
Service Quality, Customer Satisfaction, and Retention in an ICT Company: A Framework for Developing a Service Quality Model

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Abstract:

Service Quality is the primary concern and is rigorously monitored by companies in the service industry, such as the Information and Communications Technology (ICT) sector. The standard of services is determined by the interaction between the service firm and the consumer during the service delivery process. Service Quality is a metric that quantifies the extent to which a service meets the expectations of the consumer. In other terms, how exceptional was the customer experience in comparison to their expectations? Service standard is qualitative, which renders it difficult to quantify. However, there are numerous metrics that can assist your business in determining whether your services are meeting customer expectations, and service standard is one of them. The objective of this investigation was to ascertain the correlation between customer satisfaction, retention, and service standard in order to create a service standard model that would be beneficial to the ICT organization. Additionally, the findings of this investigation may serve as a foundation for the creation of a service standard model to enhance the quality of their services and consumer interactions. As its objective was to investigate the correlation between three variables—customer satisfaction, service standard, and customer retention—this investigation implemented a descriptive-correlational research design. The respondents of this study were the 100 existing subscribers of a ICT Company, who are presently residing in Manila. Purposive sampling was implemented in this investigation. The results of this study indicated that the level of Service Quality in terms of RATER was verbally interpreted as High, while the level of customer satisfaction was verbally interpreted as Satisfied. Additionally, the level of customer retention rate was high, with the majority of the respondents being subscribers for 2-3 years, resulting in a retention rate of 34.20%. Additionally, it was determined that there was a substantial correlation between the level of consumer satisfaction and the quality of service at a ICT company. However, it was also discovered that there was no significant correlation between the level of Service Quality and the level of customer retention in the ICT company, as well as between customer satisfaction and customer retention. In order to enhance the current level of service standard, customer satisfaction, and customer retention at the company, a Service Quality model was created for implementation.

Keywords: Service Quality, Customer Satisfaction, Customer Retention, Service Standard Model, ICT

Introduction:

In today's competitive marketplace, the Information and Communication Technology (ICT) industry is a prime example of organizations prioritizing service quality as a strategic imperative. The relationship between service quality, customer satisfaction, and customer retention has been a focus for academic researchers and corporate managers seeking sustainable competitive advantages. This study explores these constructs within the context of an ICT company, aiming to devise a service quality model that enhances not just performance metrics but also the overall customer experience.

Organizations operating within the ICT sector are aware that the quality of services rendered significantly impacts their standing in the marketplace. The perceived value of service quality emerges from the interactions between service providers and consumers, which ultimately shapes the consumer's expectations and satisfaction levels. High service quality is often synonymous with superior customer experiences. Forsyth (2022) emphasizes the utility of the SERVQUAL metric, which provides a structured approach to measuring service quality based on five dimensions: Reliability, Assurance, Tangibles, Empathy, and Responsiveness (RATER). This measurement tool serves as a diagnostic framework that helps organizations assess gaps between expected and delivered service, enabling them to fine-tune their customer service strategies.

Customer satisfaction is an integral component of organizational success, as it is often measured as a key indicator of consumer loyalty and inclination towards repeat business. Satisfied customers are likely to engage in positive word-of-mouth, reinforcing the brand image and attracting new clientele. Conversely, dissatisfied customers can damage a company's reputation and prompt them to consider alternative service providers. Cultivating strong customer relationships is crucial in ensuring that consumer needs are not

only met but exceeded, fostering loyalty and retention.

Customer retention is equally complex, as it is influenced by new customer acquisition and the churn rate of existing clientele. Effective customer retention strategies not only heighten return on investment (ROI) but also nurture customer loyalty and draw in potential customers. However, the interplay between customer satisfaction and retention remains a subject of continued investigation.

This research seeks to fill an existing gap in the literature, specifically concerning ICT companies, by addressing several key questions: What is the level of service quality experienced by customers of an ICT company? How does this correlate with customer satisfaction and retention rates? What dimensions of service quality are most impactful in shaping customer perceptions and loyalty?

The integration of theoretical frameworks, such as the SERVQUAL model introduced by Parasuraman et al. (1985), Kotler's Theory of Customer Satisfaction, and Oliver's Theory of Customer Loyalty, will provide a foundational structure for the analysis. These frameworks will guide the investigation into the dynamics of perceived service quality, customer satisfaction, and customer loyalty, ultimately forging a pathway to improve service delivery within the ICT sector.

As organizations navigate the complexities of the digital era, the need for high service quality remains paramount. This study aims to significantly contribute to the existing body of knowledge, providing insights that can aid ICT companies in understanding and enhancing their service quality, customer satisfaction, and retention strategies.

Specifically, this study sought to answer the following questions:

1. What is the the level of service quality in an ICT Company in terms of RATER

- (reliability, assurance, tangibility, empathy and responsiveness)?
2. What is the level of customer satisfaction in terms of RATER?
 3. What is the customer retention rate in terms of years of subscription?
 4. Is there a significant relationship between the service quality and the level of customer satisfaction in an ICT Company?
 5. Is there a significant relationship between the service quality and the customer retention rate in an ICT company?
 6. Is there a significant relationship between the level of customer satisfaction and the customer retention rate in an ICT company?
 7. Based on the findings of the study, what service quality model can be proposed to improve the service quality of the organization?

Methodology:

A descriptive-correlational research approach is used in this study to explore the relationships between three key variables: service quality, customer satisfaction, and customer retention. The focus was on both identifying what occurred in these areas and understanding the underlying reasons and mechanisms. Data was gathered primarily through observational techniques and surveys, typical of descriptive correlational studies that aim to delineate both the descriptive aspects of variables and their natural interrelations (Souza, 2018).

Data collection was primarily conducted through survey questionnaires distributed among 120 existing subscribers of an Information and Communications Technology (ICT) company. In addition to primary data from survey responses, secondary sources included technical publications, articles, online journals, and other pertinent references that informed the literature review.

The target population for this study comprised existing subscribers of an ICT company based in Manila. A purposive sampling method was utilized, resulting in a total of 120 respondents

who were selected based on predefined criteria. The primary instrument used for data collection was a researcher-made questionnaire, which consisted of three parts: (1) Service Quality which assessed the level of service quality perceived by customers; (2) Customer Satisfaction which evaluated customer satisfaction levels; (3) Customer Retention which focused on the duration of customers' relationship with the ICT company.

A 4-point Likert scale was utilized for responses in each section. The questionnaire was validated by three experts in academia, information communication technology, and engineering, along with a business management expert specializing in customer relations. The validation process involved the use of a validation form where experts assessed the appropriateness of indicators for each variable. Reliability of the instrument was determined using Cronbach's alpha, yielding values of 0.972 for service quality and 0.897 for customer satisfaction, indicating a high level of internal consistency. Responses were evaluated using a 4 point Likert scale scoring systems

Prior to data collection, permission was obtained from the management of the ICT company. Upon approval, the validated questionnaire was provided to a customer service representative, who facilitated its distribution online over a period of 3 to 5 days. The gathered data were subsequently collated and prepared for analysis using appropriate statistical methodologies such as the weighted mean and Pearson Product Moment Correlation.

Results and Discussion:

The results of this study provided a detailed overview of service quality dimensions as experienced by customers of an ICT company. The findings were organized into several tables, focusing on varied aspects of the RATER model (Reliability, Assurance, Tangibility, Empathy, and Responsiveness).

Reliability

Table 1: The Level of Service Quality in an ICT Company in terms of Reliability

Indicators	Weighted Mean	Verbal Interpretation	Rank
1. The responsiveness of the customer support team in resolving your issues or inquiries are in a timely manner	3.06	High (Agree)	3
2. The customer support team shows a sincere interest in resolving your issues or inquiries.	3.08	High (Agree)	1.5
3. The customer support team effectively resolve your last reported issue.	3.08	High (Agree)	1.5
4. The services meet your expectation in terms of reliability.	3.01	High (Agree)	4.5
5. The package availed is consistent with what you experience	3.01	High (Agree)	4.5
6. Downtime is strictly monitored	2.88	High (Agree)	6
Average	3.02	High (Agree)	

Table 1 shows that the respondents indicated a high level of agreement with the reliability dimension of service quality, with an average weighted mean of 3.02. The highest-ranked statements pertained to the customer support team's sincerity in resolving issues and their effectiveness in resolving reported problems, both showing a weighted mean of 3.08. Additionally,

the reliability of services (weighted mean of 3.06) and the consistency of the package availed (weighted mean of 3.01) further supported the positive perceptions of reliability. This indicates that respondents feel confident in the ICT company's ability to deliver consistent and dependable service.

Assurance

Table 2: The Level of Service Quality in an ICT Company in terms of Assurance

Indicators	Weighted Mean	Verbal Interpretation	Rank
1. The employees shows expertise that instill confidence in customers	3.04	High (Agree)	4
2. Customers feel safe and secure in their transactions in the company.	3.15	High (Agree)	3
3. Employees are clear, understandable and polite when explaining to the customers	3.18	High (Agree)	1
4. Employees are knowledgeable to answer customers' questions.	3.17	High (Agree)	2
5. The customer support channels are accessible.	3.02	High (Agree)	5
6. The internet connectivity is monitored	2.96	High (Agree)	6
Average	3.09	High (Agree)	

Table 2 discusses the assurance aspect of service quality, which yielded a higher average weighted mean of 3.09. Respondents particularly appreciated the clarity and politeness of

employees (mean = 3.18) and their level of knowledge (mean = 3.17), suggesting that these aspects contribute significantly to customer confidence and satisfaction

.Tangibility

Table 3: The Level of Service Quality in an ICT Company in terms of Tangibility

Indicators	Weighted Mean	Verbal Interpretation	Rank
1. The ICT company have modern equipment.	3.23	High (Agree)	1
2. Their physical facilities (shelves, counters, racks, computers, lights) are visually appealing.	3.03	High (Agree)	5
3. Their employees are appear neat and dressed appropriately.	3.15	High (Agree)	3
4. The physical environment of the office is clean and tidy.	3.19	High (Agree)	2
5. Physical branch is available in my area	3.06	High (Agree)	4
Average	3.13	High (Agree)	

The results from Table 3 underscore the significance of tangibility, with an average mean of 3.13. Respondents noted the presence of modern equipment (mean = 3.23) and the cleanliness of the office environment (mean =

3.15) as areas where the ICT company excelled. This reflects the importance of physical evidence in shaping customers' impressions of service quality.

Empathy

Table 4: The Level of Service Quality in an ICT Company in terms of Empathy

Indicators	Weighted Mean	Verbal Interpretation	Rank
1. The company's operating hours are convenient to all their customers.	3.08	High (Agree)	1
2. Employees tailored their service based on your unique situation.	2.97	High (Agree)	4
3. The customer support team listen to customers' concerns before providing a solution.	3.04	High (Agree)	3
4. The customers feel comfortable sharing their issues or frustrations with the customer support team	3.05	High (Agree)	2
Average	3.03	High (Agree)	

Table 4's findings reveal that empathy, with an average mean of 3.03, is valued by customers, particularly regarding the convenience of operating hours (mean = 3.08). However,

customers indicated a need for more tailored services based on individual situations, suggesting an area for potential improvement.

Responsiveness

Table 5 The Level of Service Quality in an ICT Company in terms of Responsiveness

Indicators	Weighted Mean	Verbal Interpretation	Rank
1. Employees provide prompt updates to the customers regarding their issues or concerns	3.06	High (Agree)	2
2. Support channels are available in providing quick responses.	2.98	High (Agree)	4
3. Employees are always willing to help customers.	3.10	High (Agree)	1
4. Employees give a follow-up communication after support request has been resolved.	2.91	High (Agree)	5
5. Employees should make information easily obtainable by the customers.	3.03	High (Agree)	3
Average	3.02	High (Agree)	

The responsiveness dimension is addressed in Table 5, where the average weighted mean of 3.02 reflects a generally high level of agreement that employees are willing to assist customers. Notably, there exists a gap in follow-up

communication post-issue resolution (mean = 2.91), indicating that while employees are willing to help, there is a need for more proactive engagement.

Overall Service Quality

Table 6: The Composite Table of the Level of Service Quality in an ICT Company

Indicators	Weighted Mean	Verbal Interpretation	Rank
1. Reliability	3.02	High (Agree)	4.5
2. Assurance	3.09	High (Agree)	2
3. Tangibility	3.13	High (Agree)	1
4. Empathy	3.03	High (Agree)	3
5. Responsiveness	3.02	High (Agree)	4.5
Overall Weighted Mean	3.06	High (Agree)	

Considering all dimensions of the RATER model, Table 6 shows a total average weighted mean of 3.06, interpreted as high service quality overall.

This insight demonstrates that respondents largely agree that the ICT company provides high-quality services.

Customer Satisfaction Level

Table 7: The Level of Customer Satisfaction

Indicators	Weighted Mean	Verbal Interpretation	Rank
1. The internet speed indicated is the is the real speed provided	2.86	Satisfied (Agree)	5
2. The interface of the product is user-friendly	3.08	Satisfied (Agree)	2
3. Product catalogue is well-presented and comprehensible	3.10	Satisfied (Agree)	1
4. The service provided is timely	2.89	Satisfied (Agree)	4
5. The customer support team ensures that concerns are addressed as soon as possible.	2.95	Satisfied (Agree)	3
Average	2.98	Satisfied (Agree)	

Table 7 highlights customer satisfaction, which achieved an average weighted mean of 2.98, suggesting that customers are generally satisfied

with the services of the ICT company. The clarity of the product catalogue and the authenticity of promised internet speed are critical indicators.

Customer Retention Analysis

Table 8: The Level of Customer Retention in terms of Years of Subscription

Years of Subscription	Frequency	Percentage
1-2	38	32
3-4	40	33
5 or more	42	35
Total	120	100

The customer retention in terms of subscription detailed in Table 8, indicates a fairly balanced distribution of subscription duration among respondents. This data shows that the ICT

company successfully retains customers across different subscription lengths, an essential factor for business sustainability.

Service Quality and Customer Satisfaction Relationship

Table 9: Relationship between the Level of Service Quality and the Level of Customer Satisfaction in an ICT Company

Service Quality	Pearson r	p-value	Interpretation
Reliability (or Responsibility?)	0.735** Moderate correlation	0.000	Significant
Assurance	0.712** Moderate correlation	0.000	Significant
Tangibility	0.722** Moderate correlation	0.000	Significant
Empathy	0.738** Moderate correlation	0.000	Significant
Responsiveness	0.728** Moderate correlation	0.000	Significant
**Significant @ 0.01			

The relationship between service quality and customer satisfaction revealed significant positive correlation with a probability value of 0.000, as shown in table 9. This aligns with previous

literature asserting that enhanced service quality directly influences customer satisfaction, which ultimately fosters customer loyalty.

Service Quality and Customer Retention Relationship

Table 10: Relationship between the Level of Service Quality and the Customer Retention Rate in an ICT Company

Service Quality	Pearson r	p-value	Interpretation
Reliability	-0.040 Negligible correlation	0.485	Not Significant
Assurance	-0.114 Low correlation	0.210	Not Significant
Tangibility	-0.066 Negligible correlation	0.350	Not Significant
Empathy	-0.107 Low correlation	0.125	Not Significant
Responsiveness	-0.065 Negligible correlation	0.290	Not Significant
Significance level @ 0.05			

Conversely, Table 10 indicates no significant correlation between service quality and customer retention, which suggests that even high-quality service does not guarantee retention in this

particular context. This supports findings from past studies indicating that customer satisfaction may not directly correlate with retention rates but can be mediated by customer trust.

Customer Satisfaction and Retention Correlation

Table 11: Relationship between the Level of Customer Satisfaction and the Customer Retention Rate in an ICT Company

	Pearson r	p-value	Interpretation
Level of Customer Satisfaction and the Customer Retention Rate in the ICT Company	-0.003 Negligible correlation	0.963	Not Significant
Significance level @ 0.05			

The findings presented in Table 11 suggest a lack of significant correlation between customer satisfaction and retention, reiterating previous literature that highlights the complexity of these relationships in service industries.

Proposed Service Quality Model:

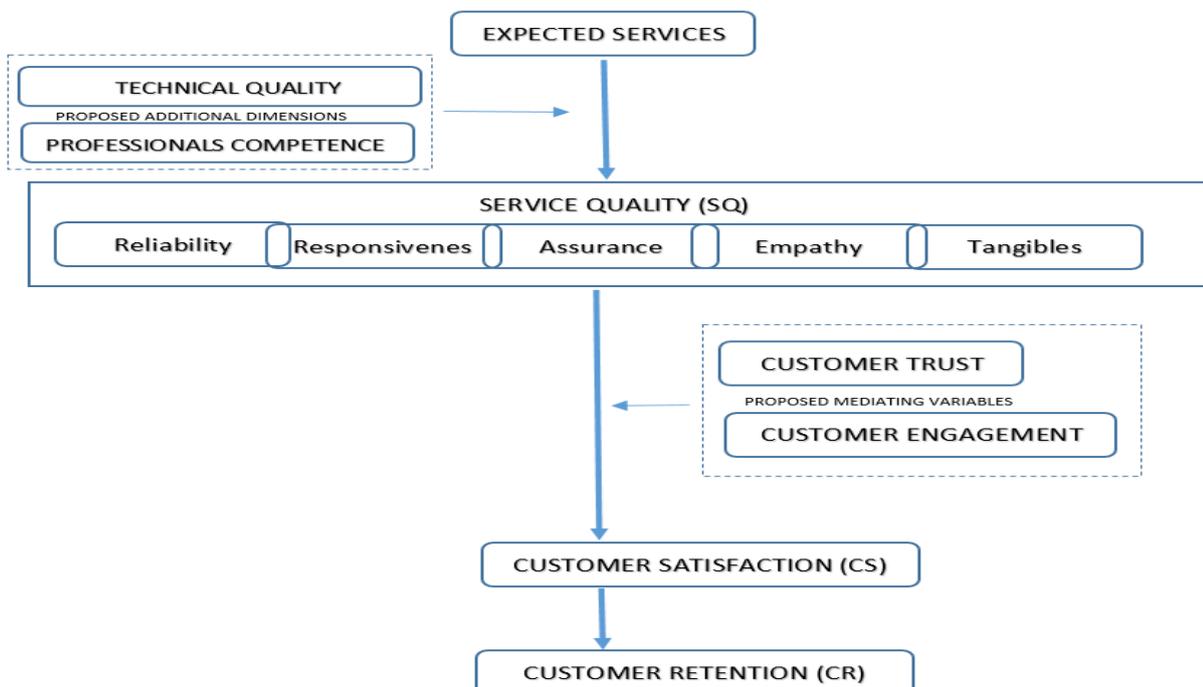


Figure 1 shows the proposed Service Quality model, enhancing the original SERVQUAL model to include additional dimensions such as professional competence and technical (network) quality, along with mediating variables of

customer trust and engagement. This model aims to provide a holistic understanding of service delivery and its impact on customer satisfaction and retention.

Conclusion and Recommendations:

Conclusion:

Based on the findings of the study, the following conclusions were drawn:

1. The respondents agree that the ICT company was able to provide high service quality and can still be improved especially in terms of reliability and responsiveness.
2. The result implied that the customers were satisfied with the services rendered by the ICT Company and that the company just need to focus more on providing the internet speed promised to the customers.
3. A Company can further increase their customers' retention rate by offering feasible deals that will entice their customers to renew their subscriptions every time.
4. The higher the level of service quality, the higher the level of customer satisfaction.
5. The level of service quality of the company does not affect the customers' level of retention.
6. The level of customer satisfaction does not affect the customers' level of retention.
7. A service quality model was developed for implementation to improve the existing level of service quality, level of customer satisfaction and level of customer retention of an ICT Company.

Recommendations:

Based on the findings and conclusions presented, the following recommendations are suggested:

1. A company should conduct a periodic customer service evaluation or survey in order to efficiently evaluate the quality of the services it provides and whether they meet the needs of its customers, particularly in terms of responsiveness and accountability.
2. A company should offer a significantly faster internet speed than the consumers anticipate based on their package in order to exceed their expectations.

3. Offer promotions to motivate customers to renew their subscriptions after the lock-in period and to attract new customers.
4. Guarantee the provision of high-quality service quality, as this will undoubtedly enhance consumer satisfaction.
5. Consistently provide high-quality internet service, despite the fact that the results of the study indicate that Service Quality is not correlated with the customers' retention rate.
6. Business organization should guarantee that their customers' expectations and requirements are consistently met.
7. The organization should implement the Service Quality model that has been developed by integrating a variety of factors and methodologies. This method emphasizes the necessity of continuous monitoring and adjustment of strategies to guarantee customer satisfaction, maintain a high level of Service Quality, and, in the end, enhance customer retention rates.
8. Future researchers may conduct a study on the proposed Service Quality model, encompassing a broader population, in order to evaluate the extent and correlation between Service Quality, customer satisfaction, and customer retention. This research should not be restricted to a single ICT company; it should encompass a variety of ICT companies. The objective is to acquire a more comprehensive understanding of the extent of customer satisfaction, service quality, and their influence on customer retention. The academic discipline will benefit and the ICT industry as a whole will gain valuable insights by broadening the scope of the investigation.

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