CUSTOMER RETENTION IN HOME INTERNET SERVICE PROVIDER (ISP) MARKET: FACTORS INFLUENCING BRAND LOYALTY

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Abstract

This thesis investigates the relationship between the home Internet users in southern Thailand, and the loyalty that these users have towards their service providers. It looks into addressing the factors that influence the brand loyalty intentions of the home Internet users in southern Thailand. The research for this thesis is based on the premise that brand personality, brand image and brand awareness is created either by direct company communication mix or indirect contact with the consumers - both of which influences the perception of consumer expectation while at the same time reinforcing brand trust. Exploratory research finds that, consumers will be satisfied with the brand if the brand can fulfil its promises and expectations that the consumers have of its brand and products. In return, high consumer satisfaction will augment the level of brand trust and brand value, eventually affecting brand loyalty.

This thesis extends previous brand loyalty research, through comparing attributes that have in the past been associated with brand loyalty, and explores their application to the Internet Service Provider (ISP) market for home use in southern Thailand. Consequently, the main thrust of this thesis is to develop a framework that can be empirically tested to determine the factors that influence brand loyalty in the ISP market for home use in southern Thailand.
Acknowledgements

I wish to express my appreciation and gratitude to all those who inspired, encouraged, supported, assisted and were patient with me during the one year that I have been undertaking this award.

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Thank you to each and every one of you from the bottom of my heart. You have all been an essential and integral part of this journey.
“Customer Retention in home Internet Service Provider (ISP) market: Factors influencing Brand Loyalty”

Declaration

This thesis contains no material which has been accepted for the award to the candidate of any other degree or diploma in any university or other institution. To the best of my knowledge, this thesis contains no material previously published or written by another person, except where due reference is made in the text.

Paramaporn Thaichon

Melbourne, Australia
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Chapter 1: Introduction

The chapter starts with identifying the problem statement, key questions and objectives of the research undertaken. This chapter will also introduce the importance of this thesis together with the background outlining the field of study, the methodology used and finally a summary of the key findings.

1.1 Research Background

National Electronics and Computer Technology Centre of Thailand (NECTEC, 2010) notes that there was a growth in Internet users by 13.7% between 2008 and 2009, and 84.68% growth between 2005 and 2009. Additionally, the Thai National Statistical Office (TNSO, 2010) reported that an average of 10% of the home Internet customers in southern Thailand switched service providers each year between 2003 to 2008 in southern Thailand. In 2009, the figure was 12% (True, 2010; NECTEC, 2010). Therefore, this scenario provides an opportunity for ISPs in southern Thailand to understand factors that influences brand loyalty, which in turn can lead to customer retention in the competitive home ISP market and subsequently increase their market share through a more loyal customer base.

Previous research on brand loyalty by Reichheld and Sasser (1990) state that business performance improves through loyal customers, as they tend to give companies higher levels of profits from higher levels of repurchase, decreased price sensitivity, positive word of mouth and lower likelihood to switch to competing brands (Bowen & Chen, 2001; Bowen & Shoemaker, 1998; Buttle, 1996). Other research such as conducted by Dick and Basu (1994) say that the levels of brand loyalty are determined by the level
of repeat purchase and relative attitude; Oliver (1999) notes that brand loyalty will increase customers’ commitment to the brand, resistance to inducements to transfer to other brands, and also tolerance of the brand’s error in performance.

1.1.1 Brand Loyalty

“Customer loyalty is a much desired thing. Everyone accepts without question that it’s more profitable to sell to an existing customer than it is to recruit a new one. Get the customer on side, cross-sell them some other products and build a relationship. Before long you’ve got $-signs in your eyes as you start to calculate the lifetime value of this partnership” (Gofton 1995, p.25).

Most definitions of customer loyalty are behavioural, which centres on the notion of repeat purchase and the constant use of a brand (Mundt, 2005). However, Mundt (2005) points out that a handful of authors such as Day (1969); Ajzen and Fishbein (1977); Jacoby and Chestnut (1978); Bagozzi (1981); Mellens, Dekimpe and Steenkamp (1996) have argued for an attitudinal perspective for genuine customer loyalty to exist. Jacoby and Kyner (1973) supports this view by stating that the attitudinal measures of loyalty are based on the customer’s preference, commitment, intentions or attitude towards a brand and also on their intended purchasing behaviour.

In the context of this research, brand loyalty is defined as a consumer's commitment to repurchase the product or service, and the consumer’s word of mouth to encourage other consumer to trial the product. This view is supported by different well known authors, such as Oliver, 1999; Aaker, 1997; Shang, Chen and Liao, 2006; Chaudhari and Holbrook, 2001). This research assumes two main factors that influences brand
loyalty, which is **brand trust** and **brand value** – a view is also supported by various well known authors (such as Sung & Kim, 2010; Grossmanova, Vojtkova & Kita, 2009; Wallace, Giese & Johnson, 2004).

In summary, factors that have been associated with brand trust include:

1) Brand personality (Sung & Kim, 2010; Grossmanova, Vojtkova & Kita, 2009)
2) Brand image (Kim, Han & Park, 2001; Chen, 2010)
3) Brand awareness (Hong & John, 2010; Keller, 2010; Healy, 2007)

Factors which have been associated with both brand trust and brand value include:

4) Perceived quality (Fornell et al., 1996; Olsen, 2002; Hong & John, 2010)
5) Marketing communications (Grossmanova, Vojtkova & Kita, 2009)

### 1.2 Problem Statement

This thesis investigates the relationship between home Internet users and their loyalty. It addresses the following question:

> "What are the factors that influence brand loyalty intentions of Internet users in southern Thailand?"

### 1.3 Research Questions

In order to address the main research problem of this study, the following specific research questions will be investigated:
What are the possible factors that can be associated with brand loyalty?

What are the main characteristics of the home Internet consumers in southern Thailand?

What are the attributes, home Internet consumers in southern Thailand look for in an ISP?

What attributes can be related to brand loyalty in the home ISP in southern Thailand?

What is the current role of brand loyalty in the home ISP market in southern Thailand?

### 1.4 Research Objectives

- To identify attributes that have previously been associated with brand loyalty
- Attributes related to brand loyalty in the home ISP market in southern Thailand
- To develop a framework that can be empirically tested to determine the factors that influence brand loyalty in the home ISP market in southern Thailand

### 1.5 Significance of Study

Oliver (1999) points out that higher customer loyalty will be positive to the organization and its brand, as high customer loyalty lends to:

- Higher levels of repurchase, repeat purchase and relative attitude
- Higher levels of positive word of mouth and customers’ commitment to the brand (Bowen and Chen, 2001; Bowen and Shoemaker, 1998)
- Decreased price sensitivity and lower likelihood to switch brands (Buttle, 1996)
o Resistance to inducements to transfer to other brands and tolerance of error in performance (Dick and Basu, 1994)

o Higher levels of profits from higher levels of repurchase, decreased price sensitivity, positive word of mouth and lower likelihood to switch brands

1.6 Methods of the Study and Limitations

An exploratory investigation was undertaken to understand the consumer demographics and behaviour as well as the ISP market in Thailand, including southern Thailand. With the exploration, problems and the related opportunities in the home ISP market are then identified to generate the research questions and objectives related to the context of brand loyalty. A wide amount of literary review has been studied to understand current concepts in branding and brand loyalty.

Due to time constraint no primary data collection will be undertaken, as there is inadequate time to complete the ethics approval processes to develop a meaningful survey, and undertake interviews in southern Thailand. Therefore an exploratory investigation will be undertaken, in order to develop a framework that can be empirically tested at a later stage. Only secondary data sources will be used. Scholarly literature and industry reports will inform the research. It is anticipated that this research will be carried on to a PhD research level in the future and will be further explored using research tools such as face to face interviews, surveys and focus groups to logically test the framework and come to a conclusion.
1.7 Summary of Key Findings

1.7.1 Characteristics of home Internet consumers in southern Thailand

National Electronics and Computer Technology Centre of Thailand (NECTEC, 2010) notes that there was a growth in Internet users by 13.7% between 2008 and 2009, and 84.68% growth between 2005 and 2009. This growth is mainly due to the usage of the Internet by young. 69.14% of the users accessed entertainment and games website and 27.4% of users accessed websites pertaining to social aspect and news.

1.7.2 Attributes that home Internet consumers in southern Thailand look for

Factors that influence consumers in Thailand to purchase a product or service includes consumer’s education, income, age, occupation, level of consumer’s trust, awareness and knowledge of the brand and its product or service. Other factors included the product and service’s quality, price, promotion, variety offered and the features. Furthermore, Thai people who fall in the middle to high class income bracket tend to purchase expensive products and services just to enhance their self-image, self-respect, social-respect, and social belonging.

1.7.3 The current role of brand loyalty in the home ISP market in southern Thailand

Thai National Statistical Office (2010) has pointed out that an average of 10% of the home ISP customers in southern Thailand switched service providers each year (True,
2010; NECTEC, 2010). Thananuraksakul (2007) states that, this is because Internet consumers in southern Thailand are more likely to purchase any Internet brand that gives them the highest value. This could be in the form of cheaper price, high Internet download limit, higher speed, value adding services such as bundle promotion (i.e. bundling complimenting service offer, such as land telephone line with internet connection).

1.7.4 Attributes related to brand loyalty in the home ISP market in southern Thailand

As of 2010, TOT Internet and 3BB which are both Government owned have the highest market share because of their strong brand awareness, consumer trust, superior promotion and convenience. True Internet comes in third with a 25% of the market share from just 6% a year ago. True Internet’s high growth is attributed to its effective brand awareness campaign, product bundling offers and wide promotion campaigns (NECTEC, 2010; True, 2010).

1.7.5 Impact of brand loyalty on customer retention in the home ISP market in southern Thailand

Brand loyalty can help ISPs in southern Thailand to increase its customer retention rate by decreasing brand switching by its current customer base. From the previous studies, it is understood that it cost less to retain current customers, compared to attracting new ones. This means if an ISP is retaining most of its customers, it actually
decreases the acquisition cost or allows the company to use the cost savings to acquire new customers and increase its market share.

1.8 Thesis Outline

The outline of this thesis is provided below, including a brief description of what each chapter contains.
Chapter 2: Thai Context: ISP Industry in Thailand

2.1 Chapter Introduction

This chapter provides a review of the Internet Service Provider (ISP) market in southern Thailand. This review helps to put this thesis into context with related research previously undertaken by the Thai government in terms of Internet usage behaviour and Internet service providers in Thailand, and southern Thailand in particular. This chapter commences with a brief overview of Thai history, religion, and economy (section 2.2). An extensive review of the Internet industry in Thailand (section 2.3) is then provided, including the introduction and growth of the Internet, the major Internet Service Providers as well as consumer behaviour in the context of Thailand.

2.2 Background of Thailand

Thailand is an independent country that lies in the heart of Southeast Asia, a constitutional monarchy with King Bhumibol Adulyadej, the ninth king of the House of Chakri, who has reigned since 1946, making him the world’s longest serving current head of state and the longest reigning monarch in Thai history (CIA, 2010).

Thai capital city is Bangkok, which is also the country’s centre of political, commercial, industrial and cultural activities. In 2010, Thailand is the world’s 50th largest country in terms of total land, with a surface area of approximately 513,000, and the 21st most populous country, with approximately 67 million people. About 75% are Thai, with 14% Chinese, 3% Malay and 8% other minority groups including
Mons, Khmers and various hill tribes (CIA, 2010). The country's official language is Thai and around 95% of people follow Buddhism (BBC, 2010).

Thailand experienced rapid economic growth between 1985 and 1995 and is a newly industrialized country with a big tourism industry and well known tourist destinations such as Pattaya, Bangkok, Phuket, and Chiang Mai, and major agricultural exports contributing significantly to the economy (World Bank, 2010; Guardian, 2010).

2.2.1 Religion

Buddhism is prevalent in Thailand - which ranks among the highest in the world. The national religion is Theravada Buddhism, as 94.6% of the total population are Buddhists of the Theravada tradition. Muslims are the second largest religious group in Thailand at 4.6% (CIA, 2010).

The southern tip of Thailand is mostly ethnically Malay, and most Malays are Sunni Muslims. Christians represent 0.5% of the population and a small community of Sikhs. There are some Hindus also live in the country's cities, and are heavily engaged in retail commerce. There is also a small Jewish community in Thailand, dating back to the 17th century (CIA, 2010).
2.3 Internet in Thailand

2.3.1 Growth of the Internet in Thailand

National Electronics and Computer Technology Centre (NECTEC, 2010) pointes out that in 2009, there were 18.31 million Internet users in Thailand. NECTEC also shows that, there was a growth of 13.7% from 2008 to 2009, and 84.68% growth from 2005 to 2009. The first year of Internet usage in Thailand was in 1991, and it was only from 1999 that the Internet usage witnessed a major growth. Refer to Table 1 (Thai Internet user rate) and Figure 1 (Thai Internet user growth rate) for more details.

<table>
<thead>
<tr>
<th>Year</th>
<th>Internet User</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>18,300,000</td>
</tr>
<tr>
<td>2008</td>
<td>16,100,000</td>
</tr>
<tr>
<td>2007</td>
<td>13,416,000</td>
</tr>
<tr>
<td>2006</td>
<td>11,413,000</td>
</tr>
<tr>
<td>2005</td>
<td>9,909,000</td>
</tr>
<tr>
<td>2004</td>
<td>6,970,000</td>
</tr>
<tr>
<td>2003</td>
<td>6,000,000</td>
</tr>
<tr>
<td>2002</td>
<td>4,800,000</td>
</tr>
<tr>
<td>2001</td>
<td>3,500,000</td>
</tr>
<tr>
<td>2000</td>
<td>2,300,000</td>
</tr>
</tbody>
</table>

Table 1: Thai Internet user rate (NECTEC, 2010)

Figure 1: Thai Internet user growth rate (NECTEC, 2010)
2.3.2 Internet Service Providers

NECTEC (2010) notes that ISPs in Thailand are a competitive market granted license by the National Telecommunications Council (NTC). The nature of ISP market in Thailand is considered as a competitive market, as there are nineteen Internet service providers in Thailand as Table 2 (Home Internet service providers in Thailand) shows:

<table>
<thead>
<tr>
<th>Home Internet service providers in Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. CAT Internet</td>
</tr>
<tr>
<td>2. TOT Internet</td>
</tr>
<tr>
<td>3. True Internet</td>
</tr>
<tr>
<td>4. CS Loxinfo</td>
</tr>
<tr>
<td>5. 3BB</td>
</tr>
<tr>
<td>6. KSC Internet</td>
</tr>
<tr>
<td>7. Buddy Broadband</td>
</tr>
<tr>
<td>8. Jasmine Internet</td>
</tr>
<tr>
<td>9. IIR Internet</td>
</tr>
<tr>
<td>10. Thai Fi</td>
</tr>
<tr>
<td>11. ISSP</td>
</tr>
<tr>
<td>12. Smart</td>
</tr>
<tr>
<td>13. A-Net</td>
</tr>
<tr>
<td>14. Otaro</td>
</tr>
<tr>
<td>15. Proen Internet</td>
</tr>
<tr>
<td>16. Far East Internet</td>
</tr>
<tr>
<td>17. Reach Thailand</td>
</tr>
<tr>
<td>18. Chomanan Worldnet</td>
</tr>
<tr>
<td>19. KIRZ Internet</td>
</tr>
</tbody>
</table>

Table 2: Home Internet service providers in Thailand (NECTEC, 2010)

2.4 Internet Service Providers in Southern Thailand

The nature of ISP market in southern Thailand is considered as an oligopoly market. There are only three giants in this area, namely TOT Internet, 3BB, True Internet, and three small ISPs in southern Thailand including Jasmine Net and CS loxinfo (NECTEC, 2010).
2.4.1 TOT Internet

TOT Internet is a Thai state owned telecommunications company. TOT Internet was established in 1954 and corporatized in 2002. TOT Internet was the first company which offers Internet and landline services targeting to middle income customers and has been the market leader in almost the whole country except for Bangkok since 1991. NECTEC (2010) says that this is because there were only two ISPs in southern Thailand since 2001.

Furthermore, in 2009 TOT Internet established a sister company called “3BB” targeting to young consumers (i.e. 15 to 28 years old) through its budget offerings, such as low cost high speed Internet, online game and ADSL service. In addition, TOT Internet introduced a bundle promotion between TOT Internet and TOT landline company in 2008 (TOT, 2010).

In 2002, TOT Internet sparked a low-cost broadband Internet war that led to rapid growth in the market demand. On the other hand, NECTEC (2010) pointes out that the popularity of online gaming in 2005 was the beginning of the demand for broadband Internet in Thailand. TOT Internet became the most profitable company among other ISPs in 2004 and 2005, because it was the only company who offered free access to online games in Thailand at that time, After TOT Internet’s success, other ISPs, such as True Internet, KSC Internet, started following the same path (TOT, 2010; True, 2010).
2.4.2 True Internet

True Internet was established in 1990 as a subsidiary of the Charoen Pokphand group. In 2010, True Cooperate is the largest cable TV and ISP in Bangkok and the third largest mobile provider in Thailand. True Internet is the dominant player in Internet market in Bangkok with 75% of the market share. Therefore, True Internet has started to expand its business into other major areas in Thailand including some southern Thailand cities such as, Hat Yai, Phuket and Suratani since late 2008. As a result of this, True Internet has covered almost all cities in Thailand in 2010, except for small islands and mountains (True, 2010).

True Internet provides products and services, namely high speed Internet, dial up Internet card, e-TV, e-Commerce, e-Auction and e-Security, for various types of consumers (i.e. 12 to 60 years old). The company is well known for a large number of cross promotions with other strategic business units under the same corporate brand, such as in True cable TV, True mobile network, True online games, True coffee cafe, True Internet cafe and True fitness. Some of recent promotions are free Internet in True coffee cafe and True fitness; 20% discount for customers who use more than three services under True brand; free True cable TV customers under 12-month contracts of True mobile network, True fitness or True Internet for 12. Consequently, True Internet increased its market share by 200% in 2008 and 2009. However, this figure is still low compared to TOT Internet and 3BB in the whole Internet industry (NECTEC, 2010; True, 2010).

True Internet employs different strategies for different target markets. The company gains market share among consumers from 12 to 25 by using cross promotion
between True online game and True Internet (i.e. free access to True online games for True Internet customers). On other hand, cross promotions between True Internet, True cable TV and True fitness are used to attract 20 to 60 years old customers as True Internet users are offered discounts for services of True cable TV and True fitness (True, 2010). In 2006, True Internet took over KSC Internet which was an upper-end market company with high brand awareness, creditability, and reliability so as to penetrate into home ISP market in southern Thailand (KSC, 2010).

### 2.4.3 CAT Internet

CAT Internet is a Thai state-owned telecommunications company that owns Thailand’s international telecommunications infrastructure including its international gateways, satellite and submarine cable network connections. CAT Internet provides data communications and application services, such as Leased Line, Fiber-to-the-Premises, Gigabit Ethernet, live TV broadcast, e-Commerce, e-Auction and e-Security (CAT, 2010).

CAT Internet was the second largest ISP in southern Thailand before the boom in Internet market in 2005. However, the company turned their direction from an ISP for consumption market to a government Internet network supporter in 2002 and lost most of its market share to TOT Internet. As a result of this, CAT Internet accounts for only 4% market share in southern Thailand in 2010 (CAT, 2010; TOT, 2010; NECTEC, 2010).
2.4.4 Small ISPs in southern Thailand

There are two small ISPs in southern Thailand, namely Jasmine Net and CS loxinfo. Jasmine Net was found in 2006. The company offers low cost services in international phone and dial-up Internet cards (JI Net, 2010). Similarly, CS LoxInfo was established in 2000 and provides dial up Internet cards. However, due to lack of resources, CS LoxInfo targets only three big cities in southern Thailand, including Hat Yai, Phuket and Suratani (CS loxinfo, 2010).

2.5 Perception toward ISPs in southern Thailand

The perceptual map in Figure 2 on the next page shows that True Internet and TOT Internet are in the perception quadrant of High Internet speed. However both of them are considered as more expensive than other ISPs. On the other hand, services of 3BB, CAT Internet, Jasmine Net and CS loxinfo are cheaper but the speed is much lower compared to True and TOT Internet. Therefore, True Internet occupies the best position thanks to its high Internet speed and affordable pricing.

![Perceptual Map Figure 2](NECTEC_2010.png)

Figure 2: Price and Internet speed (NECTEC, 2010)
2.6 Market Leader in southern Thailand

NECTEC (2010) reports that TOT has been the market leader in southern Thailand since 2005. However, True Internet is the market leader in Bangkok, as in 2009 True Internet has 75% of the market share in Bangkok. In 2008, True Internet went on to expand its market in southern Thailand, and led major expansion in the major cities in Thailand such as Hat Yai, Phuket and Suratani. As a result, True Internet expanded its market 200% in between 2008 to 2009 (i.e. from 2% to 6% of the total market share), and 416.6% in between 2009 to 2010 (i.e. from 6% to 25% of the total market share).

In addition, 3BB also increase its market shares by 26% in between 2008 to 2009 (i.e. 29% to 36% of the total market share), but 3BB market share went down from 36% to 31% in between 2009 to 2010. On the other hand, TOT Internet decreases its market share by 11% in between 2008 to 2009 (i.e. 61% to 50% of the total market share) and 12% in between 2009 to 2010 (i.e. 50% to 39% of the total market share) (NECTEC, 2010; True, 2010).

Table 3 below, shows the Internet service provider market share by company in southern Thailand from 2008 to 2010 (NECTEC, 2010).

<table>
<thead>
<tr>
<th>Company</th>
<th>2008’s Market Shares (%)</th>
<th>2009’s Market Shares (%)</th>
<th>2010’s Market Shares (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOT Internet</td>
<td>61</td>
<td>50</td>
<td>39</td>
</tr>
<tr>
<td>3BB</td>
<td>29</td>
<td>36</td>
<td>31</td>
</tr>
<tr>
<td>True Internet</td>
<td>2</td>
<td>6</td>
<td>25</td>
</tr>
<tr>
<td>CAT</td>
<td>6</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 3: Southend Thailand ISP’s market share (NECTEC, 2010)
2.6.1 Internet Market in southern Thailand

According to TNSO (2010) and NECTEC (2010), the level of both home and corporate Internet users in southern Thailand is growing rapidly. The population in southern Thailand is 15,964 million people (3,076 million families with average of 5.2 people per family) (Uescap, 2010). Currently 15% of total households (460,500 households or 2.394 million people) (TNSO, 2010; True, 2010) subscribe to Internet service via one of Internet Service Providers (ISPs) in southern Thailand. On top of that, TNSO (2010) reported that approximately 10% of home internet users switched from their service providers to the others every year between 2003 to 2009 in southern Thailand (True, 2010; NECTEC, 2010).

2.7 Internet Usage Behaviour

The growth of Internet usage in Thailand is originated from the development and popularity of Internet applications which especially appeal to young and casual users. Figure 3 (Internet usage behaviour) shows that the greatest number of Internet users, 69.14%, were found in entertainment and games websites in 2009. Websites about social and business affairs was ranked number two with 27.4%. Interestingly only 1.75% of them visited Government websites and just 1.71% were interested in educational contents (NECTEC, 2010).

NECTEC (2010) reported that the low popularity of government and education websites reflects the poor execution of the e-Government and e-Education policy, which are parts of the IT Policy of the year 2001, approved by the Thai government as “IT-2010”. The Policy was followed by the “IT-Master Plan for Thailand 2001-2006”
which prompted the Thai Government to establish the Ministry of Information and Communications Technology.

<table>
<thead>
<tr>
<th>Type of website</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entertainment</td>
<td>53.39</td>
</tr>
<tr>
<td>Games</td>
<td>15.75</td>
</tr>
<tr>
<td>Internet</td>
<td>7.5</td>
</tr>
<tr>
<td>Social/Personal</td>
<td>7.34</td>
</tr>
<tr>
<td>News</td>
<td>6.83</td>
</tr>
<tr>
<td>Business</td>
<td>3.72</td>
</tr>
<tr>
<td>Computer</td>
<td>2.01</td>
</tr>
<tr>
<td>Government</td>
<td>1.75</td>
</tr>
<tr>
<td>Education</td>
<td>1.71</td>
</tr>
</tbody>
</table>

**Figure 3: Internet usage behaviour (NECTEC, 2010)**

### 2.8 Thai Consumer Behavior

Consumer behaviour in each country is different, because each country has its own social and economic situations and characteristics of populations. Marketers need to understand consumer behaviours in particular geographic areas that their business operates in order to perform good marketing activities (Kotler, 2003).

Consumer behaviour is the consumer’s point of view on what, why, where, when, and how often they are going to make a purchase of a product or service (Schiffman and Kanuk, 1997). Schiffman and Kanuk (1997) likewise pointed out that, understanding consumer behaviour can help to explain how and why consumers make their consumption decisions of a products and service. A study about Thai consumer
behaviours by Thananuraksakul (2007) states that Thai consumers purchase decision is determined by the consumer’s education, income, age and occupation. In addition, the level of consumer’s trust, awareness and knowledge towards a product and brand also influence Thai consumers in their decisions making process.

Thananuraksakul (2007) also mentions that quality, quantity, price, promotion, variety and features as being very important to the consumer in a bigger cities like Bangkok. This is because the market in big cities tends to be intensely competitive with many of companies offering undifferentiated product and service targeting the same market. Lekagul (2002) mentions that Thai consumers more often than not tend to prefer and associate a more positive brand image of products from a well-known or a larger company.

Thananuraksakul (2007) further points out that Thai consumers in the low to middle income bracket tend to purchase products or services that offers the most value in the form of cost savings; such as a product offering higher quantity or quality at the same or lower price in a certain offer category. In other words, Thai consumers in general tend to purchase a product or service which offers them the best value, which in this case is cost savings regardless of reputation of the brand. Feeny and Vongpatanasin (1996) echo this view, stating that Thai consumers tend to purchase goods or services when they have a positive attitude towards the product or service or the service provider.

Sukato (2008) mentions that consumers in low and middle income bracket tend to imitate the consumption trends of the upper income bracket. Thai people tend to
purchase products and service to increase their self-image, self-respect, social-respect and social belonging. As a result, Thai people are increasingly spending more time and money on purchasing products and services pertaining to their health, beauty, and lifestyle. Meunier (2004) also pointed out that as the population ages along with having a higher life expectancy; consumers are becoming more concerned with preserving their look and health.

With regards to Thai consumer behaviour in an online shopping context, Thananuraksakul (2007) found it to be similar with the physical purchasing behaviour. That is to say that, Thai consumers will only revisit the same online store if the experience they had was pleasant and its products or services satisfactory. Thananuraksakul (2007) also mentions that Thai consumers who live far away from retail shops, such as in the country side, as well as people who frequently use the Internet are more likely to shop online as they can save time from travelling, and possibly buy products at a lower price.

However, Muthitacharoen and Palvia (2002) indicated that not many Thai consumers prefer to shop in an online store, because of people’s concern with credit card fraud and transaction security. Wolfinbarger and Gilly (2005) points out that Thai consumer may feel uncomfortable if they do not buy anything after visiting a shop, even an online shop. This is because it is considered to be impolite in Thai culture if you go into a shop but do not make any purchase.

Chang et al (2004) indicates that gender, age, income, occupation, and education are all relevant to the consumer decision making. For example, men tend to buy online
more than women do. In addition, National Electronics and Computer Technology Centre (2010) also points out that most of the online purchases in Thailand in 2009 are made by males between 40 to 49 years of age. Goldsmith and Flynn (2004) also notes that older people tend to buy products from an online store more than younger people, and that people who have higher education and income tend to shop online more than other people. However, Liu and Wei (2003) suggested that people are generally concerned about the product quality and delivery when shopping online; Thananuraksakul (2007) points out that most of Thai consumers who buy online will only purchase products from a trusted online store that is supported by the Government of Thailand.

Recent consumer trends in Thailand as pointed out by Sukato (2008) include Thai companies and consumers in general becoming more conscious on issues concerning the environment. As a result, Thai consumers prefer to purchase products and services from a company that is environmentally friendly. Sukato (2008) further adds that Thai consumers may be committed to buy green products, but they are not willing to compromise on the product or service’s price and safety.

The general Thai culture is classified as a collectivist culture, meaning Thai people are influenced by their friends, family and social group (Lekagul, 2002). For example, young people in the same age tend to prefer similar style, foods and fashion habits. Feeny and Vongpatanasin (1996) mentions that Thai consumers in larger towns tend to spend more time in shopping malls or departmental stores, as a meeting place with friends and family. In addition, Lekagul (2002) also reports that Thai consumer
frequently come to shopping malls for their meals like lunch, dinner, and recreation such as window shopping, karaoke, cinema, and bowling.

Webster (2000) finds that female spouses in Thailand have decision-making influence over her husband. Songpradit (2005) states that the male consumer in Bangkok have a preference towards domestic brands compared to imported brands. This finding is also consistent with Knight's (1999) suggestion that Thai consumers prefer to buy domestic brands that are of high quality, fair price and comparable technology. Silayoi and Speech (2007) also point out that in a family; fathers are more likely to be the one who pay the bill of the household, and mothers tend to be the one who make the final decision at the point of purchase. Children however tend to have influence in household products or services which concerns them.

On the note of purchasing decision influence, Songpradit (2005) states that the attending salesperson attitude and behaviour were positively related to the Thai consumer’s purchase decisions. However, Songpradit (2005) says that in the case of mobile phones and Internet services in Thailand, salespeople are less important sources for the consumer purchasing decision. Sukato (2008) concludes the factors that influence Thai consumer behaviour are quality, price, brand, packaging, advertising, promotion, the attending salesperson, distribution, consumer’s attitudes towards the product and service, self-image and normative influences (i.e. spouse, friends, family, colleague) upon the intention to buy products.
2.9 Chapter Summary

National Electronics and Computer Technology Centre of Thailand (NECTEC, 2010) notes that there was a growth in Internet users by 13.7% between 2008 and 2009, and 84.68% growth between 2005 and 2009. This growth is mainly due to the usage of the Internet by the growing teen and young adult users for gaming and recreational purposes. The Thai National Statistical Office (TNSO, 2010) reported that on average, 10% of the home Internet customers in southern Thailand switched service providers each year between 2003 and 2009 (True, 2010; NECTEC, 2010). Thananuraksakul (2007) states that, this is because Internet consumers in southern Thailand are more likely to purchase any ISP brand that gives them the highest value in the form of cost savings; such as a product offering higher quantity or quality at the same or lower price in a certain product or service category.

In other words, Thai consumers in general tend to purchase a product or service which offers them the best value, which in this case is in the form of cheaper price, high Internet download limit, higher speed, value adding services such as bundle promotion (i.e. bundling complimenting service offer, such as land telephone line with internet connection.) regardless of the brand. With the surge in demand from the new users, from the just two ISPs (i.e. CAT Internet and TOT Internet), the number of ISP’s increased to six including TOT Internet, 3BB, CAT Internet, True Internet, Jasmine Net and CS loxinfo in 2010. The home ISP market in southern Thailand has become very competitive, with ISPs introducing new promotions appealing to the different segments of the market very frequently hence the increase in the brand switching rate in the market from almost non-existent to the current 10%. Some examples of promotions employed by ISP’s in southern Thailand are loyalty programs
offering discounts, run by TOT Internet and 3BB. True Internet offers free after-sales service as well as service bundle promotion in addition to loyalty discount.

Factors that influence the Thai consumer behaviour and intention to purchase a product and service are demographic factors such as the consumer’s education, income, age, occupation, and the general attitude in terms of the level of consumer’s trust, awareness and knowledge of the brand and its product. Thananuraksakul (2007) mentions that product and service’s quality, quantity, price, promotion, variety and features are also important to the Thai consumer in larger towns and cities like Bangkok. Of particular note is the behaviour of middle to high income people in Thailand who tend to purchase products and services that is expensive – which for them increases their self-image, self-respect, social-respect, group and social belonging. The Thai consumer behaviour is also influenced by previous experience, trust and positive attitude when interacting with the brand at various touch points, and largely by social and family group, such as spouse, friends, family, and work colleagues. In household, though males are the primary breadwinner, the female spouse retains huge influence on the household purchase.
Chapter 3: Literature Review and Conceptual Framework

3.1 Chapter Introduction

This chapter provides a review of relevant marketing literature with regards to brand loyalty. This review aims to put the topic of brand loyalty in context to this research, and relate it to previously researched works. This chapter starts with an extensive review of relevant brand concepts (section 3.2), which includes details of the main types of brand loyalty, common definitions of a brand loyalty, factors that influence brand loyalty, and how brand trust and brand value are related to brand loyalty (section 3.2). The chapter then explores the factors that influence brand trust, brand value and consequently brand loyalty leading to consumer retention (section 3.4). Hypotheses are then derived out the literature review to support the problem statement and to map a conceptual framework for the research to be undertaken at a later stage (Section 3.5).

3.2 Brand Loyalty

The topic of brand loyalty has become significantly important as companies are recognising the benefits of loyal consumers. The increase in market competition has also resulted in an increasing focus on the consumer and ways to retain them (Disney, 1999). Oliver (1999), Singh and Sideshmukn (2000), further states that the focus on consumer research has moved from customer satisfaction to customer loyalty. A study by Reichheld and Sasser (1990) has found that business performance improves
through loyal consumers, as they tend to give companies higher levels of profits from higher levels of repurchase, decreased price sensitivity, positive word of mouth and lower likelihood to switch brands (Bowen & Chen, 2001; Bowen & Shoemaker, 1998; Buttle, 1996).

Dick and Basu (1994) say that the levels of loyalty are determined by the level of repeat purchase and relative attitude. Oliver (1999) also notes that loyalty will increase consumers’ commitment to the brand, resistance to inducements to transfer to other brands and tolerance of error in performance. Long term consumer loyalty is one of the crucial aims for marketing activities; Research has found that marketing communications has direct and indirect influence on various aspects of brand and brand loyalty. This has been widely studied, and is one of the most interesting research works among academics and practitioners for almost three decades (Oliver, 1999; Aaker, 1997; Dick & Basu, 1994; Biel, 1993; Plummer, 1985; Jacoby & Kyner, 1973; Dwyer, Schurr, & Oh, 1987; Parasuraman, Zeithaml, & Berry, 1985; Morgan & Hunt, 1994; Mundt, 2005).

However, there have been various changes in the concept of brand loyalty over the last few years primarily with new concepts in branding, and how marketing communications influences consumer loyalty in the Information Age of the 21st century. For example, database technology has assisted in creating a more targeted consumer loyalty related programs (Sung & Kim, 2010; Grossmanova, Vojtkova & Kita, 2009; Chen, 2010; Hong & John, 2010; Keller, 2010; Healy, 2007).
“Customer Retention in home Internet Service Provider (ISP) market: Factors influencing Brand Loyalty”

“Consumer loyalty is a much desired thing. Everyone accepts without question that it’s more profitable to sell to an existing consumer than it is to recruit a new one. Get the consumer on side, cross-sell them some other products and build a relationship. Before long you’ve got $-signs in your eyes as you start to calculate the lifetime value of this partnership” (Gofton 1995, p.25).

Most definitions of customer loyalty are behavioural, which centres on the notion of repeat purchase and the constant use of a brand (Mundt, 2005). However, Mundt (2005) points out that a handful of authors such as Day (1969); Ajzen and Fishbein (1977); Jacoby and Chestnut (1978); Bagozzi (1981); Mellens, Dekimpe and Steenkamp (1996) have argued for an attitudinal perspective for genuine customer loyalty to exist. Jacoby and Chestnut (1978) supports this view by stating that the attitudinal measures of loyalty are based on the customer’s preference, commitment, intentions or attitude towards a brand and also on their intended purchasing behaviour.

In the context of this research, brand loyalty is defined as a consumer's commitment to repurchase the product or service, and the consumer’s word of mouth to encourage other consumers to trial the product. This view is supported by different well known authors, such as Oliver, 1999; Aaker, 1997; Shang, Chen and Liao, 2006; Chaudhari and Holbrook, 2001). Dawkins and Reichheld (1990) say that a higher retention rate leads to a higher net present value of consumers and also a higher potential growth of a brand. Reichheld and Sasser (1990) states that loyal consumers are the most cost effective to sell to as they purchase more, take less time for a company to service; less sensitive to price changes, brings in new consumers through word of mouth, recommendations, and have no additional acquisition or start-up costs.
Oliver (1999, p. 34) defines brand loyalty as “a deeply held commitment to re-purchase or re-patronize a preferred product or service consistently in the future, thereby causing repetitive purchasing of the same brand or the same brand set, despite situational influences, and marketing efforts having the potential to cause switching behaviour”.

Sung and Kim (2010) say that the above definition clearly includes both loyalties in terms of attitude (favourable liking) and behaviour (repurchasing). Olsen (2007) cites Dick and Basu (1994) on loyalty being the behavioural response expressed over time by some decision making unit with respect to one or more alternatives.

Shang, Chen and Liao (2006) points out that brand loyalty is related to consumers repurchasing, and suggest that behavioral loyalty means consumers will repeat or repurchase products or services from the same brand. However Jacoby and Kyner (1973) said that repurchasing can only make temporary customer. Therefore, the concept of brand loyalty was extended to encompass both attitudinal and behavioral loyalty (Shang, Chen and Liao, 2006). Sung and Kim (2010) cites Chaudhari and Holbrook (2001) on using both attitudinal and behavioral dimensions on the study on brand loyalty. Chaudhuri and Holbrook (2001) says that attitudinal loyalty is assumed to be more stable than behavioral loyalty, and represents the consumer’s commitment or preferences when considering unique values associated with a brand (Chen and Liao, 2006). Jacoby and Kyner (1973) further distinguish attitudinal loyalty as preferred intentions.
3.2.1 Retention Loyalty

Harrison (2002) points out that retention loyalty focuses on current consumers’ need and how to persuade them to stay with the company for the long run. Mundt (2005) states that loyalty in terms of retention can be defined as continued repurchase over time. In the Fast Moving Consumer Goods sector, retention can be measured by a repeat purchase rate. However, in subscription type markets, such as telecommunications, financial or Internet services where the purchase is more continuous, retention is viewed by the duration of how often and how long the consumer subscribes to the service (East, 2000).

Reichheld and Sasser (1990), Colgate and Hedge (2001) and Kotler (1992) states that retention loyalty is a key path for a business to grow. Colgate and Hedge (2001) further supports this view, stating that losing consumers can have a negative effect through a loss of potential future profits, and the associated cost of acquiring new consumers.

Rosenberg (1983, p.45) supports this view by stating “In more cases than is assumed, marketing can succeed in building a loyal following of repeat buyers rather than constantly wooing new recruits. This activity can ensure a defensible and growing market share. It is estimated that the average company spends six times more to get a new consumer than it does to hold a current one. A lost consumer reduces company profits by $118, compared with a $20 cost to keep a consumer satisfied”.

However, sometime marketers cannot control the reasons why consumers switch to another brand. Mundt (2005) supports this view by pointing out that if a consumer
moves home or no longer has the need to purchase from a particular product category, then it is impossible for a company to retain the consumers with the company.

3.3 Factors that Influence Brand Loyalty

This research assumes two main factors that influences brand loyalty - brand trust and brand value. Various well known authors (such as Sung & Kim, 2010; Grossmanova, Vojtkova & Kita, 2009; Wallace, Giese & Johnson, 2004) is of the same opinion. Chaudhuri and Holbrook (2001) say that brand loyalty is derived from greater trust in the brand reliability, and by providing experiential evidences. Brands high in consumer trust are ranked high in both attitudinal and behavioural brand loyalty. Wallace, Giese and Johnson (2004) also point out that brand value is defined as the value of a brand in the consumers’ mind. A product or a service resonating with the consumers as offering the best value, is more likely to be followed by loyal consumers, who might also be willing to pay extra for it.

Morgan and Hunt (1994) states trust as a key variable in the exchange network between a company and its various partners, as trust encourages the company to invest in a long term relationship and brand loyalty. Wallace, Giese and Johnson (2004) also highlight the impact of brand value on brand loyalty, stating that – “The higher the value of a brand in the consumers’ minds, the more they are committed to the particular brand”.

...
3.3.1 Brand Trust

Brand trust is the level of trust, belief, positive attitude, and confidence that consumers have towards a brand and its products or services. Brand trust is also dependent on how receptive the consumers are to their service provider’s products, and offers along with its reputation, credibility, expectancy. This view is shared by Morgan and Hunt (1994); Dwyer, Schurr, and Oh (1987); Berry, (1983); Parasuraman, Zeithaml, and Berry (1985); Coulter and Coulter (2002); and Doney and Canon (1997).

Even though there is no agreement on the conceptual meaning of trust, many definitions have appeared in marketing literature as follows:

“A willingness to rely on an exchange partner in whom one has confidence”

“As the firm’s belief that another company will perform actions that will result in positive outcomes for the firm, as well as not take unexpected actions that would result in negative outcomes for the firm” (Anderson & Narus, 1990, p. 45).

Morgan and Hunt (1994) points out brand trust as being a key factor in the success of relationship marketing efforts. Dwyer, Schurr, and Oh (1987) also hold this view by stating trust as a relationship quality feature. Similarly, trust has been viewed as a determinant factor in perceiving service quality (Parasuraman, Zeithaml, & Berry, 1985) and loyalty (Berry, 1983). Morgan and Hunt (1994) as well as Sung and Kim
(2010) state trust as a being a key variable in the exchange network between a company and its various partners, as trust encourages the company to invest in a long-term relationship.

Morgan and Hunt (1994, p. 23) defines brand trust as “the willingness of the average consumer to rely on the ability of the brand to perform its stated function”. Along the same line, Sung & Kim (2010) points out that brand trust has two key elements, that is trustworthiness and expertise. Trustworthiness refers to the consumers’ confidence in a brand that provides quality performance in a sincere and honest manner. Expertise is defined as the degree to which a brand is perceived to be knowledgeable, and which comes from experience and training in products and services category (Sung & Kim, 2010).

Coulter and Coulter (2002), as well as Doney and Canon (1997) suggest that trust is associated with beliefs such as competency, honesty, and benevolence. Sung and Kim (2010) supports this view by suggesting that consumers view a trustworthy brand as being reliable, consistent, competent, responsible, helpful, fair, and honest. Parasuraman, Zeithaml and Berry (1985) mentions that brand trust is a critical success factor in successful service relationships in business to business marketing. Bejou et al. (1998) also views brand trust as being an important factor in the development and maintenance of long term relationships between company and consumers.

In a study on company reputation, Helbig and Milewicz (1995, p.25) defines credibility as “whether a company can be relied on to do what they say or claim to do”. Helbig and Milewicz (1995) mentions that credibility exists when a party is
confident in another party by using their past actions to predict their future behaviour. Thus, Haig (2007) considers credibility as being critical to a company’s reputation. Helbig and Milewicz (1995, p.26) defines credibility as “the believability of an entity’s intentions at a particular moment in time, the trustworthiness or extent of confidence in the source’s actual carrying out its intentions”. However, Sternthal et al. (1978) points out that credibility must occur before the message or actions occur, in order for credibility to have any effect.

Aaker (1999) and Keller (2001) also says that credibility is considered as one of the most important characteristics of a brand, and it is a concept which is linked closely to the company, and refers to the degree to which the company is considered to be a reliable source of information (Hoeffler & Keller, 2003). On the other hand, Keller (2003) points out that brand trust can destroy a relationship between the brand and consumers if there are very low levels of trust among consumers. Therefore, as consumers buy a service before experiencing it, management of trust is a key to build a relationship with consumers (Kinard and Capella, 2006).

Chiou and Droge (2006) and Ganesan (1994) points out that in the service sector such as the ISP market, brand trust in the service provider's reliability and integrity has shown to be important and related to the emotional nature of consumer loyalty long-term orientation in the relationship.

Lafferty et al. (2002, p.38) concluded that:

“Corporate credibility plays an important role in consumer evaluation of advertisements. In addition, a company's credibility seems to have a direct
effect on brand perceptions and purchase intentions. As a result, these company perceptions may be central to the success or failure of promotions and sales. Managers need to become much more aware of how consumers view the corporation. Consequently, managers need to constantly monitor perceptions of corporate credibility”.

Erdem and Swait (2004, p.191) examined the role of brand credibility as:

“Brand credibility increases probability of inclusion of a brand in the consideration buying set, as well as brand choice conditional on consideration”.

Erdem and Swait (2004, p.192) also states that:

“Although credibility impacts brand choice and consideration set formation more and through more constructs, it contexts with high uncertainty and sensitivity to such uncertainty that credibility effects are present in all categories”.

Erdem and Swait (2004, p.196) suggested that future research:

“Should examine brand credibility impacts using structure choice and formation models to allow a purer attribution of impacts, leading to a better understanding of the mechanisms whereby brand credibility impacts choice stages. The research should also extend to explore choice dynamics and thus explain the processes by which credibility and consideration set formation evolve over time. Finally, more detailed analysis of individual level and product category specific moderators of credibility effects should be conducted”.

In summary, Brand trust is the level of trust, belief, attitude, reputation, credibility, expectancy and confidence that consumers have on a brand or its products or services. Factors that influence brand trust are brand personality (Sung & Kim, 2010;
Grossmanova, Vojtkova & Kita, 2009), brand image (Kim, Han & Park, 2001; Chen, 2010), brand awareness (Hong & John, 2010; Keller, 2010; Healy, 2007), and consumer satisfaction (Hong & John, 2010; Wallace, Giese & Johnson, 2004).

Wilkins (2005) states that the role of trust in the relationship has been highlighted by a number of researchers (e.g. Hiscock, 2001; Merrilees & Fry, 2002; Morgan & Hunt, 1994) with it recognised as central to the development of loyalty (Delgado-Ballester & Munuera-Aleman, 2000). Nuguyen and Leblanc (2001) also says that consumer loyalty and trust will be increase when there is a match between the company’s brand awareness, brand image, and consumer’s perception.

In short, brand trust is a key success factor in long term relationship marketing and service relationships. In addition, brand trust also has a direct effect on brand perceptions and purchase intentions. Erdem and Swait (2004) future points out that brand trust increase probability of inclusion of a brand in the consideration buying set and brand choice (Hong & John, 2010; Sung & Kim, 2010; Parasuraman, Zeithaml & Berry, 1985; Wallace, Giese & Johnson, 2004). Therefore, the ISP which has a higher level of brand trust, the company will tend to have a higher level of brand loyalty among the consumers.

The first hypothesis is:

**H1:** Brand Trust has a direct impact on Brand Loyalty
3.3.2 Brand Value

Brand value is the benefit of a brand in consumers’ mind and a trade-off between costs that consumer have to pay and benefits that the consumer will get from the products or services. Values can be in forms of quality, quantity, time spending, price, brand name, design, social approval, excitement, experience, knowledge, self respect, credibility, and security that consumers may receive from using a product or service. This view is supports by Wallace, Giese and Johnson (2004); Bolton and Drew (1991) and Whittaker and Ledden (2007); Bell (2009); Lancaster (1976); Zeithaml (2000).

Wallace, Giese and Johnson (2004) point out that brand value is defined as the value of a brand in consumers’ mind in terms of relative benefits. Likewise Wallace, Giese and Johnson (2004) highlight that a product or service with a good brand value is followed by consumers who are committed to the particular brand and are willing to pay extra money for it. Bolton and Drew (1991) also support this view by stating that value is a perceptual construct of a trade-off in the consumer’s mind between the costs that they spend and the benefits they receive. Therefore, Bolton and Drew (1990) emphasize that the product or service with the greater benefit will be the one with better value, hence a high chance for the product or service to be repurchased.

In addition, Zeithaml (2000) points out that perceived value is the consumer’s overall judgment of the value of a product based on perceptions of what is received and what is given. However, Bolton and Drew (1991), and Whittaker and Ledden (2007) suggest that perceived value tends to change with the types of product and service that is being purchased, situational factors, past consumer experience with the product or service, and consumer characteristics.
Moreover, the concept of brand value is likely to be subjective from consumer to consumer. As documented by Zeithaml (2000) there are three associations, consumers attach values to brands. The first one is that the consumer views a product with more value because it is on discount (low price); secondly the consumer needs or wants to buy a product or service; thirdly, a consumer wants to exchange and trade off between benefits and cost of a product or service. Bell (2009) shares the same point of view by stating Lancaster’s (1976) economic theory of value and theory of choice in which consumers choose between alternative brands. Consumers tend to choose and purchase/repurchase a brand or product that can maximise their level of benefits to the individual needs and values.

In financial terms, Wallace, Giese and Johnson (2004) point out that brand value refers to the cash value of future payment amounts that a brand is worth with regard to its current income, potential income, reputation, prestige, and market value. Brands with a high value are regarded as considerable assets to a company. In case a company is sold, a high value brand can be worth more than any other resources. In addition, brand value can have a vast impact on brand loyalty. As Wallace, Giese and Johnson (2004) highlight that the higher value of a brand in the consumers’ minds, the more they become committed to the particular brand.

The literature provides support for the justification of these theoretical linkages between brand association and loyalty (Gladden & Funk, 2001), consumer orientation and loyalty (Holland & Baker, 2001), consumer expectation and loyalty (Fornell et al., 1996; Olsen, 2002), and satisfaction and loyalty (Anderson & Srinivasan, 2003; Olsen, 2002). Some of the factors which influence brand value are consumer expectation;
consumer orientation; consumer satisfaction; and marketing communications (Hong & John, 2010; Wallace, Giese & Johnson, 2004; Grossmanova, Vojtkova & Kita, 2009).

In short, Bolton and Drew (1991) note that a product or service with greater benefits will be the one with better value, hence a high chance for the product or service to be repurchased. In addition, consumers tend to choose and purchase/repurchase a brand or product that maximises their level of benefits depending on the individual needs and value. Moreover, Wallace, Giese and Johnson (2004) highlight the impact of brand value on brand loyalty. It is states that the higher value of a brand in the consumers’ minds the more they become committed to the particular brand. Therefore, an ISP which has a higher level of brand value is likely to have a higher level of brand loyalty among their consumers.

Second hypothesis is:

**H2: Brand Value has a direct impact to Brand Loyalty**

### 3.4 Factors that Influence Brand Trust and Brand Value

In summary, below is a list of main factors that influence brand trust and value derived after reviewing the literature mentioned earlier.

Some elements which have been associated with brand trust and brand value include:

1) Brand personality

2) Brand image
3) Brand awareness
4) Consumer expectation
5) Consumer satisfaction
6) Marketing communications

3.4.1 Brand Personality

Brand personality is the brand as a human characteristics and emotions a displayed by a brand. Brand personality can have a positive effect if there is a positive attitude and preference towards a brand. Brand personality can be used by companies to differentiate themselves from its competitors. Brand personality can take the forms of human characteristics and emotions a displayed a brand such as sincerity, excitement, competence, sophistication, ruggedness, honesty, trustfulness, fashionable, fun, friendly, environmental friendly, stylist, expensive, easy going, and creative. This view has been supported by Aaker (1997), Biel (1993), Sung and Kim (2010), Plummer (1985), Shank and Langmeyer (1994), Haig (2007) and Aaker (2000).

Brand personality was termed “the soul of the brand” by Kathman (2002). Aaker (1997, p. 347) further defines brand personality as “the set of human characteristics associated with a brand”. On the other hand, Biel (1993) considers it as a main driver in the organization of positive attitudes and preferences for a brand. Sung and Kim (2010) mentions that Biel (1993) and Plummer (1985) viewed brand personality as a good way to differentiate a brand from its competitors. Aaker (1999) also mentions that brand personality provides self- expressive benefits for consumers.
Haig (2007) points out that brand personality means the characters or attributes that companies and consumers use to describe, compare and contrast a business, people and places. Aaker (1995) further defines brand personality as a set of human characteristics connected with a brand. In essence, Haig (2007) suggests that consumers learn about company personalities by how the company communications, such as Aaker’s (2000) example of “graceful as a cat”. Additionally Aaker (1998) includes age, gender, socioeconomic class, warmth, concern and sentimentality in the definition of brand personality.

Aaker (1996, p.142) encompasses previously mentioned variables in the following statement:

“Virginia Slims tend to be feminine in comparison to the masculine Marlboro. Apple is considered young, while IBM tends to be seen as older (which it is). Guess is considered sophisticated in contrast to the rugged Wrangler. Nike is considered athletic, while LA Gear tends to be perceived as more fashionable. Coca-cola is considered real and authentic, while Pepsi is young, spirited and exciting. Dr. Pepper in contrast is non-conforming, unique and fun”.

Aaker (2000) further points out that brand personality and brand credibility tends to be similar as brand awareness can lead to both brand credibility and trust. Aaker (2000) say that believability and influential power will increase when a spokesperson is perceived as being trustworthy, well liked or an expert. However, Haig (2007) argues that Aaker (2000) does not describe clearly what credibility, expert or trust mean in terms of planning and developing applicable brand expressions such as the company logo, advertisements or websites.
Aaker (2000) uses the concepts of brand personality in profiling brands, and assign
the concept “face validity” to brand personality. That is to employ metaphors which
respondents are comfortable with, such as using human characteristics for brand
personalities as an attempt to define brand personality (Haig, 2007).

Sung and Kim (2010) points out that, since brand personality is created and
maintained in the mind of the consumer as a reflection of the perception of the brand
hyphen, it can exert meaningful and significant influence on brand trust. In short,
brand personality allows a designer, advertiser and company brand manager to
possess better understanding of how to create and implement company
communications to create credibility and personality to their brand.

In summary, brand personality is how consumers view a brand as human
characteristics and differentiate the brand from its competitors, as well as provide
self-expressive benefits for consumers. Furthermore, Sung and Kim (2010) suggest
that brand personality can increase levels of brand trust and evoke emotional
responses from consumers, which in turn, help to build brand loyalty.

Shank and Langmeyer (1994) say that brand personality is created by either direct
custom company communication mix or indirect contact with consumer and eventually lends
to consumer expectation and reinforces brand trust. Aaker (1996) also suggests that
marketing communication mix such as advertising, price, packaging, symbols, logos,
store location and word of mouth can in fact create brand personality over time.
In addition, Shank and Langmeyer (1994) state that brand personality is more or less appearing to be related to brand trust. Take honesty as an example, honesty is the belief that the second party will keep their word, fulfil their promises and be sincere. Therefore, brands that are associated with such personality traits as honesty and sincerity are more likely to be trusted by consumers than brands without such personality traits (Sung & Kim, 2010). Therefore, the ISP which has a high awareness of positive brand personality tends to have a higher level of brand trust and clearer perception of its brand personality, which eventually leads to customer expectation.

The next hypothesis is:

Hs4. Brand Personality has a direct impact to Consumer Expectation
Hs4(a). Brand Personality has a direct impact to Brand Trust

3.4.2 Brand Image

Brand image is a character and believe that consumers have in their mind of a brand and its products or services. Kim, Han and Park (2001) support this view by defining brand image as a symbol created within the consumers’ mind which consists of all the information and expectations associated with products or services.

Romaniuk (2000) points out that research which focuses on the perceptions and knowledge that consumers have about the brand is usually referred to as brand image research. Gardner and Levy (1955) and Levy (1958) highlights that a brand’s image is not something that a company or a product has, but is something that resides in the consumers’ mind. Romaniuk (2000) supports this view by giving an example of a company which increased their packaging size without any changes in price in an
effort to enhance product values in customer view. However, if the increased packaging size is not noticed by consumers, there will be no effect on the image of the brand. Thus, brand image is not about what the company does, but is about how consumers perceive those actions.

Dobni and Zinkham (1990) support this view by stating that brand image is subjective and consists of more than just functional qualities of the product, and brand image in the consumer’s memory. Moreover, Keller (1993, p. 3) describes brand image conceptually as “perceptions about the brand as reflected by the brand associations held in consumer memory”. Romaniuk (2000) also points out that since Gardner and Levy’s (1955) seminal research, brand image studies have been taken by a great number of authors (Joyce 1971; Hirschman 1980; Bullmore 1984; Park, Jaworski et al. 1986; Sheth, Newman et al. 1991; Biel 1992). Moreover Meyers and Levy (1989) indicate that brand image is based on the attributes in consumer memory which are linked to the brand name.

Shank and Langmeyer (1994) says that brand image is created by either direct company communication mix or indirect contact with the consumers and eventually lends to consumer expectation and reinforces brand trust. Aaker (1996) also suggests that marketing communication mix such as advertising, price, packaging, symbols, logos, store location and word-of-mouth can in fact create brand personality over time. Furthermore, Chine (2010) states that brand image affects consumer trust as it can reduce the risk perceived by consumers and at the same time; it can increase the likelihood of purchase. Flavia’n et al. (2005), as well as Mukherjee and Nath (2003) note that brand image may influence decision-making process of agents involved in
the exchanges, and there is a positive relationship between brand image and consumer trust. Aaker (1999) also says that the more favourable brand image a company or product’s brand image, the more consumers trust in the company. Therefore, the ISP which has a high awareness of its brand image tends to have a higher level of brand trust and clearer perception of its brand image, which eventually results in customer expectation.

The next hypothesis is:

   Hs5. Brand Image has a direct impact to Consumer Expectation
   Hs5(a). Brand Image has a direct impact to Brand Trust

### 3.4.3 Brand Awareness

Brand awareness is the knowledge, awareness and recognition that consumers have about a brand and its products or services. It can be in the form of price, distribution, promotion, product features, brand personality, and brand name. This view is supported by Hong and John, 2010; Keller, 1993; Yoo, Donthu, and Lee, 2000; Chaudhari and Holbrook, 2001.

Sen (1999) states that a consumer’s awareness is the first key step in the development of consumer’s recognition and memories around the brand name. As documented by Anderson (1983) and Keller (2003), brand awareness is considered as all memory structures and information in a person’s memory that are interrelated by links to form an associative network and strengthened through marketing communications. Keller (1993) supports this view by stating that brand awareness occurs as a result of
consumer memory during brand experience and information collection from marketing communications. On the other hand, Hong and John (2010) categorize brand awareness into two categories; brand recall and brand recognition.

Keller (1993) states that brand awareness is established on the existence of a brand name node that frequently occupies a central position in the consumer’s memory. For example, consumers who are able to recognise the Microsoft’s brand under various situations such as, seeing the brand logo or thinking of software, have high awareness toward the brand.

According to Keller (1993) and Aaker (1991), brand awareness consists of brand recognition, brand recall, top of mind awareness and recall brand performance in a certain product category. Brand recognition exists when consumers can correctly discriminate the brand which they have previously seen or heard. It is the ability of the consumer to confirm prior experience of the brand.

Keller (1993, p.8) suggests a link between consumers’ assessments of a brand and their subsequent behaviors, as follows:

“High levels of brand awareness and a positive brand image should increase the probability of brand choice, as well as produce greater consumer loyalty and decrease vulnerability to competitive marketing actions”.

Keller (1993, p.10) points out that marketer should expose consumers to the brand to increase familiarity and awareness, as follows:
“Frequent and prominent mentions in advertising and promotion vehicle can intrusively increase exposure to the brand, as can event or sports sponsorship, publicity, and other activities”.

In short, Keller (2003) defines brand recall as relating to the consumers’ ability to retrieve the brand from their memory when given the product category. Brand recognition refers to the ability of the brand to be recognized under different conditions, and link to the brand name, logo, tagline and other brand elements to certain associations in consumer memory. Aaker (1991) supports this view by defining brand awareness as the ability of a potential buyer to recognise and recall a brand as a member of a specific product category. Hoeffler and Keller (2003) state that brand recall creates a link between the brand and the product category or the consumption or usage situation.

In summary, Shank and Langmeyer (1994) say that brand image is created by either direct or indirect contact with the consumers. Hong and John (2010) define brand awareness as the consumer knowledge of the brand and its products or services, brand recall, brand recognition, and brand image which are held in the consumers’ memory. Keller (1993) also classifies brand awareness as a set of nodes and links attached to a brand name in the consumer psyche.

Yoo, Donthu, and Lee (2000), as well as Chaudhari and Holbrook (2001) note that brand awareness is one of factors which increase brand trust, hence brand loyalty. Hong and John (2010) also states that higher level of brand recognition and awareness eventuates in greater brand trust, especially when it comes to point of sale purchase
and the decision making process. Therefore, the ISP which creates high brand awareness tends to have a higher level of brand trust and clearer perception of its brand, which eventually leads to customer expectations.

The next hypothesis is:

Hs6. Brand Awareness has a direct impact to Consumer Expectation
Hs6(a). Brand Awareness has a direct impact to Brand Trust

3.4.4 Consumer Expectation

Consumer expectation is judgment, belief and opinion on a brand and its products or services. Consumer expectation can be in forms of assumptions on product performance, believe in a brand promises (i.e. on time and good quality), judgments based on consumer’s previous experiences, positive or negative word of mouth or consumer perception influenced by brand image, brand awareness and brand personality from direct company communication mix or indirect contact with the consumers. This view is supported by Anderson and Sullivan, 1993; Cronin, Brady, and Hult, 2000; Strenkens and Ruyter, 2004; Yang and Peterson, 2004.

Graaff (1994) and Kim and Kim (1995) say that in most cases, consumer expectation are involved with consumer expectation as opposed to consumer satisfaction (McDonald, Sutton & Milne, 1995; Shilbury & Westerbeek, 1996).

Hong and John (2010) state that Anderson and Sullivan (1993); Cronin, Brady, and Hult, (2000); Strenkens and Ruyter (2004); Yang and Peterson (2004) define
consumer satisfaction as cognitive evaluation, and the consumer’s opinion of a product or brand’s ability in meeting consumer expectations. Yang and Peterson (2004) highlight that consumer expectations have a direct influence on consumer satisfaction. In addition, Hong and John (2010) point out that if a firm offers a high quality product or service, such as a good consumer support service or a wide range of product attributes - it can directly enhance consumer satisfaction, hence brand trust and brand value.

Miller and Grazer (2003) state that consumer expectation is influenced by the consumer’s previous experience, company marketing communications and other information sources. However, Shank and Langmeyer (1994) note that consumer perception is lead by brand image, brand awareness and brand personality shaped by direct company communications mix or indirect contact with the consumers. Miller and Grazer (2003) further note that customers are likely to assess service experience based on their expectations. Consumers will evaluate quality to determine satisfaction, and to form expectations about future consumption experiences (Clow & Vorhies, 1993; Garbarino & Johnson, 1999).

The impact of a firm’s orientation on consumer expectation has also been empirically demonstrated (see example, Andreassen, 1994). Hong and John, 2010 support this view by pointing out that when consumers perceive a firm to be consumer oriented, they are more likely to perceive a high level of quality, and to be satisfied with the firm, therefore more likely to be loyal to the firm.

In terms of consumer expectation, Pignat (2002) also mentions that before making a purchase, a consumer evaluates the possible benefits that can be derived from the
product or service based on their expectations. After making a transaction to obtain the product or service, they will compare their expectations with real benefits received from their usage or experience. If their expectations are more than actual benefits, they will be not satisfied. On top of that, Hong and John (2010) conclude that consumer expectation and satisfaction are linked constructs (see example from, Anderson and Sullivan, 1993; Strenkens and Ruyter, 2004).

Selnes (1993) also says that consumer expectation affect consumer satisfaction which in turn influences brand trust and brand value. Eventually brand trust has an impact on brand loyalty. Moreover, being a trusted brand grants the company an advantage of being the first picked choice in case consumers do not have much knowledge and information of other brands and products.

Therefore, the ISP that can meet the consumer expectations tends to have a higher level of consumer satisfaction.

The next hypothesis is:

**Hs7. Consumer expectation has a direct impact to Consumer satisfaction**

### 3.4.5 Consumer Satisfaction

Consumer satisfaction is the happiness, fulfilment and pleasure that consumer has from a brand and its products or services through their expectations and overall experience with the brand. Consumers will be satisfied if the brand can fulfil its
promises and meet their expectation. This view has been supported by Giese and Cote, 2000; Hong and John, 2010; Bennett and Bove, 2001; Bennett, Hartel, and McColl-Kennedy, 2005; Jones and Suh, 2000).

Patterson (1993, p.453) defines consumer satisfaction as the “Evaluation response or outcome of the product purchase and consumption experience resulting from a comparison of what was expected and what was received”. Oliver (1997, p.26) emphasizes that “consumers may mean different things when they proclaim that they are satisfied within different context and situations”. Giese and Cote (2000, p.15) also define consumer satisfaction as “a summary affective response of varying intensity with a time specific point of determination and limited duration directed towards focal points of product acquisition and consumption”.

Moreover, Giese and Cote (2000) identify three general elements of consumer satisfaction, namely consumer’s emotional or cognitive response; consumer expectation to a particular focus; and responses occurring at a particular time, such as post consumption. Bennett and Bove (2001); Bennett, Hartel and McColl-Kennedy (2005); Jones and Suh (2000) note that consumer satisfaction can lead to brand loyalty and brand trust. It will also make consumers more loyal and trustful when there is a perception of good quality in the firm’s offerings. Gustafsson et al. (2005) shows the effects of satisfaction and commitment on loyalty. Wallace, Giese and Johnson (2004) point out that marketers need to meet consumer expectation by offering positive overall experience with the brand in order to increase consumer satisfaction.
The theoretical framework proposed by Bagozzi (1992) and further developed by Gotlieb, Grewal, and Brown (1994) intended to explain the relationship among consumer orientation, consumer expectation, satisfaction, and brand loyalty. Anderson and Fornell (1994) also say that the concept of satisfying consumers has been viewed as an important aspect in recent years. Kotler (1994) notes that this is because consumers tend to change their service provider if they are not happy with their current products or services. In addition, Kotler (1994) highlight that the best way to prevent consumer attrition is to ensure high levels of consumer satisfaction.

Since 1990, researchers have agreed that consumer satisfaction is very important to all types of business and cannot be ignored (e.g. Anderson, 1993; Fornell, 1992; Kother, 1991; and Oliver, 1993). Leeuwen (2001) pointed out that Anderson et al. (1994) and Fornell (1992) said that strong consumer satisfaction with a brand, product or service will lead to consumer repurchase, and an increase in brand trust and brand value. Moreover, Shemwell et al. (1998) states that a decrease in number of consumer complaints will lead to a fall in negative word of mouth and higher commitment to the service provider.

Kotler (1994) notes that a satisfied consumer will pass less attention to their service provider’s competitors and be less price sensitive. Leeuwen (2001), Anderson and Fornell (1994) also states that a satisfied consumer requires less marketing expenditure, thus marketers can spend more on retaining and lure new consumers. Furthermore, Kotler (1991, p.19) claims that “high satisfaction ratings are widely believed to be the best indicator of a company’s future profits”. Taylor and Hunter (2003) future note that brand trust and consumer satisfaction are antecedent to loyalty...
whilst Merrilees and Fry (2002) find trust to be influenced by brand loyalty. Chiou (2004) also say that consumer satisfaction affect brand trust and in turn, brand trust influence on brand loyalty.

In summary, Leeuwen (2001) points out consumer satisfaction do not directly exert an influence on company finance. However, consumer satisfaction has impacted on retention, brand loyalty and positive word of mouth. Moreover, consumer satisfaction can provide the company with a competitive advantage (Dabholkar, 1995; Shemwell et al., 1998). Therefore, the ISP which has a higher consumer satisfaction tends to have a greater level of brand trust and brand value.

The next hypothesises are:

**Hs8.** Consumer Satisfaction has a direct impact to Brand Value

**Hs9.** Consumer Satisfaction has a direct impact to Brand Trust

### 3.4.6 Marketing Communications

Marketing communications are the promotion part of the marketing mix. In addition, marketing communications are messages and related media used by companies to communicate with its market. Marketing communications can be any forms of traditional and online media, including newspapers, radio, magazines, television, outdoor advertising, Internet, sponsorship, public relations, customer service hotline, company website, social media sites, packaging, logo, point of sale’s display and personal selling. Marketers use marketing communications to increase level of brand awareness, brand image, brand personality and eventually it will lend to brand trust,
brand value and brand loyalty. This view has been supported by Giese and Cote, 2000; Haig, 2007; Grossmanova, Vojtkova and Kita, 2009; Chen and Green, 2009; Keller, 2009, and Chaffey et al., 2006).

Grossmanova, Vojtkova and Kita (2009) points out that the marketing communications elements can directly impact perceived brand quality, brand personality, brand image and brand awareness, thus return it will be affecting brand trust and value which can positively or negatively impact brand loyalty. Grossmanova, Vojtkova, Kita (2009) further propose a strategic approach for brand management not only for sales but also for future retention.

Chen and Green (2009) notes that companies can use various marketing communication tools, such as media advertisements, public relations, distribution, and pricing to create and instil a certain image and personality to a brand. Keller (2009) points out that properly designed marketing communications can lead to increased brand awareness which in turn helps to increase brand trust and eventually leads to brand loyalty. Haig (2007) also says that communications channels are various media in which the messages are transmitted, such as television, radio, magazines, newspapers and Internet. Channels of communication are also connected to the source, the messages and the target of messages. Haig (2007) also states that there are specialists called media analysts who determine the optimal way to reach target audience with the best media buys at the right frequency of messages.

Traditional media such as print, TV or radio are defined by Chaffey et al. (2006) as push media, as its information is mainly passed from one company to many
consumers. Websites, on the other hand, are an example of pull media since consumers just visit websites that they are interested in (Chaffey, et al., 2006). Chaffey et al., (2006) also said that online marketing communications are necessary for long term relationship between the marketer and the consumer, as they increase mutual interaction between consumers and the company.

Gould and Coyle (2000) further introduce the concept of Internet integrated marketing communications. This concept places the traditional IMC “within the Internet platform” as well as “within the overall promotional and marketing mix.” (Gould & Coyle, 2000, p.69) The authors argue that marketers need to pay considerable attention to online promotional tools, such as websites and banner advertisements because these tools have distinctive advantages and become increasingly important in delivering marketing messages to consumers (Coyle & Coyle, 2000, p. 86).

Being one of promotion activities in the marketing mix, advertising plays a significant role in company communications with the target market (Belch & Belch, 2009). Belch and Belch (2004, p18) define advertising as “any paid form of communication about an organization, brand, product, service or idea by an identified sponsor”.

Zaichkowsky (1994) introduces an approach that categorises factors that influence a person’s attitude towards an advertisement into three groups: first, particular specifications and features of the advertising stimulus; second, individual characteristics of the receiver, and third, situational factors, such as the environment at the time of exposure, the nature of the medium (for example newspaper or TV) or characteristics of the message source. In contextual advertising, advertisements are
placed on media vehicles, such as specific websites or print magazines, in which themes are relevant to the promoted products (Jeong & King, 2005). Advertisers apply this technique to narrow the audiences to their target market (Belch & Belch, 2004; Jeong & King, 2005).

In case of low-involvement product, “persons experience the importance and risk of a decision as less relevant, require less product information, and devote less attention to advertising stimuli” (Anckaert, et al., 2002, p. 50). In contrast, persons with high product category involvement require more information and are more motivated to process the information presented in an advertisement. Jeong and King (2005, p. 3) argue that “website contexts are often targeted much more narrowly than other mediums”. Further, the authors explain that the Internet is an active media which offer two-way communications between companies and consumers.

The next hypotheses are:

Hs1. Marketing communications has a direct impact to Brand Personality
Hs2. Marketing communications has a direct impact to Brand Image
Hs3. Marketing communications has a direct impact to Brand Awareness

3.5 Proposed Hypotheses Arising from Literature Review

With the identification of factors affecting brand loyalty through the literature review as summarized above, the hypotheses below have been created to seek the elements of brand loyalty in the home ISP market in southern Thailand. These hypotheses will be tested to identify the factors that build brand trust and value in southern Thailand so
as to create brand loyalty which will ultimately lead to maintain or even increase an ISP’s market share.

**Hypotheses**

H1: Brand Trust has a direct impact to Brand Loyalty

H2: Brand Value has a direct impact to Brand Loyalty

Hs1. Marketing communications has a direct impact to Brand Personality

Hs2. Marketing communications has a direct impact to Brand Image

Hs3. Marketing communications has a direct impact to Brand Awareness

Hs4. Brand Personality has a direct impact to Consumer Expectation

Hs5. Brand Image has a direct impact to Consumer Expectation

Hs6. Brand Awareness has a direct impact to Consumer Expectation

Hs7. Consumer Expectation has a direct impact to Consumer Satisfaction

Hs8. Consumer Satisfaction has a direct impact to Brand Value

Hs9. Consumer Satisfaction has a direct impact to Brand Trust

Hs4(a). Brand Personality has a direct impact to Brand Trust

Hs5(a). Brand Image has a direct impact to Brand Trust

Hs6(a). Brand Awareness has a direct impact to Brand Trust
3.6 Research Framework

Marketing Communications

Brand Personality

Brand Image

Brand Awareness

Consumer Expectation

Consumer Satisfaction

Brand Trust

Brand Value

Brand Loyalty (Retention)
Research Framework and Hypothesis Rationale

Brand personality, brand image and brand awareness are created either by direct company communication mix or indirect contact with the consumers, and forms perception about the brand hence giving rise to consumer expectation. Once the consumer trials the product or service and, if the initial expectations of the brand are nearly or entirely met, the consumers will be satisfied with the brand. If so, high levels of consumer satisfaction will eventually lead to higher brand trust and the brand seen as giving value thus contributing to the brand value. Along with consumer satisfaction, brand awareness, image and personality generated through direct and indirect communication mix, also impacts brand trust. Ultimately brand trust and brand value influences how loyal consumers are to the brand – The higher the trust and value seen in the brand, the higher the brand loyalty and vice versa.

The aim of this thesis is purely exploratory to establish a research framework. As such the hypothesis presented in this framework will not be tested for the purpose of this thesis. It is anticipated that further research will be carried on to a PhD research level in the future based on this framework. As of now, the hypothesis with the strongest literature support has been on the hypothesis of marketing communication affecting the brand image, which sets the precedent for customer expectation; Customer expectation then acts as a catalyst for customer satisfaction affecting the brand trust, as well as the value; consequently commanding brand loyalty/switching. These hypotheses are represented in the framework as Hs2, Hs5, Hs7, Hs8, Hs9, H1 and H2, and will be the main focus of the future research.
3.7 Chapter Summary

This chapter is a review of the key literature related to the antecedents of brand loyalty together with various concepts in branding. In context of this research, brand loyalty is defined as a consumer's commitment to repurchase the product or service, and the consumer’s use of word of mouth to encourage other consumers to trial the product. This research assumes two main factors that influence brand loyalty, which is **brand trust** and **brand value**. In addition, other elements which influence brand trust and value are explored. These elements are brand image, personality, awareness, consumer expectation, consumer satisfaction and marketing communications.

It is found that brand personality, brand image and brand awareness are created either by direct company marketing communication mix or indirect communication such as Word-of-Mouth with the consumers. These communications shape consumer perception and consumer expectation while reinforcing brand trust. Consumer will be satisfied with the brand if the brand can fulfil its promises and expectation of the consumers. In return, high consumer satisfaction correlates with increased level of brand trust and brand value, which eventually affects brand loyalty.
Chapter 4: Discussion

4.1 Chapter Introduction

This chapter is a discussion on imperative questions derived out of the exploratory research findings in the previous chapters, and pertain to the research on “Customer Retention in the home Internet Service Provider (ISP) market: factors influencing brand loyalty”. This chapter will address the questions in relation to the main characteristics of home Internet consumers in southern Thailand (section 4.2); the attributes that home Internet consumers in southern Thailand look for in an ISP (section 4.3); the current role of brand loyalty in the home ISP market in southern Thailand (section 4.4); and the attributes that can be related to brand loyalty in the home ISP market in southern Thailand (section 4.5).

4.2 What are the main characteristics of the home Internet consumers in southern Thailand?

As explained in section 2.6 of the Thai Context chapter, National Electronics and Computer Technology Centre (NECTEC) reported that there was a growth in internet users by 13.7% between 2008 and 2009, and 84.68% growth between 2005 and 2009. This growth is mainly due to the usage of the Internet by young and recreational users, aged between 15 – 22 years of age. Figure 3 in section 2.6 shows that in 2009, 69.14% of the Internet users accessed entertainment and games website, closely followed by websites relating to news, business and other social activity at 27.4%. However, only 1.75% of the Internet users accessed Government websites, and just 1.71% accessed educational contents (NECTEC, 2010).
Additionally, as explained in section 2.7 of the Thai Context chapter, Silayoi and Speech (2007) points out another factor of influence in their choice of ISP - their family. Even though fathers are more likely to be the breadwinners, mothers tend to be the one who make the final decision on what to purchase. Children also tend to be the influencer in buying any products or services that involve them.

4.3 What are the attributes, home Internet consumers in southern Thailand look for in an ISP?

As elaborated in section 2.7 of the Thai Context chapter, factors that influence home consumers in Thailand to purchase a product or service includes the consumer’s education, income, age, occupation, level of consumer’s trust, awareness and knowledge of the product or service and its brand. Thananuraksakul (2007) points out that the product and service’s quality, price, promotion, variety and features are equally important to the Thai consumer in larger cities like Bangkok. Furthermore, Thai people who fall in the middle to high income bracket tend to purchase expensive products and services to enhance their self-image, self-respect, social-respect, and social belonging.

According to NECTEC (2010) report, 69.14% of the Internet users primarily accessed website related entertainment and games and are 15 to 22 years old. These young Internet consumers tend to prefer an ISP that can provide them with a high Internet speed, unlimited download limit. Half of these young consumers play online games and prefers an ISP which allows free access to an online game. As explained in sections 2.4.1 and 2.4.2 of the Thai Context chapter, in 2004 TOT Internet saw the
opportunity in the online games market. and came up with “TOT free access to Ragnarok, an online game”. Ragnarok at that time was the most popular online game, with 60% of the youth population playing it (TOT, 2010; NECTEC, 2010). As a result, TOT Internet was the most profitable ISPs in 2004 and 2005. This was because TOT is the only company who offered free access to online games in Thailand during that period. After TOT Internet was very successful with its online game strategy, a number of other ISPs like True Internet started offering similar promotion (TOT, 2010; Ture, 2010).

In 2010, True Internet created its own online games under a brand called “True online games”, which offers more than seven online games. With True Internet’s offer of free access and more games, most of the consumers who played online games started switching to True Internet (True, 2010; NECTEC, 2010). In section 2.7 of the Thai Context chapter, Thananuraksakul (2007) says that Internet consumers in southern Thailand are more likely to subscribe to an ISP brand that gives them the highest value, which normally is cheaper price or more features (i.e. Internet download limit or higher speed) for the same price. Recently consumers are starting to value augmented service offering, such as bundle promotion where internet services are offered as part of package. For example, True Internet bundles its other services and products, like cable TV or mobile services at no extra cost.
4.4 What is the current role of brand loyalty in the home ISP market in southern Thailand?

In section 2.6 of the Thai Context chapter, Thai National Statistical Office (2010) points out that an average of 10% of the home ISP customers switched service providers each year between 2003 to 2008 in southern Thailand. In 2009, the figure was 12% (True, 2010; NECTEC, 2010). Thananuraksakul (2007) points out that the increase in the switching rate could be because of the competitive increase in the number of ISPs in southern Thailand since 2005. From just two ISPs (i.e. CAT Internet and TOT Internet), it increased to six ISPs, including TOT Internet, 3BB, CAT Internet, True Internet, Jasmine Net and CS loxinfo in 2010. In section 2.7 of the Thai Context chapter, it is found that Internet consumers in southern Thailand are more likely to purchase any Internet brand that gives them the highest value. This could be in the form of cheaper price, high Internet download limit, higher speed, and value augmented service offering such as bundle promotion where internet services are offered as part of package.

The ISP market in southern Thailand is very competitive, with ISPs introducing new promotions frequently to attract competitors’ customers to switch to their brand. Therefore, there marked increase of the switching rate in 2010. Thananuraksakul (2007) says that some of the ISPs like TOT Internet and 3BB provide their customers with loyalty programs offering discounts. True Internet offers free after-sales service and bundle promotion along with loyalty discount (True, 2010). In summary, Internet consumers in southern Thailand are very likely to subscribe and switch to an ISP brand that gives them the highest value regardless of the brand of the ISP.
4.5 What attributes can be related to brand loyalty in the home ISP market in southern Thailand?

From the previous discussion, it becomes clear that there is a low level of brand loyalty amongst the consumers in the home ISP market in southern Thailand. Consumers in southern Thailand are more likely to purchase the ISP brand that gives them the highest value, or in other words – the lowest price or greater offer for a similar service. Some of the strategies that have been use by ISPs in southern Thailand to hold and expand its market share are - free first month trial by True Internet; discount for continuing the contract by True Internet; cross-promotion and bundle service offering.

As explained in Thai Context chapter section 2.4.2, True Internet has increased its ISP market share to 25% in 2010, from just 6% in 2009. This increase in its share can be attributed to True Corporation’s well known augmented product offering by cross-promoting promotions between its business units, such as True cable TV, True mobile network, True online games, True cafes, and True Internet. Some of the cross-promotions between its business units include Free Wi-Fi Internet in True cafes and True fitness; 20% discount on the bill when a customer subscribes to more than three services under the True brand; Free True cable TV when a customer subscribes to the True mobile network. Augmented product offering by cross-promotion has worked really well for True Internet in acquiring new customers and maintaining its old ones. The number of True’s total market share is still low when compared to TOT Internet with an 40% of the total market share in 201, and 3BB with an 35% of the total market share.
market share in 2010 (NECTEC, 2010; True, 2010). Refer to figure Table 3 in section 2.6 of the Thai Context chapter.

4.5.1 Reasons why TOT Internet and 3BB have the highest market shares

Strong brand awareness and brand trust

TOT Internet and 3BB have the largest and second largest market share accordingly. Both of TOT Internet and 3BB have the highest level of brand awareness and brand trust among consumers in southern Thailand, as TOT Internet founded in 1993 is the very first ISP in Thailand. Therefore, TOT Internet has the advantage of the being first mover in the overall Thai market (i.e. very strong brand name, brand awareness and brand trust). As explained in section 3.3.1 of the literature review chapter, brand trust is associated with the belief, attitude, reputation, credibility, expectancy and confidence that consumers have on a brand (Sung & Kim, 2010; Grossmanova, Vojtkova & Kita, 2009). Mature customers and older businesses tend to choose TOT Internet, because of its good reputation, and long-standing name.

Government owned business

TOT Internet is a business unit of TOT Corporation; a Thai state owned Telecommunications company. TOT Internet is the first ISP who introduced Internet services, and the only company who offers landline phone service in southern Thailand. Therefore, TOT Internet has a strong reputation in the market. Moreover, in order for consumers to own a home phone line, they must subscribe to TOT Corporation, from which the consumers can connect to an Internet service (TOT,
2010). Thananuraksakul (2007) states that those consumers using TOT home phone lines fear that, they will face problems should they use another ISP when connecting using their TOT landline service (TOT, 2010). Additionally, Thananuraksakul (2007) points out, consumers in general do not want to have two different service providers for their landline and Internet nor do not want to have two separate bills from two different companies. Due to these consumer attitudes, TOT is preferred in the market and maintains a leading share.

**Promotion and convenience**

NECTEC (2010) points out that 100% of the users who are using landline services are subscribed with TOT Corporation. Therefore, it is more convenient for these users to use TOT Internet, as TOT Corporation offers its landline users with free Internet set-up. On top of that, TOT Internet offers its customers with a promotion that gives a 20% off on every additional service they subscribe with TOT. In 2008, TOT Internet upgraded their entire Internet plan (i.e. higher download limit and Internet speed) to increase their customer satisfaction, and prevent its customers from switching to True Internet. TOT Internet took this step because during that time, True Internet was positioning their brand as being “the cheapest and fastest” Internet plan among all ISPs in southern Thailand. Therefore, TOT Internet came up with the above-mentioned strategy to make increase its customer satisfaction thus prevent them from switching over to True Internet (TOT, 2010).
4.5.2 Reasons why True Internet has the highest growth.

Effective awareness

Prior to 2009, True Internet was relatively unknown to consumers in southern Thailand as it was only launched in southern Thailand in 2008 (True, 2010). Due to a huge advertising and promotion campaign since 2008, True Internet claims that around 70% or even more of its target market have seen its advertising or heard about the company in southern Thailand. True Internet also claims that in Bangkok, 95% of its target market is aware of the True brand (True, 2010; NECTEC, 2010). True Corporation currently spends in excess of US$8.31 million advertising and promoting the True Internet brand in Thailand each year, and states that True Internet has increased the level of brand awareness, image and trust as a result of their marketing communications (True, 2010).

In 2009, True Internet recognized that consumers feared problems if they use a different service provider when connecting to the Internet with their TOT landlines – TOT is the only provider of fixed landlines in southern Thailand. Therefore, True Internet started an awareness campaign to educate Internet consumers about the fact that they will have no problems subscribing to a different service provider for Internet, even if they are using TOT landline services (True, 2010). As a result, in 2010 TOT Internet lost 11% and 3BB lost 5% of their market shares while True Internet saw an 19% increase in its market share (NECTEC, 2010).

In section 3.4.3 of the Literature Review Chapter, we understand that brand awareness is the knowledge and awareness that consumers have about a brand and its products or services. It can be in the form of price, distribution, promotion, feature, personality or...
name of the brand. In this case, True Internet created awareness on how the Internet service work, as well as information about True Internet’s brand, price and offer. Chaudhari and Holbrook (2001) also state that brand awareness is one of the factors that lead to increased brand trust, hence brand loyalty. Hong and John (2010) also state that the higher the rate of brand recognition and awareness, the higher the brand trust when it comes to point of sale purchase, and the decision making process. Kath

As mentioned earlier in section 3.4.6 of the Literature review chapter, marketing communications consist of marketing messages communicated through various media by companies to inform its target market. Marketing communications can be transmitted through the traditional media channels as well as new media channels, including but not restricted to newspapers, radio, magazines, television, outdoor advertising, Internet, sponsorship, public relations, social media, product packaging, and point of sales display. Chen Green (2009) and Keller (2009) say that marketers can use marketing communications to alter the level of brand awareness, brand image, customer expectation, affecting brand trust, brand value and brand loyalty.

**Effective promotional offers**

True Internet was able to expand its market share rapidly because of its winning promotional offers. One of the promotion currently being run is the “Be friend with me”. This campaign encourages True Internet’s customers to pass positive word-of-mouth among their friends, and if they manage to get their friends to subscribe with True Internet, the customer and the customer’s friend gets a discount on their Internet subscription. This campaign was introduced in southern Thailand during late 2009, and was very successful in terms of positive word-of-mouth generated (True, 2010).
As mentioned in section 2.4.2 of the Thai Context chapter, True Internet also offers cross-promotion between True Internet and True mobile network - If a consumer subscribes to True mobile, the consumer gets discount on their Internet subscription if they are subscribed to both services. As a result, the younger Internet and mobile users tend to switch to the True services, as they get a better value when compare to other ISPs (True, 2010).

As mentions in Thai Context chapter section 2.7, it is shows that Internet consumers in southern Thailand are more likely to purchase any Internet brand that gives them the highest value (i.e. this could be in the form of cheaper price, high Internet download limit, and higher Internet speed). On top of that, TOT Internet has been offers “20% off deal on every service” strategy more than a year. Therefore, TOT Internet customers expected that they can get pay at a cheaper price for a high Intern speed, but when TOT Internet stoped their “20% off deal on every service” strategy. True Internet became the ISP who offers the faster Internet speed and download limit at a cheaper price when compared to TOT Internet (TOT, 2010; True, 2010). As a result, TOT Internet customers were unsatisfied with their expectation and switched to True Internet.

As described in section 3.4.4 of the Literature Review chapter, consumer expectation is the judgment, believe and opinion of a brand and its products and services. Consumer expectation can be in the form of expected performance of the features; understanding and believe in the brand promises; consumer’s previous experiences with the brand, exposure to company’s marketing communications, as well as positive or negative word-of-mouth. Selnes (1993) also says that consumer expectation have
an impact on consumer satisfaction which then influences brand trust, consequently influencing brand loyalty.

4.6 What is the nature of impact of brand loyalty on customer retention in home Internet Service Provider market in southern Thailand?

In the case of the home ISP market in southern Thailand, brand loyalty will help ISPs to increase its customer retention rate through the harnessing of attributes related to brand loyalty thus minimizing the tendency of its current customers to switch to a competitor brand, consequently maintaining its market share. With less customer switching, the ISP then can focus on expanding its market shares through new customer acquisition, and by retaining its customer base through loyalty. In addition ISPs need to increase the trust and value of their brand through building brand image, brand awareness and brand personality by using different types of communication tools. Brand loyalty can

“Consumer loyalty is a much desired thing. Everyone accepts without question that it’s more profitable to sell to an existing consumer than it is to recruit a new one. Get the consumer on side, cross-sell them some other products and build a relationship. Before long you’ve got $-signs in your eyes as you start to calculate the lifetime value of this partnership” (Gofton 1995, p.25).
Drawing from section 3.2 of the literature review chapter, it becomes apparent that retaining existing customers is cheaper than acquiring new ones. Reichheld and Sasser (1990), Colgate and Hedge (2001) and Kotler (1992) further asserts that retention loyalty is a key path for a business to grow. Colgate and Hedge (2001) supports this view, stating that losing consumers can have a negative effect through a loss of potential future profits, and the associated cost of acquiring new consumers. With an increase in brand loyalty, ISPs can in fact save cost by retaining its customer base. Another benefit of loyal customers would be that it allows the ISP to focus on its market share expansion.

Reichheld and Sasser (1990) state that business performance improves through loyal customers, as they tend to give companies higher levels of profits from higher levels of repurchase, decreased price sensitivity, positive word of mouth and lower likelihood to switch brands (Bowen & Chen, 2001; Bowen & Shoemaker, 1998; Buttle, 1996). Dick and Basu (1994) also say that the levels of loyalty are determined by the level of repeat purchase and relative attitude. Oliver (1999) further asserts that loyalty will increase customers’ commitment to the brand, resistance to inducements to transfer to other brands and tolerance of error in performance.

4.8 Chapter Summary

This chapter discusses the imperative questions pertaining to the research on “Customer retention in the home Internet Service Provider (ISP) market: factors influencing Brand loyalty”. From various literature reviews, it is found that brand personality, brand image and brand awareness are created either by direct company marketing communication mix or indirect communication such as Word-of-Mouth
with the consumers. These communications shape consumer perception and consumer expectation while reinforcing brand trust. Consumer will be satisfied with the brand if the brand can fulfil its promises and expectation of the consumers. In return, high consumer satisfaction correlates with increased level of brand trust and brand value, which eventually affects brand loyalty. If rightfully understood and implemented, brand loyalty has the ability to aid ISPs to increase its customer retention rate through the harnessing of attributes related to brand loyalty thus minimizing the tendency of its current customers to switch to a competitor brand, consequently maintaining its market share. With less customer switching, the ISP then can focus on expanding its market shares through new customer acquisition, and by retaining its customer base through loyalty.
Chapter 5: Methodology and Future Research

5.1 Chapter Introduction

This chapter provides a review of the thesis’s methodology and its limitations. This chapter begins with methods of the study and Limitations (section 5.2). This chapter will then looks at possible future research data collections and theories (section 5.3).

5.2 Problem Statement

This thesis investigates the relationship on internet users and their loyalty. It addresses the following question:

“What are the factors that influence brand loyalty intentions of Internet users in southern Thailand?”

Consequently, the main thrust of this thesis is to develop a framework that can be empirically tested to determine the factors that influence brand loyalty in the ISP market for home use in southern Thailand. In order to address the main research problem of this study, the following specific research questions have been investigated:

- What are the possible factors that can be associated with brand loyalty?
- What are the main characteristics of the home Internet consumers in southern Thailand?
- What are the attributes, home Internet consumers in southern Thailand look for in an ISP?
5.3 Methods of the study and Limitations

This thesis started with an exploratory investigation into the consumer demographics, the Internet Service Provider (ISP) market, and consumer behaviour in Thailand. Problems in the ISP market were then identified to generate research questions and objectives. Since the main thrust of this thesis is in the context of brand loyalty, a wide amount of literary review was undertaken to understand current concepts in branding and brand loyalty.

After synthesizing the data and information collected from the initial research as mentioned above, key findings were generated to build up the conceptual framework and hypothesis. The key findings are further investigated in the discussion chapter. As this is a minor thesis, the next logical step for the direction of this thesis is to generate further future research and analysis to reach a conclusion.

Due to time constraint no primary data collection has been undertaken, as there is inadequate time to complete the ethics approval processes to develop a meaningful survey, and undertake interviews in southern Thailand. Therefore exploratory investigation has been undertaken, in order to develop a framework that can be empirically tested at a later stage. Only secondary data sources have used. Scholarly literature and industry reports had informed the research.
5.4 Future Research

It is anticipated that this research will be carried on to a PhD level research in the future, and will be furthered explored using research tools such as face-to-face interviews, surveys and focus groups. The hypothesis with the strongest literature support has been the hypothesis of: marketing communication forming the brand image, which sets the precedent for customer expectation; Customer expectation then acting as a catalyst for customer satisfaction; Customer satisfaction then delivering the verdict on brand trust, as well as the value; consequently commanding either brand loyalty or the decision to switch to a competitive brand. These hypotheses are represented in the framework as Hs2, Hs5, Hs7, Hs8, Hs9, H1 and H2, and will be the main focus of the future research. In addition, at the PhD level research, further attributes that have previously been associated with brand loyalty, and its relation to the home Internet Service Provider market in southern Thailand, will be explored. Some of the further areas that the research will delve into are customer focus, and on creating competitive advantages.

5.5 Chapter Summary

Due to time constraints no primary data collections has been undertaken. Therefore an exploratory investigation has been undertaken, in order to develop a framework that can be empirically tested at a later stage. Scholarly literature and industry reports inform the research. It is anticipated that this research will be carried on to a PhD research level in the future and will be furthered explored using research tools such as face to face interviews, surveys and focus groups.
Chapter 6: Conclusion

6.1 Chapter Introduction

This chapter provides conclusions to the research questions and an overall summary. The chapter will start with stating the research problem statement, questions and objectives. This chapter then shows the methods of the study, limitations and summary of discussion topic.

6.2 Problem Statement, Research Questions and Objectives

This thesis has investigated the relationship between internet users and their loyalty. It has addressed the following main research problem:

“\textit{What are the factors that influence brand loyalty intentions of Internet users in southern Thailand?}”

In order to answer the main research problem of the study, the following specific research questions have been addressed:

- What are the possible factors that can be associated with brand loyalty?
- What are the main characteristics of the home Internet consumers in southern Thailand?
- What are the attributes, home Internet consumers in southern Thailand look for in an ISP?
- What attributes can be related to brand loyalty in the home ISP in southern Thailand?
By investigating the above research questions, this thesis has attempted to achieve following research objectives:

- To identify attributes that have previously been associated with brand loyalty
- Attributes related to brand loyalty in the home ISP market in southern Thailand
- To develop a framework that can be empirically tested to determine the factors that influence brand loyalty in the home ISP market in southern Thailand

6.3 Summary of Key Finding

6.3.1 Characteristics of home Internet consumers in southern Thailand

As explained in section 2.6 of the Thai Context chapter, National Electronics and Computer Technology Centre of Thailand (NECTEC, 2010) notes that there was a growth in Internet users by 13.7% between 2008 and 2009, and 84.68% growth between 2005 and 2009. This growth is mainly due to the usage of the Internet by young and casual users. 69.14% of the users accessed entertainment and games website and 27.4% of users accessed websites pertaining to social aspect and news.
6.3.2 Attributes that home Internet consumers in southern Thailand look for

As explained in section 2.7 of the Thai Context chapter, Factors that influence consumers in Thailand to purchase a product or service includes consumer’s education, income, age, occupation, level of consumer’s trust, awareness and knowledge of the brand and its product or service. Other factors included the product and service’s quality, price, promotion, variety offered and the features. Furthermore, Thai people who fall in the middle to high class income bracket tend to purchase expensive products and services just to enhance their self-image, self-respect, social-respect, and social belonging.

6.3.3 The current role of brand loyalty in the home ISP market in southern Thailand

As explained in section 2.6.1, Thai National Statistical Office (2010) has pointed out that an average of 10% of the home ISP customers in southern Thailand switched service providers each year between 2003 to 2008 in southern Thailand. In 2009, the figure was 12% (True, 2010; NECTEC, 2010). Thananuraksakul (2007) states that, this is because Internet consumers in southern Thailand are more likely to purchase any Internet brand that gives them the highest value. This could be in the form of cheaper price, high Internet download limit, higher speed, value adding services such as bundle promotion (i.e. bundling complimenting service offer, such as land telephone line with internet connection).
6.3.4 Attributes related to brand loyalty in the home ISP market in southern Thailand

As explained in section 2.4 of the Thai Context chapter, TOT Internet and 3BB which are both Government owned have the highest market share because of their strong brand awareness, consumer trust, superior promotion and convenience. On the other hand in year 2010, True Internet comes in third with a 25% of the market share from just 6% a year ago. True Internet’s high growth is attributed to its effective brand awareness campaign, product bundling offers and wide promotion campaigns (NECTEC, 2010; True, 2010).

6.3.5 Impact of brand loyalty on customer retention in the home ISP market in southern Thailand

Brand loyalty can help ISPs in southern Thailand to increase its customer retention rate by decreasing brand switching by its current customer base. From the previous studies, it is understood that it cost less to retain current customers, compared to attracting new ones. This means if an ISP is retaining most of its customers, it actually decreases the acquisition cost or allows the company to use the cost savings to acquire new customers and increase its market share.

6.4 Methods of the Study and Limitations

An exploratory investigation was undertaken to understand the consumer demographics and behaviour as well as the Internet Service Provider (ISP) market in Thailand, including southern Thailand. With the exploration, problems and the related
opportunities in the home ISP market are then identified to generate the research questions and objectives related to the context of brand loyalty. A wide amount of literary review has been studied to understand current concepts in branding and brand loyalty.

Due to time constraint no primary data collection has been undertaken, as there is inadequate time to complete the ethics approval processes to develop a meaningful survey, and undertake interviews in southern Thailand. Therefore an exploratory investigation has been undertaken, in order to develop a framework that can be empirically tested at a later stage. Only secondary data sources have used. Scholarly literature and industry reports inform the research. It is anticipated that this research will be carried on to a PhD research level in the future and will be further explored using research tools such as face to face interviews, surveys and focus groups to logically test the framework and come to a conclusion.
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