

Internet service provider essay



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La', The Hong Kong Polytechnic University, Hong Kong A. C. L. Young, The Hong Kong Polytechnic University, Hong Kong the Driving forces of Customer loyalty: abstract In this study we examine the driving forces of customer loyalty in the broadband market in Hong Kong. We developed and empirically tested a model to examine the antecedents of customer loyalty towards Internet service providers (Sips) in Hong Kong. Structural equation modeling (SEEM) was used to evaluate the proposed model. A total of 737 valid returns were obtained through a questionnaire survey.

The results show that customer satisfaction, switching cost, and price perception are antecedents that lead directly to customer loyalty, with customer satisfaction exerting the greatest influence. Although we found that service quality significantly influences customer satisfaction, which in turn leads to customer loyalty, we did not find a direct relationship between service quality and customer loyalty. Our results also reveal that corporate Image is not related to customer loyalty. Our empirical investigation suggests that investing huge resources in building corporate image can indeed be a risky strategy for Sips.

Keywords: corporate image; customer loyalty; customer satisfaction; service quality

INTRODUCTION Due to a recent significant surge in the number of Sips, the broadband market in Hong Kong has become very crowded, leading to fierce price competition, which has eventually resulted in the elimination of many Sips from the market. From 2001 to 2006, the number of Sips in Hong Kong dropped from 258 to 181. As the broadband market matures, the focus of Sips has shifted from customer acquisition to customer retention. In March 2006, narrowed users, representing a 39% penetration rate in Hong Kong.

About 64% of these users access through the broadband Internet (Office of the Telecommunications Authority, 2006). These figures establish Hong Kong as one of the most Internet-connected cities in the Asian-Pacific region. The significance of customer loyalty cannot be overemphasized because it relates closely to the continued survival, as well as the future growth, of companies.

For a company to maintain a stable profit level when the market reaches the saturation point, a defensive strategy aiming at retaining existing customers is more important than an offensive one, which targets at expanding the size of the overall market by inducing potential customers to subscribe to its services (Madam & Beetle, 2002; Foretell, 1992). Previous studies on customer loyalty focused on customer satisfaction and switching barriers (Dick & Bass, 1994; Garrotter, Rams, & Schneider, 2001; Lee & Cunningham, 2001).

These studies have found that customers experiencing a high level of satisfaction are likely to remain with their existing service providers and maintain their service subscriptions. Switching barriers, on the other hand, play a moderating role in the relationship between customer satisfaction and customer loyalty (Colgate & Lang, 2001; Lee & Cunningham, 2001).

Researchers in this area have further elaborated on the linkages between price factors and perceived value (e. G. Grew, Monroe, & Krishna, 1998), as well as between price and customer loyalty (e. G. , Voss, Pursuant, & Grew, <https://assignbuster.com/internet-service-provider-essay/>

1998). In addition, the marketing literature supports the general notion that pricing factors affect the price perceptions of customers, which in turn contribute to customer loyalty (Richened, 1996). By using SEEM, this study empirically analyzes whether customer satisfaction, switching cost, price perception, and corporate image are antecedents of customer loyalty in the context of the ISP market in Hong Kong.

We also seek to identify elements of service quality as antecedents of satisfaction, and their levels of impact on satisfaction, and to ascertain whether service quality is a direct antecedent of customer loyalty. We examine the degree to which switching cost and price perception account for the variations in the strength of consumer loyalty to Sips. Finally, we test if corporate image has any impact on customers' loyalty o their present Sips.

Theoretical background and Hypothesis Development Customer loyalty is a purchase behavior, which, unlike customer satisfaction, is an attitude (Griffin, 1996).

Customer loyalty is concerned with the likelihood of a customer returning, making business referrals, providing strong word of mouth, as are less likely to switch to competitors in view of a given price inducement, and they make more purchases compared to less loyal customers (Balding & Robinson, 1996). Although most research on loyalty has focused on frequently purchased package goods (I. E. Brand loyalty), the loyalty concept is also important for industrial goods (I. E. , vendor loyalty), services (I. E. , service loyalty), and retail establishments (I. E. Store loyalty) (Dick & Bass, 1994). As evidenced in the previous discussions, customer loyalty has been generally described as occurring when customers repeatedly purchase goods or

services over time, have word of mouth, and make referrals to other customers. Antecedents of Customer loyalty One of the major factors found to affect customer loyalty is customer satisfaction. Hallstead, Hartman, and Schmidt (1994) considered customer satisfaction as an effective response that focuses on product performance against some purchases standard during or after consumption.

Mann and Oliver (1993) referred to satisfaction as an attitude or evaluative Judgment varying along the hedonistic continuum focusing on the product, which is evaluated after consumption. Foretell (1992) identified satisfaction as an overall evaluation based on the total purchase and consumption experience of the target product, or service performance compared with purchases expectations over 28 International Journal of E-Business Research, 4(4), 2-42, October-December 2008 mime.

Oliver (1997, 1999) regarded satisfaction as a fulfillment response or Judgment on a product or service, which is evaluated for one-time or ongoing consumption. Service quality can be defined as the result of the comparison between a customer's expectations on a service and their perception of the way the service has been delivered (Gross, 1984; Letting & Letting, 1982; Lewis & Booms, 1983; Pursuant, Estimate, & Berry, 1985, 1988, 1994). Perceived service quality is usually measured by two dimensions, namely process quality and output quality.

Pursuant et al. 1985, 1988, 1994) developed the 22-item SURVIVAL instrument, which has been widely used to measure service quality in many industries, such as banking (Musketeeer & Nathan, 2005), health care (Choc',

Lee, Kim, & Lee, 2005), and airport service (Fodders & Murray, 2007). The SURVIVAL instrument assesses the overall service quality by comparing service expectation and actual performance, in terms of five generic dimensions, namely, tangibles, reliability, responsiveness, assurance, and empathy.

When consumers switch service providers, they will incur various costs ranging from the time spent in gathering information about potential alternatives to the benefits forfeited due to termination of the existing service. Patterson and Smith (2003) defined switching cost as the perception of the an alternative one. Selene (1993) defined switching cost as the technical, financial, and psychological factors that make it difficult or expensive for a customer to change brands.

Corporate image is defined as the overall impression about a company formed on the minds of the public (Baric & Kettle, 1991; Ditcher, 1985; Kettle, 1982). It relates to the different physical and behavioral attributes of a company, such as easiness name, logo, corporate values, tradition, ideology, and the impression of quality communicated by a customer to a potential customer (I. E. , word of mouth). The building of corporate image is a lengthy process.

The sensory process starts with ideas, feelings, and previous experience with a company that are retrieved from memory and transformed into a mental image (Yule & Catchalls, 1977). Past studies have suggested that a host of factors, including advertising, public relations, physical image, word of mouth, and customer's actual experience with the goods and services,

influence the corporate image of a company in the mind of a customer (Norman, 1991). Researchers (e. G. , Slater, 1997) and consultants (e. G. Gale, 1994) have recommended that companies should adjust their strategies to retain customers in order to achieve superior customer value delivery as customer value incorporates both the costs and benefits of staying with a company. As such, stereoscopically value is considered as a strong driver of customer retention. Nevertheless, some important questions about the role of price in services have remained unanswered. One is whether price perception has a direct effect on overall customer loyalty.

If so, it is essential for companies to actively manage their customers' price perceptions because of their impact on value perceptions. Another question is about the formation of price perception in services. Answers to these questions can help clarify the measurement and management of price perception. Conceptual Model and Hypotheses We propose a conceptual model that theorizes the relationships among consumer loyalty, service quality, customer satisfaction, switching cost, and corporate image as hon. in Figure 1.

In what follows, we Justify the postulated relationships in the model and formulate several hypotheses to test the model. Service Quality and Customer Satisfaction Service quality researchers refer to satisfaction as a transaction-specific evaluation, and to quality as an overall evaluation based on a whole set of cumulative evaluations. Pursuant et al. (1994) recommended examining service quality and satisfaction, and their causal link, from both transaction-specific and global perspectives. In the context of the ISP business, which mainly Copyright 0 2008, GIG Global.

Copying or distributing in print or electronic forms Figure 1 . Theoretical framework. Corporate Image HA Service Quality HI Customer Satisfaction H2O Customer Loyalty HA Switching Cost Price Perception hinges on the ongoing relationship between a customer and their service provider, the cumulative-specific perspective is more suitable to view this ongoing relationship. Moreover, service quality is usually considered as an antecedent of customer satisfaction in the ISP business. Therefore, we hypothesize that H1 : Perceived service quality is positively related to customer satisfaction.

Customer Satisfaction and Customer Loyalty The marketing literature suggests that customer loyalty can be defined in two distinct ways, namely the “ behavioral approach” and the “ attitude approach” Jacob & Keener, 1973). From the behavioral perspective, customer loyalty is identified as the actual repurchase behavior of a customer (Cunningham, 1961). In contrast, the attitude- based perspective refers to customer loyalty as the intention to repurchase (Fourier & Yahoo, 1997). Zen and Fishbone (1977) argued that attitude and behavior are consistent in most situations, and that attitude is a strong predictor of future behavior.

Thus, Dick and Bass (1994) developed a model that integrates both approaches to study loyalty. Moreover, marketing researchers have investigated the relationships between customer loyalty and different variables, for example, switching cost, which are considered as significant antecedents of customer satisfaction (Bearded & Tell, 1983; Berne, 1997; Bloomer & Gasper, 1993, 1995; Bloomer & Lemming, 1992; Building, Koala, Stalin, & Estimate, 1993; Crooning & Taylor, 1992; Foretell, 1992; Gasper, <https://assignbuster.com/internet-service-provider-essay/>

1988; Laborer & Mazurka, 1983; Olivia, Oliver, & MacMillan, 1992; Oliver, 1999).

Research based on the American Customer Satisfaction Index supported empirically that customer loyalty is positively related to customer satisfaction (Foretell, Johnson, Anderson, Chaw, & Bryant, 1996). Chou (2004) obtained this result in his study of the ISP industry, too. Thus, we propose the loyalty. Service Quality and Customer Loyalty The cognitive evaluation-emotional responsibilities intention link explains conceptually O International Journal of E-Business Research, 4(4), 2-42, October-December 2008 how customers form their behavioral intentions.

Many studies have also identified a erect positive link between service quality perception and customer behavioral intention (e. G. , Building et al. , 1993; Rainwater & Newly, 2003; Estimate, Berry, & Pursuant, 1996).

Researchers have attempted to measure the effect of service quality perception on retention. Crooning, Brady, and Hull (2000) found that there exist direct, linear effects of service quality perception, customer satisfaction, and value, on behavioral intention in their large-scale survey of six industries.

Particularly, their findings show that service quality perception has a much greater impact than price n determining value. Therefore, the researchers concluded that service customers may consider service quality more important than the cost of acquiring their services. These results are generally consistent with the earlier studies reported previously. However, the study by Crooning and Taylor (1992) showed that using either the

SURVIVAL instrument or the SERVER instrument to measure service quality fails to confirm the service quality perception-? customer behavioral intention link.

Using alternative measures of service quality, they found that only satisfaction determines repurchase intention. However, Crooning and Taylor cautioned that their results do not mean that “ service quality fails to affect purchase intentions. ” Furthermore, some past studies attempting to link customer satisfaction (a similar construct to service quality perception) with customer retention in the retail sector, which is characterized by few or no switching barriers, have established a significant non- linear relationship between these two constructs (e. G. Jones & Gasser 1995; Imitate & Kumara, 2001). Therefore, a non-linear association between service quality perception and customer retention is also plausible. However, to echo major past research findings, we hypothesize a linear association between service quality perception and customer retention as follows: HA: Perceived service quality is positively related to customer loyalty. Switching Cost and Customer Loyalty Switching cost is referred to as the cost incurred by a customer who switches from an existing service provider to a new service provider.

The switching cost includes time, money, and psychological cost (Dick & Bass, 1994). It also contains the perceived risks performance-related, social, psychological, and safety-related nature (Murray, 1991). In the ISP environment, when switching cost is high, customers tend to continue using their Sips’ broadband services. The reason is that switching incurs risk (Anton Martin, Corridor Companies, & Rodriguez Escudo, 1998; Kilometer, 1995; Router, Wetness, & Bloomer, 1996; Selene, 1993; Heartfelt, 1991).

Therefore, we have the following hypothesis: H_A: Perceived switching cost is positively related to customer Corporate Image and Customer Loyalty

Corporate image is regarded as the portrait projected by a firm in the mind of its customers. It is the result of an aggregation process that incorporates a range of information used by customers to form a perception of the firm, based on their own previous experience or on the information they acquire from other sources, such as advertising and word of mouth.

Corporate image may further establish and affect customer loyalty (Andresen & Alienated, 1998; Scandalously & Shorthand, 2000; Unguent & Labeled, 2001). We therefore hypothesize that H_A: Corporate image is Service Quality and Corporate Image Bitter (1992) proposed that cues from the physical environment, which is an important element of service quality, are one of the means that can effectively convey a firm's purposes and image to its customers.

Gross (1984) argued International Journal of E-Business Research, 4(4), 2-42, October-December 2008 1 that corporate image is built mainly by service quality, in terms of both technical quality and functional quality of services. In a study of the airline industry, Stroking, O'Brien, and Gordon (1993) concluded that " positive experience over time (following several good experiences) would ultimately lead to positive image and preference. " More recent studies have shown that service quality is considered to be partly responsible for the resulting corporate image (Unguent & Labeled 1998; Sins, 2001).

Thus, we postulate the following hypothesis: H_A: Perceived service quality is positively related to corporate image. Price Perception and Customer Loyalty Limited research has been undertaken to investigate the linkage between price perception and customer loyalty (Rainwater & Newly, 2003; Parka & Colgate 2001). Rainwater and Newly (2003) showed that price perception has a direct linear such a relationship may be more explicit in the ISP environment in Hong Kong, where there is fierce price competition. Hence, we formulate the following hypothesis: H_A: Price perception is positively related to customer loyalty. Search Methodology This study targets customers of Internet services in Hong Kong. We collaborated with a local marketing research company to conduct a large-scale questionnaire survey of users of Internet services in Hong Kong. We randomly e-mailed 100, 000 invitations to users of Internet services captured in the database of the marketing company to participate in our survey. Data Collection Procedure We conducted a pilot study with 20 ISP users to assess the relevance of the indicators to the corresponding constructs and the clarity of the instructions for completing the questionnaire.

Upon completing the pilot study, we made minor changes to the questionnaire in order to improve its validity and readability. The questionnaire was developed in English and translated into Chinese. To ensure its face validity, the questionnaire was reviewed by industry practitioners and scholars. Based on their evaluations, corrections and amendments were made. As suggested by Lettices, Larch, Egger, and Bindle (2007), some measures of both customer satisfaction and service quality

may be non-equivalent across cultures, which would limit their usage across borders.

When measurement scales are created in one country and then reinstated for use in another, the interpretation and connotation of certain terms may negatively impact their applicability. In order to minimize the cultural effect, a pretest involving exploratory interviews with users and experts of Sips was conducted to ensure the questionnaire was relevant and clear to the respondents with the Chinese culture. With the assistance of a marketing research firm in Hong Kong, a total of 100, 000 e-mail invitations were sent randomly to Internet users within the company's database.

They were asked to participate in our survey by clicking the hyperlink included in our e-mail invitations. Out of 100, 000 invitations sent out, 3, 247 recipients opened the e-mail. Once a respondent completed the questionnaire, their answers were automatically entered into our database. We received 856 completed questionnaires. However, 119 questionnaires were not answered by ISP users, so only 737 usable returns were obtained from 3, 247 recipients who had opened our invitation e-mails, yielding an effective response rate of 22. %. The respondents varied in demographics and background. In general, they are mature and well educated. Table 1 summarizes the respondent characteristics. The relatively high educational and income profile of the respondents indicates that they may not be a perfect representative sample of Internet users in Hong Kong. Though the samples were selected on a 2 International Journal of E-Business Research, 4(4), 2-42, October-December 2008 Table 1 .

Summary of respondent characteristics

Gender	Male	Female	Percentage
	69%	31%	
Cumulative Percentage	0%	12%	47%
	81%	100%	
Cumulative Percentage	0%	14%	28%
	100%		
Cumulative Percentage	3%	14%	33%
	100%		
Age	15 or below	16 - 25	26 - 35
	36 - 45	46 or above	percentage
	35%	34%	19%
Education	Primary school	Secondary school	Post secondary
	Tertiary	argental	72%
Income level	Below HACK\$5, OHO / math	HACK\$5, OHO - 9, 999 / math	HACK\$11, OHO - 14, 999 / math
	HACK\$15, OHO - 19, 999 / math	HACK\$20, OHO - 29, 999 / math	HACK\$30, OHO / math or above
	percentage	14%	

random basis, it is difficult to avoid the potential bias that respondents with high educational background and incomes are more likely to response. Non-response bias was evaluated by following Armstrong and Terry's (1977) suggested approach. We used the mid-point of the data collection period to distinguish early and late respondents. Seventy-seven percent of the responses were from early respondents while the remaining 23% were from late respondents. Applying the independent sample t-test, we compared the responses of the early and late respondents. We observed no significant differences in the answers ($p < 0.05$) between the early and late respondents, which suggests that non-response bias did not appear to be a problem in our study.

Measurement and personalization of Constructs To develop the instrument for our study, we based our efforts on an extensive review of the relevant literature. We subsequently revised some of the items of the instrument, taking into consideration the findings of the lot study and comments from some experienced researchers. We list in Table 2 the complete instrument that was included in our survey. Hereafter we discuss the measurement and

personalization of each of the constructs embedded in our conceptual model. ; Service quality: We measured service quality using the SERVER instrument developed by Crooning and Taylor (1992). SERVER is a 22-item scale consisting of five dimensions, namely, reliability, responsiveness, assurance, empathy, and tangibles.

It treats service quality as discrimination between expectation and performance. The perception data relative to a respondent's expectation are collected directly. Each respondent was asked to rate each item of service quality on a five-point scale, anchored at 1 = strongly agree and 5 = strongly disagree. The Cronbach alpha was 0.84, indicating high reliability for this construct. Customer satisfaction: We adopted Oliver's (1980) instrument to assess customer satisfaction. We asked respondents to evaluate their satisfaction with the decision to choose their Sips, their belief of making a right decision, and their overall satisfaction with their Sips.

Respondents were invited to rate the indicators on a five-point, Likert-type scale, anchored at 1 = strongly agree and 5 = strongly disagree. The Cronbach alpha was 0.95, indicating very high construct reliability. Customer loyalty: We measured the attitude aspect of customer loyalty, which is a common means of assessing this latent construct as recommended by Berne (1997). We used "change to another ISP," "continuity in using the ISP," and "recommending the ISP to others" as indicators for this construct. Respondents were requested to rate these indicators on a Likert-type scale, anchored at 1 = strongly agree and 5 = strongly disagree.