CUSTOMER LOYALTY IN HIGH-TECH INTERNET SERVICES

Paramaporn Thaichon, Swinburne University of Technology, Australia\(^1\)
Antonio Lobo, Swinburne University of Technology, Australia\(^2\)
Ann Mitsis, Swinburne University of Technology, Australia\(^3\)

ABSTRACT

This study aims to investigate the antecedents to customer retention and brand loyalty of Internet Service Providers (ISPs) in Thailand. Overall service quality of an ISP is determined by network quality, customer service, information support, privacy and security. The findings reveal that the positive relationships between service quality and consumers’ affective evaluations (satisfaction, trust, commitment, and value) were revealed. Overall customers’ satisfaction and commitment were positively associated with both attitudinal and behavioural loyalty. However, surprisingly, there was no support for the hypothesised positive association between customers’ trust and value with attitudinal and behavioural loyalty. Practical implications that can be drawn from this research will form a foundation for service providers in the home ISP to develop new retention strategies. By making customers more central in company operations, these strategies can potentially reduce the expenses associated with acquiring new customers.

*Keywords:* Customer loyalty, Satisfaction, Commitment, Value, Internet Service Provider

INTRODUCTION

Competitive and evolving markets have led customer loyalty as being a crucial factor that determines the success of all businesses, as attracting new customers is more expensive and less beneficial than retaining existing customers (Thaichon, Lobo, & Mitsis, 2013). Loyal customers tend to spend more money buying from a particular organisation compared to a brand new customer (Jaiswal & Niraj, 2011). By creating and maintaining customer loyalty, companies can gain higher profit margins over a lifetime duration of the business relationship with customers (Wang & Wu, 2012). For example, a 1% retention rate of customers could add around 5% profit to an ISP, which reduces the pressure in searching and acquiring new customers (Spiller, Vlastic, & Yetton, 2007). Thaichon, Lobo, and Mitsis (2012) reveal that an average 10% of Thai home Internet customers switched their service providers annually between 2003 and 2009. This scenario provides a research opportunity to explore the offerings of ISPs in Thailand, and to identify the factors that influence consumers’ brand loyalty. Therefore, the purpose of this study is three-fold. Firstly, this study explores the antecedents and consequences of customer retention and brand loyalty of an Internet Service Provider (ISP) within a developing economy. Secondly, it presents the outcomes of how overall service quality is related to customers’ trust, satisfaction,

\(^1\) Pthaichon@swin.edu.au
\(^2\) Alobo@swin.edu.au
\(^3\) Amitsis@swin.edu.au
commitment and value. Thirdly, it provides practical implications for ISP service providers in Thailand in order to improve overall service quality perceptions and reduce churn rates.

**LITERATURE REVIEW**

*Cognitive and affective evaluations of customers*

The first set of constructs in Figure 1 explores the underlying relationships between overall service quality and customers’ evaluations of trust, overall satisfaction and commitment. Essentially, consumers are motivated by overall service quality, which emanates from a stable and fast internet network quality, a quick response and ready to serve customer support team, a high level security/privacy that is trusted by customers (Vlachos & Vrechopoulos, 2008), and a reasonable value of the service offering (Aydin & Özer, 2005). Additionally, overall service quality is the excellence and perceptions of quality of the overall service, as well as customers’ opinions of service standards and performance in general (Brady, Cronin, & Brand, 2002). Research in India’s mobile phone service providers reported that, a high level of service quality can boost company competency, which leads to greater customer acquisition and a lower customer turnover rate (Seth, Momaya, & Gupta, 2008). In addition the overall service quality including reliability and responsiveness can be considered as cognitive evaluations of performance over time which can be anticipated to build affective attachment (Thaichon, Quach, & Lobo, 2013). Positive overall service quality impacts on commitment that customers have toward a particular brand and the associated service provider (Jahanzeb, Fatima, & Khan, 2011).

Additionally, once consumers try the service and, if the initial expectations of the overall service quality are exceeded, they would be satisfied (Parasuraman, Zeithaml, & Berry, 1985) or even better delighted and then build trust with the brand (J. S. Chiou & Droge, 2006). In other words, the level of a customer’s satisfaction is dependent on the ability of the supplier to meet the customer’s norms and expectations (Zeithaml, Berry, & Parasuraman, 1996). Trust is evaluated by the perceived reliability of the ISP’s billing system, contracts and promised service delivery. Trust is dependent on how receptive the consumers are to their service provider’s products and offers, along with its reputation, credibility and expectancy (J. Kim, Morris, & Swait, 2008). Thus, trust is closely related to overall service quality. In the ISP industry, trust can be evaluated by exploring how customers feel about their service provider in terms of the company’s honesty, responsibility and professional manners, and if the customers think that the ISP understands and cares about them (Thaichon, Lobo, & Mitsis, 2014). Based on extant literature the following relationships were hypothesised as follow:

- **H1:** ISP Overall Service quality influences customer trust
- **H2:** ISP Overall Service quality influences overall customer satisfaction
- **H3:** ISP Overall Service quality influences customer commitment
- **H4:** ISP Overall Service quality influences customer value

**Resultant**

The endogenous construct of loyalty (see Figure 1) comprises of attitudinal and behavioural loyalty which are investigated in light of customer evaluations, namely trust, satisfaction and commitment. Attitudinal loyalty is evaluated by customers’ inner thoughts of attachment, positive word-of-mouth and recommendations
(Zeithaml et al., 1996). Attitudinal loyalty can be determined by exploring if customers consider themselves to be loyal patrons of this ISP, as well as if they think this ISP is the best choice for them (H. Kim & Niehm, 2009). In addition to attitudinal loyalty, behavioural loyalty is measured by the number of customers which remain with their service provider (Thaichon & Quach, 2013; Zeithaml et al., 1996). This study will also investigate customer switching behaviour when they encounter problems with the service and are dissatisfied.

Trust plays an important role in determining customer loyalty. When customers trust the service provider, they will continually use the service and even recommend the service to potential customers (Deng, Lu, Wei, & Zhang, 2010). In the mobile phone industry, Chiou et al. (2006) also claims that customer trust has a positive and direct effect on consumer loyalty in Taiwan’s ISP market. In addition to trust, satisfaction also has a strong impact on customer loyalty, especially in the Hong Kong Internet service market (Cheng, Lai, & Yeung, 2008). Cheng et al. (2008) confirm that customers who experience a high level of satisfaction, are most likely to stay with their existing service providers and maintain their service subscriptions. Hence, businesses must increase the level of customer satisfaction by upgrading service quality, which in turn influences purchase and repurchase intentions in ISP markets (Seth et al., 2008). Customer commitment was found to explain customer loyalty behaviours in Pakistan’s telecommunication service (Jahanzeb et al., 2011). Emotional commitment was found to be positively related to attitudinal loyalty within Korea (Han, Kim, & Kim, 2011). Emotionally committed customers usually have intentions to purchase, and to engage in recommendation behaviours (Han et al., 2011).

In summary, loyalty consists of attitudinal and behavioural loyalty. Whilst attitudinal loyalty is evaluated by customers’ inner thoughts of attachment, positive word-of-mouth and recommendations, behavioural loyalty is evaluated by examining if they decide to remain with their ISP in the near future. Trust, satisfaction, and commitment have been identified as antecedents to loyalty. Based on extant literature the following relationships were hypothesised as follow and shown in Figure 1:

- **H5**: Customers’ trust is positively associated with attitudinal loyalty
- **H6**: Overall Customers’ satisfaction is positively associated with attitudinal loyalty
- **H7**: Customers’ commitment is positively associated with attitudinal loyalty
- **H8**: Customers’ perceived value is positively associated with attitudinal loyalty
- **H9**: Customers’ trust influences behavioural loyalty
- **H10**: Overall customers’ satisfaction influences behavioural loyalty
- **H11**: Customers’ commitment influences behavioural loyalty
- **H12**: Customers’ perceived value influences behavioural loyalty

**Figure 1** Hypotheses testing using structural equation model

**METHODOLOGY**

The participants were randomly chosen from the ISP’s customer database for all regions of Thailand. We emailed a total of 5000 surveys in two stages, i.e. 2500 surveys were distributed in all geographical regions of Thailand and the other 2500 were similarly emailed to participants a week later. The online survey was made available via the university’s Opinio platform and the web link of the online survey.
was forwarded to the participants by the ISP. The final usable sample size was 1885. In terms of respondents’ profiles, 65.5% of the total respondents were male, and 34.5% female. The age group of 18 to 28 made up 22.6% of the total respondents; 38.7% were 29 to 39 years old; 24.8% belonged to the 39 to 49 age group; and 13.9% were 50 years or older.

A quantitative methodology reflecting the scientific realism paradigm was used to empirically test the proposed conceptual model. An online survey was designed which consisted of three sections. The first section contained 20 items which investigated customers’ experience with their ISP provider. The second section included 24 statements which examined the interactions and relationship between customers and their service provider. The third section aimed to obtain general information (for instance, demographic information) about the respondents. The scales used to operationalize the constructs were validated in previous research. Some wording of the various items had to be modified to suit the Thai context. The survey instrument originally in English was translated into Thai language by a bilingual researcher. The survey instrument was translated back into English to verify the reliability of the translation. The translated versions were cross-checked by three other bilingual researchers to ensure content and face validity.

RESULTS

The scales used in this study were validated by various researchers stated in Table 1 and therefore, exploratory factor analysis was not essential. The multi-scale nature of the data and the use of ordinal scales requires the use of polychoric correlation matrices of software programs (Hair, Anderson, Tatham, & Black, 1998). Hence, AMOS Version 20 (Analysis of Moment Structures) was used. Confirmatory factor analysis was performed to examine whether theoretical relationship between items and their hypothesized factors were supported by the data (Cunningham, 2010). Subsequently, the measurement models were linked as in the proposed model using Structural Equation Modelling (SEM). Structural Equation Modelling is popular in management research, especially in areas of marketing related to consumer buyer behaviour.

Table 1 presents the scales that were used to operationalise the constructs within this study. The survey instrument was developed in English and translated into Thai by a bilingual researcher. The survey was then translated back into English to verify translation reliability. The translated versions were also cross-checked by three other bilingual researchers to ensure both content and face validity.

Table 1: Study Constructs

Moreover, SEM is the best choice for analysing the confirmatory nature of the research question and simultaneous nature of multiple relationships between the key constructs (Hair et al., 1998). The trial best-fit model was used to test the hypotheses (The results are shown in Table 2). Basically, a version of ‘t’ test which uses critical ratios from the SEM is employed. The direction and significance of the relationship is determined by the magnitude of Beta. Although the Chi square statistic was significant ($p = 0.000$), which can be explained owing to the relatively large sample size ($> 2000$), other fit indices (Chi-square = 3546.818; $p$-value = 0.000, CMIN/DF =
9.118, GFI = 884; AGFI = 0.862, TLI = 0.941, CFI = 0.947, RMSEA = 0.063, 90%CI = (0.061, 0.065), SRMR = 0.0420) indicate that the model was a good fit to the data. In addition, bias corrected bootstrapping technique was employed in order to examine the indirect effects of service quality on behavioural and attitudinal loyalty via trust, satisfaction, value, and commitment. The results are shown in Table 3.

Table 2 Results of Hypotheses Testing

Table 3 Standardised indirect effects of overall service quality on Behavioural loyalty and Attitudinal loyalty

DISCUSSION AND MANAGERIAL IMPLICATIONS

The results reveal that service quality was strongly associated with customer trust. This proves that if an ISP provides a high level of overall service quality, customers would trust this particular ISP, and they would believe that the company is genuine. This result is not surprising considering the amount of research conducted in this area which essentially concurs that service quality is significantly associated with customer trust (Gounaris & Venetis, 2002). In home internet services, Chiou (2004) suggests that customer trust can be evaluated by exploring how they feel about their service provider with respect to the company’s honesty, responsibility, professional manners and degree of understanding and care. Gounaris and Venetis (2002) = demonstrate that the quality of service offered by the service provider impacts the level of customers’ trust in the service provider. In the context of Thai ISP, Thaichon et al. (2014) report that overall service quality has a huge influence on customers’ trust.

The findings also revealed that service quality was positively associated with overall customer satisfaction. When customers are satisfied with the overall services, they believe that they have made the right choice when choosing a particular ISP. In the Australian higher educational context, service quality was found to have a positive influence on customer trust, and customer satisfaction (Sultan & Wong, 2012). Extant research by Deng et al. (2010) and Parasuraman et al. (1985) reports similar findings. By enhancing service quality, firms can maintain their competitive advantage and improve customers’ perceptions of customer satisfaction (Parasuraman et al., 1985). In the telecommunications industry, service quality was found to have a strong relationship with customer satisfaction in Chinese context (Deng et al., 2010).

Overall service quality had a significant influence on customer commitment. Essentially when customers are delighted with the overall service quality, they are willing “to go the extra mile” to continue their relationships with a particular ISP. A study conducted in the United Arab Emirates in retail banking suggests that service quality associated with automation has a direct and positive influence delighting customers, which in turn impacts on both customer trust and customer commitment (Al-Hawari, 2011). Thaichon et al. (2013) report that service quality is positively related to customer commitment in Thai telecommunications services. Finally, service quality was positively associated with customer value. This suggests that when customers perceive the overall service to be high quality, they naturally perceive that their internet services package is value for money. Previous research by J. Kim and
Damhorst (2010) and Lai, Griffin, and Babin (2009) report similar findings. J. Kim and Damhorst (2010) state that service quality positively influences perceived value in the internet retail setting. Lai et al. (2009) state that apart from monetary costs, value is determined by service quality in the telecommunications market. Clearly, overall service quality is a commanding force that shapes a multitude of customer perceptions toward service providers. More specifically, the experiences of service quality influence customers’ trust and commitment, satisfaction and value. Therefore, it is necessary for service providers to maintain and improve their overall service quality.

The results reveal that overall customer satisfaction was moderately associated with attitudinal loyalty and behavioural loyalty. This suggests that a customer who is satisfied with the service provider will undoubtedly display a favourable post-purchase behavioural and attitudinal intention. Previous research by Gerpott, Rams, and Schindler (2001) reported similar findings. Surprisingly, the relationships between customer trust, and attitudinal loyalty and behavioural loyalty were not supported. In fact, there are only three main and well-established ISPs in Thailand who have very good reputation. This might be a reason why customer trust did not influence loyalty as customers considered all of these ISPs as being reliable. The results also indicated that customer value was not associated with behavioural loyalty. This can be explained by the fact that the costs of services as well as the promotional programs are very similar amongst the three main ISPs in Thailand. Therefore, perceived value might not be significantly different across customers of those ISPs. In addition, there was moderate support for the hypotheses regarding the relationship between customer commitment, and attitudinal and behavioural loyalty. When customers have a sense of belonging with a service provider, they tend to feel loyal towards that service provider. Moreover, even if it is more difficult to purchase from the service provider, the customers will still consider the service provider as the number one choice, and disregard any other alternatives. Evidently this supports previous work conducted by the likes of Fullerton (2005). It can be concluded that ISP customers in Thailand plainly possess some similar characteristics as those in other contexts reported in previous research.

The proposed research develops an understanding about consumer buyer behaviour of home Internet services in Thailand, and creates an ideal model aimed at customer retention. It provides valuable insights into consumer retention and brand loyalty in the home Internet services of Thailand. Additionally, this research contributes a new body of knowledge with regards to the future potential of the ISPs in Thailand and for other ISPs in similar developing countries, such as Malaysia, Vietnam, the Philippines and India (Jahanzeb et al., 2011). Beneficiaries of this study include various stakeholders in Thailand, including consumers of ISPs, ISPs themselves, the government, and other commercial interests. Practical implications that can be drawn from this research will form a foundation for service providers in the home ISP to develop new retention strategies. By making customers more central in company operations, these strategies can potentially reduce the expenses associated with acquiring new customers. As a result, ISPs will be able to reduce the current issues relating to customer switching in the home ISP market in Thailand, as well as in other countries that have similar demographic profiles. In term of limitations, the model in this study was tested in the Thai ISP context which might be different from other industry settings as well as other countries. Hence, future research is recommended in order to verify this model in other countries such as Vietnam, Cambodia and Burma.
commitment: A practical study within the UAE retail banking context. *Asia Pacific
Turkish mobile telecommunication market. *European Journal of Marketing,
39*(7/8), 910-925.
Brady, M., Cronin, J., & Brand, R. (2002). Performance-only measurement of service
Study of Internet Service Providers in Hong Kong. *International Journal of E-
Chiou, J. S., & Droge, C. (2006). Service quality, trust, specific asset investment, and
expertise: direct and indirect effects in a satisfaction-loyalty framework. *Journal
of the Academy of Marketing Science, 34*(4), 613-627.
Chiou, S. (2004). The antecedents of consumers’ loyalty toward Internet Service
Cunningham, E. (2010). *A practical guide to structural equation modelling using
Amos* (1 ed.). Melbourne: Statsline.
and loyalty: An empirical study of mobile instant messages in China.
Eisingerich, A., & Rubera, G. (2010). Drivers of Brand Commitment: A Cross-
Gerpott, T. J., Rams, W., & Schindler, A. (2001). Customer retention, loyalty and
satisfaction in the German mobile cellular telecommunications market.
Gounaris, S., & Venetis, K. (2002). Trust in industrial service relationships:
behavioral consequences, antecedents and the moderating effect of the duration of
Han, H., Kim, Y., & Kim, E. (2011). Cognitive, affective, conative, and action loyalty:
Testing the impact of inertia. *International Journal of Hospitality Management,
30*(4), 1008-1019.
loyalty in Pakistan's telecommunication industry. *Journal of Database Marketing
Jaiswal, K., & Niraj, R. (2011). Examining mediating role of attitudinal loyalty and
nonlinear effects in satisfaction-behavioral intentions relationship. *Journal of
Services Marketing, 25*(1), 165-175.
Kim, H., & Niehm, S. (2009). The Impact of Website Quality on Information Quality,
Value, and Loyalty Intentions in Apparel Retailing. *Journal of Interactive
Marketing, 23*(3), 221-233.
Kim, J., & Damhors, M. (2010). Effects of Level of Internet Retailer’s Service
Quality on Perceived Apparel Quality, Perceived Service Quality, Perceived
Value, Satisfaction, and Behavioral Intentions Toward an Internet Retailer. 


TABLES AND FIGURES

Figure 1. Hypotheses testing using structural equation model
### Table 1: Study Constructs

<table>
<thead>
<tr>
<th>Construct</th>
<th>Item</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall service quality</td>
<td>The overall service quality is excellent</td>
<td>Brady et al. (2002)</td>
</tr>
<tr>
<td></td>
<td>The overall service quality is high quality</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The overall service quality is high standards</td>
<td></td>
</tr>
<tr>
<td>Value</td>
<td>I would consider this Internet service package to be a good buy</td>
<td>H. Kim and Niehm (2009)</td>
</tr>
<tr>
<td></td>
<td>The service package of this Internet service provider is worthwhile</td>
<td></td>
</tr>
<tr>
<td></td>
<td>This Internet service package is a good value for money</td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>I feel that I can rely on this ISP and their service offering</td>
<td>Aydin and Ozer (2005)</td>
</tr>
<tr>
<td></td>
<td>I trust this ISP</td>
<td></td>
</tr>
<tr>
<td></td>
<td>This ISP is reliable because it is mainly concerned with the customer’s interests</td>
<td></td>
</tr>
<tr>
<td>Overall Satisfaction</td>
<td>I believe that I did the right thing when I chose this ISP</td>
<td>S. Chiou (2004)</td>
</tr>
<tr>
<td></td>
<td>I am happy about my decision to choose this ISP</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Overall, I am satisfied with this ISP</td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td>Even if this ISP would be more difficult to buy, I would still keep buying it</td>
<td>Eisingerich and Rubera (2010)</td>
</tr>
<tr>
<td></td>
<td>I am willing ‘to go the extra mile’ to remain a customer of this ISP</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I will not buy this ISP again in the future</td>
<td></td>
</tr>
<tr>
<td>Attitudinal Loyalty</td>
<td>I consider myself to be a loyal patron of this ISP</td>
<td>H. Kim and Niehm (2009)</td>
</tr>
<tr>
<td></td>
<td>I would say positive things about this ISP to other people</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I would recommend this ISP to someone who seeks my advice</td>
<td></td>
</tr>
<tr>
<td>Behavioural Loyalty</td>
<td>I would consider this ISP as my first choice to buy services</td>
<td>Zeithaml et al. (1996)</td>
</tr>
<tr>
<td></td>
<td>I would do more business with this ISP in the next few years</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I would do less business with this ISP in the next few years</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-)</td>
<td></td>
</tr>
</tbody>
</table>
### Table 2 Results of Hypotheses Testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>S.E.</th>
<th>C.R.</th>
<th>p</th>
<th>Support for hypotheses</th>
<th>β</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust</td>
<td>.919</td>
<td>.017</td>
<td>53.27</td>
<td>**</td>
<td>Strong support</td>
</tr>
<tr>
<td>Satisfact</td>
<td>.915</td>
<td>.018</td>
<td>50.45</td>
<td>**</td>
<td>Strong support</td>
</tr>
<tr>
<td>Commitmen</td>
<td>.766</td>
<td>.023</td>
<td>33.37</td>
<td>**</td>
<td>Strong support</td>
</tr>
<tr>
<td>Value</td>
<td>.844</td>
<td>.022</td>
<td>39.16</td>
<td>**</td>
<td>Strong support</td>
</tr>
<tr>
<td>Attitudinal</td>
<td>.370</td>
<td>.051</td>
<td>7.199</td>
<td>**</td>
<td>Moderate support</td>
</tr>
<tr>
<td>Attitudinal</td>
<td>-.270</td>
<td>.073</td>
<td>-3.709</td>
<td>**</td>
<td>Not supported</td>
</tr>
<tr>
<td>Attitudinal</td>
<td>1.008</td>
<td>.059</td>
<td>16.96</td>
<td>**</td>
<td>Moderate support</td>
</tr>
<tr>
<td>Attitudinal</td>
<td>-.014</td>
<td>.017</td>
<td>-.816</td>
<td>.414</td>
<td>Not supported</td>
</tr>
<tr>
<td>Behaviour</td>
<td>.590</td>
<td>.063</td>
<td>9.348</td>
<td>**</td>
<td>Moderate support</td>
</tr>
<tr>
<td>Behaviour</td>
<td>-.413</td>
<td>.089</td>
<td>-4.667</td>
<td>**</td>
<td>Not supported</td>
</tr>
<tr>
<td>Behaviour</td>
<td>1.021</td>
<td>.062</td>
<td>16.45</td>
<td>**</td>
<td>Moderate support</td>
</tr>
<tr>
<td>Behaviour</td>
<td>-.090</td>
<td>.020</td>
<td>-4.461</td>
<td>**</td>
<td>Not supported</td>
</tr>
</tbody>
</table>

*** p values are statistical significant at 0.001 levels
Table 3: Standardised indirect effects of overall service quality on Behavioural loyalty and Attitudinal loyalty

<table>
<thead>
<tr>
<th>Construct</th>
<th>Standardised Indirect Effect</th>
<th>95% CI (*)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Lower Bounds</td>
<td>Upper Bounds</td>
<td>Two tailed Significance</td>
</tr>
<tr>
<td>Behavioural</td>
<td>.857</td>
<td>.837</td>
<td>.877</td>
<td>***</td>
</tr>
<tr>
<td>Attitudinal</td>
<td>.865</td>
<td>.839</td>
<td>.888</td>
<td>***</td>
</tr>
</tbody>
</table>

(*) The 95% CI is obtained by the bias-corrected bootstrap with 2,000 bootstrap samples.

*** p values are statistical significant at 0.001 levels