Investigating the antecedents to loyalty of internet service providers in Thailand: developing a conceptual model

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Abstract
This research aims to investigate the antecedents to customer retention and brand loyalty of Internet Service Providers (ISP) in Thailand. There are several reasons why consumers are motivated to purchase and repurchase Internet service packages. We have evaluated relevant extant research which has been well developed in Western countries. We then develop a conceptual model and intend to validate this in Thailand – a fast growing economy where Internet services are increasingly being marketed. The exogenous constructs of the conceptual model include influential factors such as network quality, customer service, information support, security and value. The endogenous constructs include cognitive and affective determinants such as trust, satisfaction, commitment and loyalty. We intend to empirically validate the conceptual model by obtaining relevant data in the near future.

Introduction
This paper aims to investigate the antecedents to customer retention and brand loyalty of Internet Service Providers (ISPs) in Thailand by presenting a research plan. The Thai National Statistical Office (TNSO, 2010) and National Electronics and Computer Technology Centre of Thailand (NECTEC, 2010) revealed that an average 10% of Thai home Internet customers switched their service providers annually between 2003 and 2008. In 2009, this figure was 12% (True, 2010). This scenario provides a research opportunity to explore ISPs in Thailand, to identify the factors that influence consumers’ brand loyalty. This can be employed to nurture long term customer retention for the firm in the competitive Thai ISP market. The overarching research questions are:
1. What are the antecedents to customer retention and brand loyalty within the home Internet services market in Thailand?
2. What are the inter-relationships of the various constructs that are antecedents to brand loyalty within the home Internet services market in Thailand?

Literature review
Competitive and evolving markets have led to customer retention 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 (Qian, Peiji & Quanfu, 2011). Jahanzeb, Fatima and Khan (2011) found that business performance improves as the number of loyal consumers increase. It happens due to greater returns on investment which is a result of higher repurchase rates, more positive word of mouth and less price sensitivity (Jahanzeb, Fatima & Khan, 2011). Loyal customers also tend to spend more money buying from a particular organisation and put more effort in promoting the company 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).
There is limited research on consumer retention and brand loyalty in ISP markets globally, despite high churn rates (see: True, 2010; Spiller, Vlasic & Yetton, 2007). Customer retention increasingly becomes very important and appears to be the main concern of many businesses, especially when customer acquisition alone does not equate to long term success (Flint, Blocker & Boutin, 2011). Many companies are facing costly challenges in customer acquisition (Abdolvand, Charkari & Mohammadi, 2006) and high customer turnover (Spiller, Vlasic & Yetton, 2007). This study will attempt to address this gap in a Thai ISP context by investigating the antecedents to customer retention and brand loyalty of an ISP in Thailand.

Although customer acquisition often costs more than customer retention (Jaiswal & Niraj, 2011), recruiting new customers cannot guarantee long-term success for a company especially when that company cannot retain its customers (Wang & Wu, 2012). Therefore, Wang and Wu (2012) suggest that it is necessary to equally focus on customer acquisition and customer retention in order to boost company performance. Loyal customers can bring more revenue to all businesses while reducing customer acquisition costs, which further leads to greater profitability (Qian, Peiji & Quanfu, 2011). A 2% increase in the customer retention rate is equal to a 10% decrease in the cost of customer acquisition in the mobile phone service industry in China (Han, Lu & Leung, 2012). Spiller, Vlasic and Yetton (2007) also found that a 1% retention rate of customers could add around 5% profit to an ISP, which reduces the pressure in searching and acquiring new customers. Hence, keeping a loyal customer is more profitable in the long run in comparison to acquiring new customers (Wang & Wu, 2012).

In terms of recommendation, a loyal customer is willing to endorse the brand among their peers, and ignore the negative message promoted by others (Tam, 2012). Deng et al. (2010) supports Tam’s (2012) perspective and concludes conclude that loyal customers always spread favourable messages about their service provider and recommend new customers to the company. In contrast to this, non-loyal customers can be easily influenced by negative information about the products or services (Jahanzeb, Fatima & Khan, 2011). For example, if non-loyal customers are surrounded by complaints about the quality of a brand, they are most likely to form unfavourable feelings towards the brand and decide not to purchase (Mao, 2010). As positive word of mouth is considered to be a source of competitive advantage (Tam, 2012), it is essential to investigate brand loyalty and its antecedents for ISPs.

The context of this research is the Thai telecommunications industry. Thailand is endowed with a wide variety of natural resources, a substantial population and a relatively strong economy (Srihirun, 2011). In addition, during the period of 2000-2010, the average Internet user growth rate per year was 30% (Srihirun, 2011). It shows that telecommunications play an important part in Thailand’s economy, and this is especially true for broadband which was projected to grow annually at 23% over this period (Srihirun, 2011). Thai ISPs have encountered problems with customer retention. TNSO (2010) reported that an average of 10% of home Internet customers in Thailand switched service providers each year between 2003 and 2008. In 2009, this figure went up to 12% (True, 2010). A search on Google Scholar revealed zero research publications exploring consumer retention and loyalty in the Thai ISP sector. Similarly, a search on Google Scholar revealed eight research publications exploring consumer retention and loyalty in an ISP within developed and developing economies. Nevertheless, the Thai market is under-researched and given the large usage and churn rates within the ISP sector, it is justified to explore the antecedents to brand loyalty and customer retention within this market.
In terms of benefits, this research will build a new body of knowledge with regards to the future potential of the ISP industry, and an ideal model for retention which can reduce the current issues relating to customer switching in the home ISP market. Beneficiaries of our study include various stakeholders in Thailand, such as home Internet service users, Internet service providers, the government and investors. Findings from this research will be a foundation for home ISPs to develop new retention strategies which can also reduce the customer acquisition costs.

**Development of a conceptual model**

As a result of the literature review to date a conceptual model has been developed. The dependent construct of brand loyalty is influenced by several independent and moderating constructs of service quality, satisfaction, trust and commitment. The various constructs have been operationalized using validated measures from the literature (see Figure 1).

![Figure 1: Proposed conceptual model of brand loyalty in the home Internet services market. Please note that the in-text references in this figure refer to sources of scales used for each of the constructs.](image)

**ISP Company’s Influential Factors**

Being developed from a variety of models in the marketing literature, the first set of constructs includes instrumental elements of ISPs that determine service quality. The earliest service quality model was introduced by Parasuraman et al. (1985), and called SERVQUAL, including (1) tangibles: appearance of physical facilities, equipment, personnel and communication materials; (2) reliability: capacity to execute the promised service responsibly and precisely; (3) responsiveness: willingness to help customers; (4) assurance: knowledge and courtesy of employees, and ability to increase customers’ trust and confidence; and (5) empathy: caring, individualized attention provided to customers. SERVQUAL was initiated based on Parasuraman et al.’s (1985) gap model between performance and expectations: as performance exceeds expectations, quality increases and vice versa. In other words, the central idea in this model viewed service quality as a function of the different scores or gaps between expectations and perceptions (Zeithaml, Berry & Parasuraman, 1996).

The antecedents to the latent construct of service quality are identified as network quality, customer service, website support, security and value (see Figure 1). Network quality includes the number of errors, downloading and uploading speed and system response time (Vlachos &
In the telecommunications industry, network quality and call quality are key drivers of customer satisfaction (Ahn, Han & Lee, 2006). Although network quality appears to be significantly important in determining service quality, Abdolvand, Charkari and Mohammadi (2006) suggest that businesses should not only work on this factor, but also consider value added services and customer support in order to increase customer satisfaction and service quality. Customer service and technical support are indicated by performance of customer service staff which is reflected by their knowledge, enthusiasm, professionalism and timeliness. Website support, refers to the information provided by the ISP for their customers. Website support includes accuracy, relevance and updated information (Kim & Niehm, 2009). In addition, security and privacy are associated with customers’ feelings of protection and safety during their transactions and usage, for example, feeling secure to provide their personal information (Vlachos & Vrehopoulos, 2008). Value-added service, promotional activities and their accomplishment which contribute to customer perceived values are found to be important factors in determining service quality (Aydin & Özer, 2005).

Cognitive and Affective Evaluations of Customers

The second 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 & Vrehopoulos, 2008), and a reasonable value of the service offering (Aydin & Özer, 2005).

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 (Fullerton, 2005). Positive overall service quality impacts on commitment that customers have toward a particular brand and the associated service provider (Jahanzeb, Fatima & Khan, 2011). Once consumers try the service and, if the initial expectations of the overall service quality are exceeded, they would be satisfied (Parasuraman et al., 1985) or even better delighted and then build trust with the brand (Chiou, 2004). 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 (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 (Chiou, 2004).

Resultant

The final 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, Berry & Parasuraman, 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 (Kim & Niehm, 2009). In addition to attitudinal loyalty, behavioural loyalty is measured by the number of customers which remain with their service provider (Zeithaml, Berry & Parasuraman, 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 et al., 2010). In the mobile phone industry, Chiou (2004) 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, Lai and Yeung (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, Momaya & Gupta, 2008). Customer commitment was found to explain customer loyalty behaviours in Pakistan’s telecommunication service (Jahanzeb, Fatima & Khan, 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, Kim & Kim, 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.

**Methodology**

The research design is a quantitative study, reflecting the scientific realism paradigm, using an online questionnaire to obtain data on the eleven constructs in the proposed conceptual model. The web link of the online survey will be sent to an ISP firm, and then will be forwarded to selected customers in the four regions of Thailand. The participants will be randomly chosen from the ISP firm’s database of existing customers including those who have switched to the ISP firm from other providers. The online survey will be made available via an Opinio platform.

It has been calculated that the representative sample of Thailand’s population will be a number exceeding 700 (using a confidence level of 95%). However, owing to the large number of variables included in the survey, plus the fact that this study intends to undertake advanced statistical analysis using Structural Equation Modeling, the ideal sample size is 2000. The average response rate for surveys via email is approximately 30% (Nulty, 2008). Hence we plan to email a total of 8000 surveys in two stages, i.e. 4000 surveys will be distributed in the four geographical regions of Thailand and the other 4000 will be similarly emailed to participants a week later. After a period of two weeks, an estimation of the returns will be made, and if necessary a general reminder will be sent to all participants. The survey data will
be analysed using exploratory and confirmatory factor analysis, and structural equation modelling to estimate the proposed and competing models.

**Discussion and conclusion**

This proposed research would provide valuable insights into consumer retention and brand loyalty in the home Internet services of Thailand. In addition, this research will build a new body of knowledge with regards to the future potential of the Internet service providers in Thailand and for other ISPs in similar developing countries. Additionally, the proposed research will develop an understanding about consumer behaviour in the Thai Internet consumption market, and will create an ideal model for retention. As the result of that, 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.

Beneficiaries of this study include various stakeholders in Thailand, including consumers of the Internet service provider, Internet service providers, the government and investors. Practical implications that can be produced from this research will form a foundation for the 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. The findings of this study will also benefit ISPs in countries with similar market characteristics such as Malaysia, Vietnam, the Philippines and India (Jahanzeb, Fatima & Khan, 2011).

**References**


