MARKETING COMMUNICATIONS: FACTORS INFLUENCING BRAND LOYALTY OF INTERNET SERVICE PROVIDER

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Key words: Marketing Communications, Customer Retention, Trust, Value, Internet Service Providers (ISP), Southern Thailand.

ABSTRACT
This research investigates the relationship between marketing communications and customer loyalty of the home Internet users in Southern Thailand. This study looks into addressing the factors that influence brand loyalty intentions of the home Internet users. This research is based on the premise that brand personality, brand image and brand awareness are 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.

Track: Brands & Brand Management

INTRODUCTION
The main thrust of this research is to develop a framework that can be empirically tested in order to determine the factors that influence brand loyalty in the ISP home use market in Southern Thailand. The 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. At the same time, there have been a high number of home Internet users switching their service providers each year in Southern Thailand (Thaichon, Lobo & Mitsis, 2012). This research 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 Internet service market and subsequently increase their market share through a more loyal customer base. This research addresses the following question: “What are the factors that influence brand loyalty (retention) of home Internet users in Southern Thailand?” and “What are the effects of marketing communications on brand loyalty (retention)?”

LITERATURE REVIEW
Growing market competition has resulted in an increasing focus on customers and how to maintain the current customer base (Hong & John, 2010). Business performance improves as the number of loyal consumers increases (Jahanzeb, Fatima & Khan, 2011). Customer retention is very important and becomes the main concern of many businesses (Flint, Blocker & Boutin, 2011), especially when a lot of companies are facing costly customer acquisition (Abdolvand, Charkari & Mohammadi, 2006) and high customer turnover rate (Spiller, Vlasic & Yetton, 2007). Recruiting new customers cannot guarantee long-term success for a company especially when that company cannot retain its customers (Wang & Wu, 2012).
Wang and Wu (2012) suggest that it is necessary to equally focus on customer acquisition and customer retention in order to boost company performance. Besides, 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). Customer loyalty also raises consumers’ commitment to the brand and as a result, they are more resistant to inducements to move to other brands (Oliver, 1999). Hence, keeping a loyal customer is more profitable in the long run in comparison with acquiring new customers (Wang & Wu, 2012).

In the context of this research, brand loyalty is defined as a consumer’s intention and actual action to repurchase the product or service, and the consumer’s word of mouth to encourage other consumers to buy the product/service (Oliver, 1999; Aaker, 1997; Chaudhari & Holbrook, 2001). Researchers have found that marketing communications has direct and indirect influence on various aspects of brand and brand loyalty. This has been widely studied, and has been one of the most interesting research topics among academics and practitioners (Oliver, 1999; Aaker, 1997). 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 influence 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 (Hong & John, 2010).

In terms of practical benefits, brand loyalty can help ISPs in Southern Thailand to increase customer retention by decreasing brand switching rate and maintaining current customer base. As mentioned earlier, it is proved that retaining current customers costs less than attracting new ones. This means that an ISP can retain their customers do not have the pressure of acquiring new customers; thus, they can save the resources from expensive customer acquisition and increase profitability. By investigating the research question stated above, objectives of this research are as follows: (1) to identify attributes that have previously been associated with brand loyalty; (2) attributes related to brand loyalty in the home ISP market in Southern Thailand; (3) to develop a framework that can be empirically tested in order to determine the factors that influence brand loyalty and their inter-relationships in the home ISP market in Southern Thailand.

DEVELOPMENT OF A CONCEPTUAL MODEL

As a result of the literature review to date a conceptual model has been developed. Brand personality, brand image and brand awareness are created either by direct company communication mix or indirect contact with the consumers. They form perceptions about the brand, hence, increasing consumer expectations. If the initial expectations of the brand are nearly or entirely met when the consumer tries the product or service, they will be satisfied with the brand. In that case, high consumer satisfaction will eventually lead to higher brand trust. Along with consumer satisfaction, brand awareness, image and personality generated through direct and indirect communication mix, also impact brand trust and brand value. Ultimately brand trust and brand value influence the loyalty of consumers to the brand – The higher perceived trust and value, the higher brand loyalty, and vice versa. High switching costs also discourage customers from switching to competitive services. Based on the identification of factors affecting brand loyalty through the literature review, the following hypotheses have been created to evaluate the elements of brand loyalty in the home ISP market in Southern Thailand. These hypotheses will be tested to identify the factors that determine brand loyalty, which will enable the service providers to maintain or even increase their customer base. The various constructs have been operationalized as shown in Figure 1.
Marketing communications can be in forms of traditional and online media, including newspapers, radio, magazines, television, outdoor advertising, sponsorship, public relations, customer service hotline, company website, social media sites, packaging, logo, point of sale’s display, and personal selling (Grossmanova, Vojtkova & Kita, 2009). Companies can use various marketing communication tools, such as media advertisements, public relations, distribution, and pricing, to create brand awareness, brand image and personality (Chen & Green, 2009), which in turn help to increase brand trust and eventually leads to brand loyalty (Keller, 2009). Supporting this view, Aaker (1997) suggests that marketing communication mix such as advertising, price, packaging, symbols, logos, store location and word of mouth can, in fact, strengthen brand personality, brand image and brand awareness over time.

H1: Marketing communications has a direct impact to Brand Personality
H2: Marketing communications has a direct impact to Brand Image
H3: Marketing communications has a direct impact to Brand Awareness

Brand personality can take form of human characteristics and emotions, such as sincerity, excitement, competence, sophistication, ruggedness, honesty, trustfulness, fashionable, fun, friendly, environmental friendly, stylist, expensive, easy going, and creative, in order to display a brand (Aaker, 1997). Brand personality can be used by companies to differentiate themselves from its competitors, as well as brand personality can have a positive effect if there is a positive attitude and preference towards a brand (Aaker, 2000). In the meantime, brand image is a belief that consumers have in their mind of a brand and its products or services (Kim, Han & Park, 2001). Kim, Han and Park (2001) highlight that brand image is not something that a company has, but something that resides in the consumers’ mind, which lends to consumer expectation. Brand image may influence consumer trust, as it can reduce the risk perceived by consumers (Chen, 2010). Aaker (1997) reports that the more favourable brand image a company has, the more consumers trust in the company.

On the other hand, brand awareness is the knowledge and recognition that consumers have towards a brand and its products or services. It can be in the form of price, distribution, promotions, product features, brand personality, and brand names (Hong & John, 2010). Brand awareness is considered as all information in a person’s memory that is interrelated to
form an associative network and can be strengthened through marketing communications (Keller, 2003). Thus, it is the ability of consumers to confirm prior experience of a brand. Additionally, Chaudhari and Holbrook (2001) note that brand awareness is one of factors which increase brand trust in service industries. Hong and John (2010) state that higher brand awareness results in greater brand trust, especially in the case of point-of-sale purchase and decision making process.

\( H_{4a}: \) Brand Personality influences Consumer Expectation  
\( H_{5a}: \) Brand Image influences Consumer Expectation  
\( H_{6a}: \) Brand Awareness influences Consumer Expectation  
\( H_{4b}: \) Brand Personality influences Brand Trust  
\( H_{5b}: \) Brand Image influences Brand Trust  
\( H_{6b}: \) Brand Awareness influences Brand Trust

Consumer expectations can be in forms of assumptions about product performance, beliefs in brand promises, judgments based on consumer’s previous experiences, brand image, brand awareness and brand personality (Strenkens & Ruyter, 2004). Researchers find that consumer expectations are related to consumer satisfaction (Tam, 2012). Consumers will be satisfied if the brand can fulfill their promises and meet their expectations (Giese & Cote, 2000). Selnes (1993) states that consumer expectations affect consumer satisfaction, which in turn influences brand trust and brand value. Satisfaction results in customers’ happiness, fulfillment and pleasure towards a brand and its products or services through expectations and overall experience with the brand (Tam, 2012). Customer satisfaction is also proved to be a key success factor and long-term competitive advantage for businesses in all industries, because consumers tend to change their service provider if they are not happy with current services (Bayraktar et al., 2011). Satisfied customers usually form a positive perception of the firm’s service quality; thus, consumer satisfaction can increase repurchase rate and favourable word-of-mouth, which results in higher level of loyalty and trust (Bayraktar et al., 2011; Tam, 2012).

\( H_7: \) Consumer Expectation has a direct impact to Consumer Satisfaction  
\( H_{8a}: \) Consumer Satisfaction has a direct impact to Brand Value  
\( H_{8b}: \) Consumer Satisfaction has a direct impact to Brand Trust

Brand trust is the level of positive belief, attitude, and confidence that consumers have towards a brand and its products or services (Morgan & Hunt, 1994). Consumer loyalty and trust increase when there is a match between the company’s brand awareness, brand image, and consumers’ perception (Nguyen & Leblanc, 2001). Morgan and Hunt (1994) consider trust as a key variable in the exchange network between a company and its partners, as trust encourages all parties to invest in a long-term relationship. For instance, researchers found that trust positively influences customer attitudes and behavioural intentions in mobile commerce context (Deng et al., 2010). Besides, trust reduces the uncertainty in the business environment, especially when consumers feel very vulnerable, because they know they can rely on the trusted brand (Deng et al., 2010). When customers trust the service provider, they tend to continually use the service, recommending the service to other potential customers (Deng et al., 2010). Chiou and Droge (2006) point out that in the service sector such as the ISP market, the service providers’ reliability and integrity are found to be important and strongly related to the emotional aspects of long-term orientation in a relationship.

Brand value is known as a primary source of competitive advantage (Tam, 2012). 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 (Whittaker & Ledden, 2007). Consumers are most likely to choose and repurchase a product and service
that maximises their benefits based on their individual needs (Zeithaml, 2000). In fact, value is found to lead to behavioural intentions in the Taiwanese online shopping context (Lien, Wen & Wu, 2011). In the Thai Mobile Service Provider context, it is stated that value has a positive impact on customer retention (Leelakulthanit & Hongcharu, 2011). The higher value of a brand in the consumers’ mind, the more committed they become to the particular brand (Wallace, Giese & Johnson, 2004). Also, customers will keep doing business with a company that is thought to offer more benefits than its competitors (Wang & Wu, 2012).

Switching costs can be described as the costs associated with switching from one service provider to another (Deng et al., 2010). In other words, switching costs are benefit, profit, or resource that customers have to give up when they want to move to a new relation (Wang & Wu, 2012). High switching costs discourage customers from switching to competitive services. As the costs associated with switching to an alternative service provider often prevent customers from doing so (Wang & Wu, 2012). For example, it will cost customers a lot of time and effort to inform all their friends and colleagues about the changes, such as an email address linked to their Internet account. There is cost of information gathering, and cost of benefits loss from being a loyalty customer with the current firm, for example, membership program (Wang & Wu 2012). However, sometimes as Abdolvand, Charkari and Mohammadi (2006) state, switching costs has a positive influence on customer retention, for example in the Mobile Service Provider context.

\[ H_6: \text{Brand Value is positively associated with Brand Loyalty (Retention)} \]
\[ H_{10}: \text{Brand Trust is positively associated with Brand Loyalty (Retention)} \]
\[ H_{11}: \text{Switching Costs is positively associated with Brand Loyalty (Retention)} \]

**METHODOLOGY**

The research is a quantitative study, reflecting the scientific realism paradigm. The study uses an online questionnaire to obtain data on the nine constructs in the proposed conceptual model. It has been calculated that the representative sample of Thailand’s population is a number exceeding 700 (using a confidence level of 95%). Hence, we plan to email a total of 1500 surveys in the Southern Thailand. After a period of two weeks, an estimation of total responses 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.

The participants will be randomly chosen from an ISP’s customer database. It is a requirement that respondents should be over 18 years of age and they should use home Internet services. The online survey will be made available via the university’s Opinion platform and the web link of the online survey will be forwarded to participants by the telecommunications company. The survey consists of three sections. In the first section, there are 25 items investigating customer experience with their ISP’s marketing communications. The second section includes 16 statements examining interactions and relationships between customers and their service provider. The third section aims to obtain other general information (for instance, demographic information) about the respondents. The scales used to operationalize the constructs, were validated in previous research. The survey instrument originally is in English and will be translated to Thai by a bilingual researcher. Wording of the all items will be modified to suit the Thai context. Two focus groups, each one consisting of six participants familiar with the area of study, will be conducted to test the comprehensibility of survey instruments. The survey will then be translated back to English to verify the reliability of the translation. The translated versions will be cross-checked by three other bilingual researchers to ensure content validity.
DISCUSSION AND CONCLUSION
This research reviews the key literature related to the antecedents of brand loyalty together with other concepts in branding. This research assumes two main factors that influence brand loyalty, which is brand trust and brand value. The elements which influence brand trust and value are brand image, personality, awareness, and consumer satisfaction. It is found that brand personality, brand image and brand awareness are created either by direct company marketing communications mix or indirect contacts with customers. Marketing communications shape consumer perceptions and consumer expectations while reinforcing brand trust. Consumers will be satisfied if the brand can fulfil their promises and meet their expectations. In return, consumer satisfaction correlates with brand trust and brand value, which eventually affect brand loyalty. In the case of the home ISP market in Southern Thailand, brand loyalty leads to higher customer retention rate. By controlling the factors related to brand loyalty, companies can minimise the customer tendency to switch to another brand, and as a result, will be able to maintain their customer base. With lower customer turnover rate, the ISP can also focus on increasing its market shares through customer acquisition. In other words, if an ISP can retain current customers, there is no pressure on costly customer acquisition. In term of limitations, the model in this study is tested in the Southern Thailand ISP context which might be different from other industry settings as well as other countries. Therefore, replications of this research are recommended to verify the model in other contexts such as Vietnam.

REFERENCES


