Antecedents of Customer Satisfaction Affecting Broadband Loyalty: An Implementation of Servqual and NPS®

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ABSTRACT

Many customer satisfaction studies in the service industry use SERVQUAL, an instrument developed by Parasuraman, Zeithaml, and Berry (1998). Similarly, many studies on customer loyalty use the Net Promoter System™ (NPS®) developed by Reichheld (2003). Even though researchers acknowledge a relationship between satisfaction and loyalty, there is currently no empirical evidence demonstrating such relationship using SERVQUAL and NPS. In that regard, this study analyzed the antecedents of satisfaction measured by SERVQUAL that influence loyalty as measured by NPS in the context of the residential broadband service industry. To that effect, 208 broadband customers in the U.S. Midwest region were surveyed online. A confirmatory factor analysis confirmed the latent structure of collected data, validating the use of the five SERVQUAL factors as predictors. An ordinal logistic regression (OLR) model built on the collected data confirmed the existence of a statistically significant relationship between Empathy (one of the factors) and customer loyalty, suggesting that increasing empathy by one point increased the odds of becoming a promoter by 11.73%. The final model was validated using the Akaike information criterion (AIC), a single sample cross-validation model.

Keywords: Akaike, Akaike Information Criterion (AIC), Broadband, Customer Loyalty, Net Promoter, Net Promoter System™ (NPS), Promoter, Satisfaction, Servqual

INTRODUCTION

Over the past years, the residential broadband service industry has faced many challenges due to new laws, new entrants, increased competition, and the ongoing technological evolution. On March 16, 2010, the U.S. Federal Communications Commission (FCC) published the National Broadband Plan (NBP) that encouraged new entrants in the broadband service industry (Martin, 2010). This NBP created a highly competitive environment in which telecommunication, cable, and satellite, companies competed for the same Internet, video, and telephone related services in markets previously served by a single incumbent. With several new competitors entering the previously exclusive broadband markets, firms needed...
to create differentiators to gain the necessary competitive advantages allowing them to retain existing customers while attracting new ones. To that effect, broadband companies such as AT&T, Charter, Comcast, Cox Communications, Direct TV, Time Warner, and Verizon increased their focus on customer satisfaction in the hope of driving loyalty and growing their customer base. Despite these efforts, there exists no empirical evidence confirming the relationship between satisfaction and loyalty in the industry. To that effect, the current research investigates the factors of customer satisfaction that influence loyalty in the residential broadband service industry.

**PROBLEM STATEMENT**

A review of scholarly literature reveals the existence of many studies on customer satisfaction in the service industry that use the Service Quality (SERVQUAL) instrument created by Parasuraman, Zeithaml, and Berry (1988). Similarly, a multitude of studies on customer loyalty use the Net Promoter System (NPS) developed by Reichheld (2003). Even though many scholars such as Castañeda (2011), Collier and Bienstock (2006), and Kanning and Bergmann (2009) acknowledge the existence of a relationship between satisfaction and loyalty, there exists no empirical study demonstrating such linkage between SERVQUAL and NPS, two validated instruments. As such, the research problem investigated by this study consists of identifying the antecedents of customer satisfaction as measured by SERVQUAL that influence customer loyalty as measured by the Net Promoter System in the context of the residential broadband service industry.

**SIGNIFICANCE OF THE STUDY**

Recently, providers of residential broadband services like AT&T, Comcast, Cox Communications, Time Warner, and Verizon started using NPS® as an instrument to measure their customer loyalty. While scholars acknowledge the existence of a relationship between satisfaction and loyalty, this linkage is not linear (Bowen and Chen, 2001; Castañeda, 2011; Nam, 2014). As such, an increase in customer satisfaction does not necessarily result in an increase in loyalty. Additionally, satisfied customers are not necessarily loyal and loyal customers are not automatically satisfied. Looking at the factors that determine customer satisfaction and their level of contribution in loyalty will improve general knowledge on drivers and inhibitors of loyalty based on the determinants of satisfaction. As a result, practitioners will be able to improve satisfaction and loyalty by focusing on increasing their pool of promoters and at the same time decreasing that of detractors. By providing such empirical evidence of a linkage between satisfaction and loyalty based on SERVQUAL and NPS, this study fills a gap in scholarly literature related to residential broadband service industries. It can also serve as a mold for studies using different instrument or industries.

**RESEARCH QUESTION**

With increasing competition in the residential broadband industry, companies strive to identify the service quality attributes affecting customer satisfaction while looking at the same time for ways to improve customer loyalty. As explained by Rahman, Haque, and Khan (2012), “Because of the stiff competition between the current broadband players, it is worth understanding which service quality attributes can create more impact on consumer’s intention to select a broadband internet service operator” (p. 115). Understanding the predictors of satisfaction that influence loyalty is thus of great importance to service providers. Customer satisfaction is measured in the service industry using instruments such as SERVQUAL, while customer loyalty is measured using instruments such as the Net Promoter System. With the absence of empirical studies showing the relation between SERVQUAL and NPS, this study will fill the existing gap by answering the following research question:
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