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The development of service quality dimensions for internet service providers: Retaining customers of different usage patterns



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ABSTRACT

This study examines the relationships among relevant service quality dimensions of Internet service providers (ISP) and their customers' perceived value, trust and commitment. Data was collected from residential Internet users in Thailand. The final usable sample size was 1507. The analyses include segmenting ISPs' customers on the basis of their usage pattern and evaluating their perceptions of Internet service quality dimensions. In addition, several alternatives models were compared using structural equation modelling to confirm the mediation effects. An ISP's service quality is influenced by the following four dimensions (a) network quality, (b) customer service and technical support, (c) information quality and (d) security and privacy. The findings reveal that while all dimensions have positive effects on trust, only network quality, information support and privacy influence customer value significantly and information support is the only dimension which is directly related to commitment. Additionally, the effects of customer service and information support on value vary across customers of different Internet usage patterns. The contribution of the present paper stems from the simultaneous modelling of a range of mediation effects which can better help explain the impact of service quality dimensions on customers' cognitive and affective evaluations in high-tech service settings.

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1. Introduction

Service quality is an important differentiator in a competitive business environment, and a driver of service-based businesses (Zhao and Benedetto, 2013). By enhancing service quality, businesses can influence customers' value (Lai et al., 2009), trust (Sabote and Roman, 2009), and commitment (Fullerton, 2005). These are important for business success and long term customer loyalty (Prentice, 2013). However, very few studies have assessed how different aspects of Internet service providers' (ISP) service quality would influence their customers' value, trust, and commitment (Thaichon et al., 2014; Vlachos and Vrechopoulos, 2008). ISPs may benefit from obtaining accurate information regarding their customers' assessments of their brand's delivered service quality; such information may enable service brand managers to formulate appropriate marketing strategies in order to achieve competitive advantage and long term profitability. This paper attempts to fill this important research gap

by investigating the effects of ISPs' service quality on their customers' value, trust, and commitment in the high-tech Internet services.

Service quality measures how well the service delivered matches customer expectations (Zhao and Benedetto, 2013). In addition to SERVQUAL, E-S-QUAL has been developed by Parasuraman et al. (2005) as an attempt to capture the measurement of service quality in the new information age. However, owing to the very special nature of the services offered by ISPs, their service quality cannot be effectively measured by SERVQUAL or E-S-QUAL (He and Li, 2010; Thaichon et al., 2014). SERVQUAL and E-S-QUAL focus on service providers who operate via the Internet platform (Vlachos and Vrechopoulos, 2008) but not those who actually provide the Internet connection and platform activities. Numerous studies have been done in the telecommunications industry, especially in the mobile telephony market (He and Li, 2010). However, several basic differences exist between Internet services and other telecommunications services. For example, mobile phone service quality includes value-added services (e.g. SMS, MMS, WAP, GPRS) or mobile devices (Santouridis and Trivellas, 2010), which are not applicable in the case of ISPs.

In addition, as the nature of home Internet services is Internet related, privacy and security are more prominent when assessing an ISP's service quality as compared to assessing service quality of other telecommunications services such as mobile and television services. An ISP's server contains account information of many

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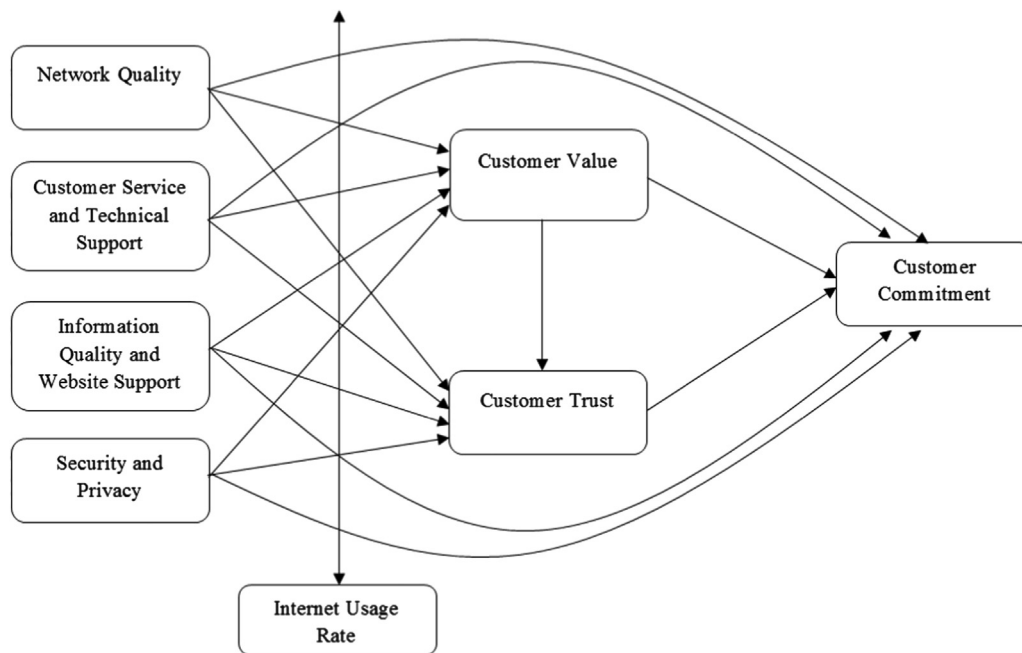


Fig. 1. The proposed conceptual model.

users, which might put customers' personal data at risk if unauthorised access is granted (Rowe et al., 2011). Moreover, being more active than other telecommunications service providers regarding online activities, ISPs observe and monitor traffic flowing through their networks; hence, they are able to detect suspicious traffic spikes, and can either stop malicious traffic or provide timely warnings to their customers (Rowe et al., 2011). A study in 2004 reports that 66 per cent of consumers would switch to other ISPs who offered more secured Internet service (Streamshield, 2004). Therefore, it can be concluded that customers perceive ISPs protection from privacy invasion and cyber-crime as necessary and important.

A recent consumer study demonstrates that the more regularly customers access the Internet, the more they need and appreciate online help (Oracle, 2012). Additionally, not every customer in the telecommunications services, other than Internet services, has access to online information support, especially in developing countries. In other words, customers of other telecommunications services might not perceive information support as important as customers of an ISP do. For example, in the mobile telephony services context, there are more than 84 million mobile subscribers in Thailand and 134 million subscribers in Vietnam (CIA, 2013). However, only 31.9 per cent of the Thai population (NBTC, 2013) and 40 per cent of Vietnamese users (Freedom, 2012) use online services via their mobile phones. On the other hand, the number of residential Internet users account for 26 per cent (approximately 20 million users) and 36 per cent (approximately 30 million users) of the population in Thailand and Vietnam respectively (WorldBank, 2014). As such, in contrast to ISP users who generally take advantage of online information support, the majority of mobile phone service customers would most likely ignore the online information support. Hence, it can be assumed that customers of an ISP are more likely to access the company's website to look for information support as compared to customers of other telecommunication services. On the basis of above discussion, this study aims to provide a more holistic picture on the unique dimensions of an ISP's service quality.

Several researchers (Ringle et al., 2013) suggest that studying a single homogenous population in path models is insufficient to understand the path relationships as customers' characteristic and

the nature of their demand for services differ (Mazzoni et al., 2007; Ringle et al., 2013). Segmentation is the process of subdividing a heterogeneous market into homogeneous groups of customers who have similar characteristics or who respond to marketing activities in the same way (Ko et al., 2012). Nevertheless, there is hardly any evidence of how effective segmentation is operationalised for an ISP's customers. This study segments customers of ISPs based on their usage pattern, which is one of the most logical basis of segmentation in similar types of services (Mazzoni et al., 2007; Wedel and Kamakura, 2003). Segmenting markets by consumption patterns is a relatively intuitive step toward comprehending customers (Weinstein, 2002). By categorising customers into usage groups, service providers can create suitable marketing strategies for each segment. Furthermore, segmentation by usage is helpful in assessing the profitability of customer retention, as well as developing retention strategies (McDougall, 2001). In a similar vein, Weinstein (2002) concludes that usage analysis can support customer retention accomplishments.

Based on the foregoing discussion, the objectives of this research study are threefold: first, to identify the relevant service quality dimensions for an ISP; second, to evaluate their effects on an ISP's customer's value, trust, and commitment; and third, to investigate service perceptions of different market segments. In order to achieve the research objectives stated above, a model is proposed as depicted in Fig. 1. Section 2 reviews the literature and develops hypotheses. Next, data collection and analysis using the structural equation modelling technique of comparing alternative mediation models are reported including the testing of hypotheses. The paper concludes with a discussion of the results, implications of the research as well as limitations and future research direction.

2. Literature review and development of hypotheses

Customer commitment is influenced by customers' value (Tai, 2011), trust (Wu et al., 2010) and service quality (Thaichon et al., 2012). Customer commitment has been defined as a customer's conviction to maintain a relationship that might produce functional and emotional benefits (Tuškej et al., 2013). Lin and Wu (2011) consider customer commitment as a customer's persistent

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