abstract

This study aims to investigate the relationship between customer service effectiveness and complaint behavior. This study focuses on users of mobile telecommunication services through a questionnaire survey in Kuching. 224 respondents participated in this study. Methodologies employed are descriptive, exploratory factor analysis, Pearson correlation and multiple regression analysis. The findings of this study show that complaint behavior is significantly influenced by reliability as paramount in service quality effectiveness. The findings of this study also shown control variables such as gender and monthly income have significant relationship with complaint behavior. Theoretically, this study contributes to the existing literature by providing insights on the relationship between service effectiveness and complaint behavior in the mobile telecommunication industry. For managers, findings of this study provide better understanding and a further insight on service quality effectiveness in influencing consumers' complaint behavior. Limitations of this study include methodology employed and sample size. Recommendations for future study suggest extending to investigate other service industries, investigate other factors that could affect customer complaint behavior, conduct a nation-wide study and adopt a larger sample size.

Key words: Customer service effectiveness, Consumer complaint behavior, Mobile telecommunications industry

Abstrak

Kajian ini bertujuan untuk mengkaji hubungan antara keberkesanan perkhidmatan pelanggan dan perilaku aduan. Kajian ini bertumpu kepada pengguna khidmat mobile komunikasi dengan menggunakan kaedah soal selidik di Kuching. 224 set data telah dikumpul dalam kajian ini. Ujian seperti deskriptif, analisis factor eksploratori, Pearson korelasi dan analisis multiple regresi digunakan dalam kajian ini. Penemuan kajian ini menunjukkan bahawa perilaku aduan dipengaruhi secara signifikan oleh kebolehpercayaan sebagai factor yang terpenting dalam keberkesanan kualiti perkhidmatan. Penemuan kajian ini juga menunjukkan bahawa jantina dan gaji bulanan berkaitan secara signifikan dengan perilaku aduan. Secara teori, kajian ini menyumbang idea kepada kajian yang sedia kala dengan menyediakan wawasan terhadap hubungan antara keberkesanan perkhidmatan dan perilaku aduan dalam industri mobile telekomunikasi. Selain itu, penemuan kajian ini membantu pengurus lebih memahami dalam pengaruh keberkesanan kualiti perkhidmatan terhadap perilaku aduan. Keterbatasan kajian ini merangkumi ujian digunakan and saiz sampel. Cadangan untuk kajian pada masa kelak ialah memperluaskan kajian dengan menyiasat faktor-faktor lain yang akan mempengaruhi perilaku aduan, melakukan kajian di negara lain selain daripada Negara Kuching dan menggunakan saiz sampel yang lebih besar.

Kata kunci: Keberkesanan perkhidmatan pelanggan, perilaku aduan, industri mobile telekomunikasi

CHAPTER 1

INTRODUCTION

1.1 Introduction

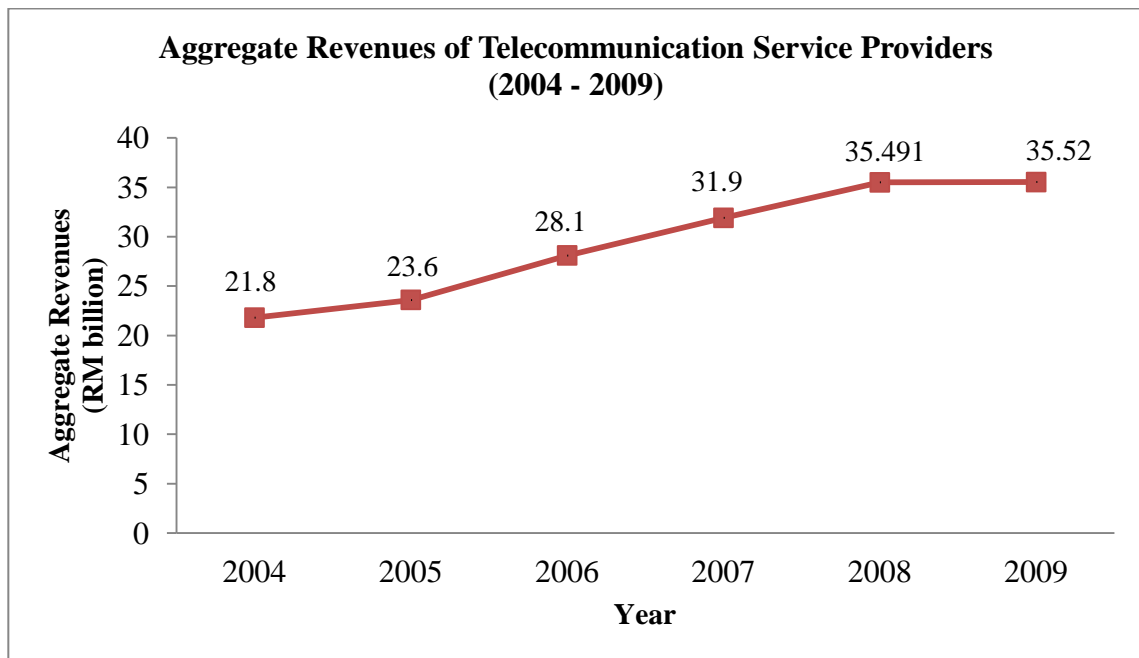
This chapter includes the background of study, problem statement, objective of the research, specific objectives, research questions, significance of the research, scope of study and terms of reference.

1.2 Background of Study

The services sector is a significant sector in the Malaysian economy. The services sector is contributed 55 per cent to Gross Domestic Product (GDP) and accounted for 57 per cent of total employment in the year 2008 (Ministry of Tourism, Culture and Environment, Sabah, 2009). 47.6 per cent of the total contribution of services sector to GDP is contributed by the non-government services sector (Malaysian Industrial Development Authority (MIDA), 2008). Non-Government services sector is projected to assume a major role in contributing to economic growth by registering an annual growth rate of 7.5 per cent per annum and contributing 59.7 per cent to GDP by 2020 (Malaysian Industrial Development Authority (MIDA), 2008). The Malaysian government's initiative to attract greater interest and increased foreign investment in the services sector is by liberalizing twenty seven services sub-sectors, such as health and social services, tourism, transportation as well as computer and related services, with no local equity conditions imposed (Ministry of Tourism, Culture and Environment Sabah, 2009).

One of the sub-sectors in the services sector is telecommunication industry. The contribution of telecommunication industry to the Malaysian economy is 8 percent in the year 2008 (Malaysiainfocus.com, 2010). Telecommunication services comprised of telephone services; television and radio transmission services and data communication services, achieved growth of 6.6 per cent in the year 2007 (Department of Statistics Malaysia, 2010). According to Industry Performance Report 2009 done by Malaysian Communications and Multimedia Commission (MCMC), the aggregate revenue of telecommunication service providers are increasing from the year 2004 until the year 2009 as shown in Figure 1.1 below:

**Figure 1.1: Aggregate Revenues of Telecommunication Service Providers
(2004-2009)**

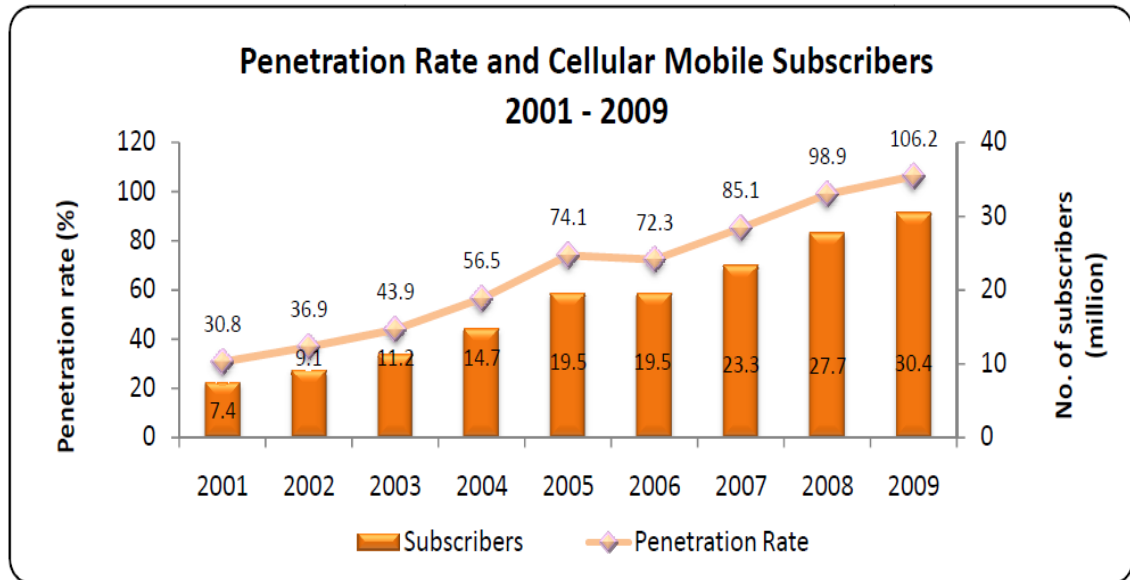


Source: Industry Performance Report 2004 – 2009, Malaysian Communications and Multimedia Commission (MCMC)

From Figure 1.1, from the year 2004 to year 2007, there are four main telecommunication companies, which are Telekom Malaysia Berhad (TM) with the inclusion of Cellular Communications Network Sdn Bhd (Celcom), Maxis Berhad (Maxis), DiGi.com Berhad (DiGi) and TIME dotcom Berhad (Time) contributing revenue aggregately from RM 21.8 billion in the year 2004 and increasing to RM 31.9 billion in the year 2007. With the new emergence of a new player such as U Mobile Sdn Bhd (U Mobile), the aggregate revenues of these five companies amounted RM 35.491 billion in the year 2008 and RM 35.52 billion in the year 2009. The telecommunications sector revenue grew 0.08 per cent for 2009 compared to the corresponding period in 2008 (Industry Performance Report, 2009). Thus, the telecommunication service sector is identified as one of the eight services sub-sectors that can developed further as having a high potential for global integration and exports (Malaysian Industrial Development Authority (MIDA), 2008).

The telecommunication service sector has experienced tremendous growth in Malaysia due to increasing demand by the public in subscribing mobile telecommunications, such as mobile phones and internet connectivity services as compared to telephones with fixed lines. In the year 2005, mobile communications have overtaken fixed line communications whereby the world's mobile subscriber base increased by 22 per cent, with a global penetration rate of 34 per cent. In Malaysia, there are about 7.4 million of mobile subscribers in 2001 quadrupled to 30.4 million of subscribers in the year 2009 as shown in Figure 1.2 below:

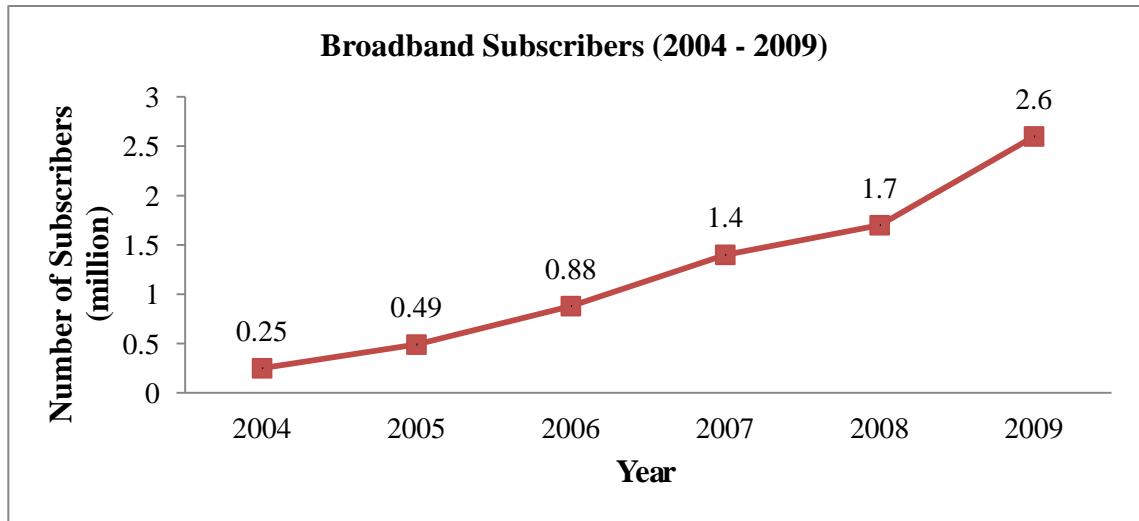
Figure 1.2: Cellular Mobile Penetration Rate and Subscribers (Year 2001-2009)



Source: Industry Performance Report 2009, Malaysian Communications and Multimedia Commission (MCMC)

Both number of subscribers and penetration rate of cellular mobile service had a corresponding increase. For cellular mobile penetration rate, a historical milestone was achieved by breaking through 100 per cent of the penetration mark at 106.2 per cent by end of year 2009. This indicates the high potential profitability in cellular mobile services market segment. Currently, there are three major mobile telecommunication players in Malaysia: Celcom, Maxis and DiGi as well as a new player which is U Mobile (Industry Performance Report, 2009). With the advancement of technologies, a new service, wireless broadband service has been offered to the public resulting in the number of broadband subscribers in Malaysia jumping from approximately 250,000 subscribers in the year 2004 to 2.6 million subscribers in the year 2009 as shown in Figure 1.3.

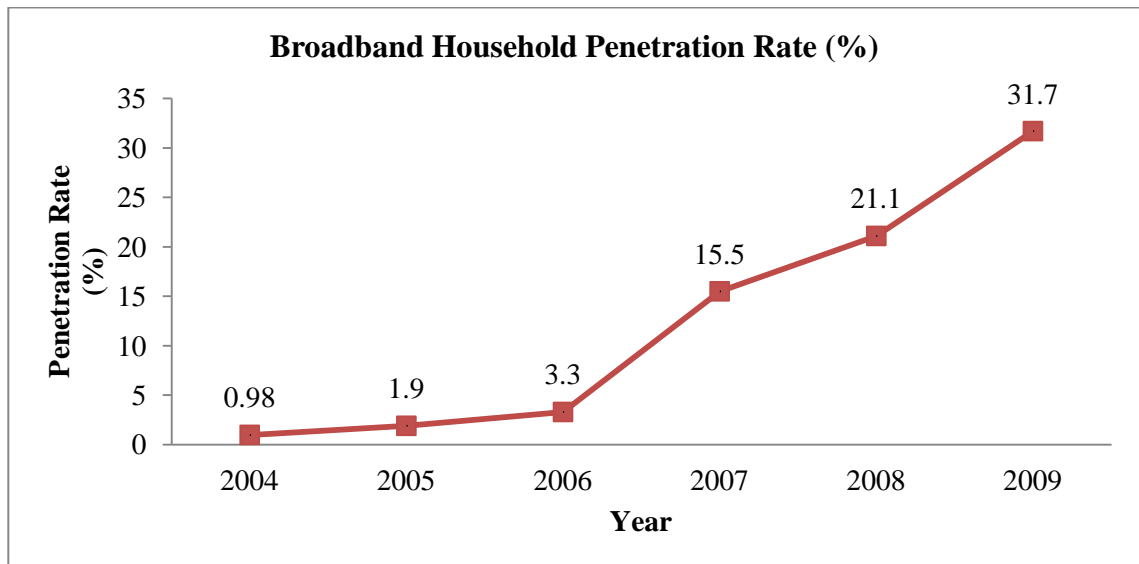
Figure 1.3: Number of Broadband Subscribers (2004-2009)



Source: Industry Performance Report 2004 – 2009, Malaysian Communications and Multimedia Commission (MCMC)

Whereas, the broadband household penetration rate is 0.98 per cent in the year 2004 have increased to 31.7 per cent in the year 2009 as shown in Figure 1.4.

Figure 1.4: Broadband Penetration Rate (2004-2009)



Source: Industry Performance Report, 2004 – 2009, Malaysian Communications and Multimedia Commission (MCMC)

The Malaysian government's ambition is aiming at 75% broadband penetration into the households by the end of 2010 from the current penetration rate of 31.7 per cent of households in Malaysia (Telecommunications in Malaysia, 2008).

1.3 Problem Statement

Customer service in Malaysia needs improvement especially in the telecommunications service sector. National Consumer Complaints Centre (NCCC), a centre that acts as an intermediate channel in solving complaint issues between consumers and organizations, noted that the number of complaints received has been increasing from year to year (Federation of Malaysian Consumers Associations (FOMCA), 2010). Consumer Complaints Bureau (CCB) and the Malaysian Communications and Multimedia Commission (MCMC) handle different types of complaints regarding services provided by Communication and Multimedia industry. There is a huge number of complaints against Communication and Multimedia industry as shown in Table 1 below:

Table 1.1: Trend of Consumer Complaints (2002-2009)

Year	Number of Complaints (cases)
2002	190
2003	343
2004	369
2005	370
2006	664
2007	2,147
2008	4,289
2009	6,178

Source: Industry Performance Report 2009, Malaysian Communications and Multimedia Commission (MCMC)

From Table 1.1, it is shown there is an increasing trend of consumer complaints on Communication and Multimedia Industry. In the year 2009, the number of complaints received is 6,178 cases, a rapid increase of 44 per cent as compared to 4,289 cases in the year 2008. In telecommunication industry, there is a rising number of complaints received by the public regarding poor services relate to cellular, broadband or 3G services. The most frequent complaints relate to poor Internet connection or speed (Malaysian Communications and Multimedia (MCMC), 2009). Furthermore, many complaints on poor services by telecommunication service providers have been published in the local newspaper (Malay Mail, 2010).

Many studies have shown that improving the quality of customer service is the key to achieve a competitive advantage as customer service is a valuable asset in strategically differentiating companies' products and services from each other (Barnes, 1993; Christopher, 1992; Coyne, 1989; Humble, 1991). This has shown that service quality in customer service is an important resource in facilitating organizations to be sustainable in the competitive market. Several studies prove that failure in performing service that meet the expectations and requirements of consumers would cause negative emotions or feelings such as dissatisfaction, frustration, anger and disappointment evoked within consumers (Bennett, 1997; Halstead & Page, 1992; Zeelenberg & Pieters, 2004). Zeelenberg and Pieters (2004) states that these negative emotions have lead consumers to take several behavioral responses such as the likelihood of complaining, switching to other products or services, and negative word-of-mouth (WOM) communication. However, there are relatively few empirical studies focused on

examining the relationship between customer service in relation of service quality effectiveness and complaint behavior. Most studies on complaint behavior have focused on the antecedents or causes for complaining behavior (Velazquez, Blasco, Saura & Contri, 2010; Zeelenberg & Pieter, 2004), effect of factors such as attitudes, perceptions or demographic characteristics on complaint behavior (Heung & Lam, 2003; Jin, 2010; Kim, Kim, Im & Shin, 2003; Ndubisi & Adeline, 2007) and further examinations on particular types of complaint behavior (Phau & Baird, 2008). Thus, consumer complaint behavior has been largely perceived as an isolated construct that is separate from delivery of service quality effectiveness (Tronvoll, 2007).

Therefore, the purpose of this study is to investigate the relationship between customer service effectiveness and complaint behavior.

1.4 Research Objective

The main objective of this study is to investigate the relationship between customer service effectiveness and complaint behavior.

1.4.1 Specific Research Objectives

Therefore, the specific research objectives are to:

1.4.1.1 Investigate the relationship between tangibility with complaint behavior

1.4.1.2 Investigate the relationship between reliability with complaint behavior

1.4.1.3 Investigate the relationship between responsiveness with complaint behavior

1.4.1.4 Investigate the relationship between assurance with complaint behavior

1.4.1.5 Investigate the relationship between empathy with complaint behavior

1.5 Research Question

This study will attempt to answer this question: Is there a relationship between customer service effectiveness and customer complaint behavior?

1.6 Research Significance

It is hoped that the findings of this study is beneficial to the companies in the telecommunication sector. Telecommunication companies will have an insight of customer complaint behavior and thus encouraging telecommunication companies to improve the effectiveness of customer service to attain customer satisfaction. Customer service providers also would benefit from the findings in this study. The findings can be used as a benchmark to revamp the effectiveness of service in order to meet customer needs and wants. Malaysia latest quest is to be a high income economy by year 2020 from the present gross national income per capita (GNI) of USD 7,500 as compiled by World Bank in the year of 2008 (The Star Online, 2009). Therefore, as one of the many initiatives, the government has launched the Economic Transformation Plan (ETP) to accelerate national growth from the current 5 per cent to a higher growth rate in order to realize this undertaking. Thus, the ETP is to boost economic growth through utilizing the workforce and resources to drive economic activities. In response to this, customer complaint behavior is encouraged to develop and is regarded as a tool to improve service delivery (The Star Online, 2010). Hence, it is hoped that the findings of this

study benefit policy makers in the government on customer service effectiveness to enable better enforcement of policies that promote as well as improve the quality of current services provided by the services sector in this country. Finally, the findings in this study would be beneficial to customers in increasing customers' awareness and understanding in the delivery of effective services. This would encourage consumers to be alert in exercising customer rights as a consumer.

1.7 Scope of Study

This study is aimed at investigating the relationship between the effectiveness of customer service provided by mobile telecommunication service providers, such as Celcom, Maxis, DiGi and customer complaint behavior through a questionnaire survey among the public in Kuching.

1.8 Operational Definition of Key Terms

Several important terms in this study will be defined in this section. These terms are including:

1.8.1 Customer service – a process which provides time, place and utilities for the customer in pre-sale, sale and post-sale transactions (Christopher, Payne & Ballantyne, 1991)

1.8.2 Service quality effectiveness – comprised of five dimensions of SERVQUAL scale, which is tangibility, reliability, responsiveness, assurance and empathy

1.8.2.1 Tangibility – physical facilities, equipment and appearance of personnel (Parasuraman, Zeithaml & Berry, 1988)

1.8.2.2 Reliability – ability to perform the promised service dependably and accurately (Parasuraman, Zeithaml & Berry, 1988)

1.8.2.3 Responsiveness – willingness to help customers and provide prompt service (Parasuraman, Zeithaml & Berry, 1988)

1.8.2.4 Assurance – knowledge and courtesy of employees and their ability to inspire trust and confidence (Parasuraman, Zeithaml & Berry, 1988)

1.8.2.5 Empathy – the extend to which caring individualized attention to customers is provided by the company (Parasuraman, Zeithaml & Berry, 1988)

1.8.3 Customer dissatisfaction – disconfirmation of service expectation caused by the service failure (Michel, 2001)

1.8.4 Service failure - breakdown in the service delivery whereby the service is generally does not meet the expectations of consumers (Hoffman & Bateson, 2006)

1.8.5 Complaint behavior – an act of an individual express his or her negative comments and dissatisfaction on a product or service to the organization which manufacture the product or provide the service or to respective third-party organizational entity (Jacoby & Jaccard, 1981)

1.8.5.1 Public complaint behavior – action involves complaints in which customers wish people to know their dissatisfaction (Phau & Baird, 2008) such

as seeking redress from the company or manufacturer, complaining to business, government or private agency and taking legal action (Bearden & Teel, 1983)

1.8.5.2 Private complaint behavior – action involves complaints in which the company exercises no control (Phau & Baird, 2008) such as customers warning family, friends and others about the negative experience through negative word-of-mouth, stop buying the product or service and boycott the product or service that lead to great loss to the company (Bearden & Teel, 1983)

1.9 Conclusion

The subsequent chapters are organized in the following manner; Chapter 2 consists of literature review as well as the theoretical and conceptual framework that will influence the relationship between customer service effectiveness and customer complaint behavior. In Chapter 3 will consist of the research methodology include research design, population, sample, research instrument, the data analysis and the research hypotheses. In Chapter 4 consists of research findings and results. Lastly, Chapter 5 consists of discussion of findings and in Chapter 6 consists of the conclusions and the recommendations of the study.