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Relationship between corporate image and customer loyalty in mobile communications service markets

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This study examines the relationships among corporate image, brand awareness, service price, service quality, customer support services, and customer loyalty, and investigates the key drivers that establish and maintain customer loyalty to mobile telecommunications service providers. Four hundred and sixty-nine samples, which were collected from participants in a web-based survey in Korea, were analyzed using multiple regression analysis techniques. The results of the study show that corporate image, brand awareness, service price, and service quality are strong antecedents for establishing customer loyalty in mobile communications service markets. In addition, the empirical findings show that corporate image plays the most important role in establishing and maintaining customer loyalty in the markets. Based on the findings of the study, we discuss possible strategies for marketing success in high-tech service markets.

Key words: Customer loyalty, marketing strategy, corporate image, service price, service quality, brand awareness.

INTRODUCTION

For decades, wireless carriers have treated handset manufacturers like serfs, using access to their networks as leverage to dictate the kind of phones to be manufactured, their cost, and the available features. Carriers have largely viewed handsets as cheap, disposable lures that have been massively subsidized to snare subscribers and lock them into using proprietary services. However, the iPhone has upset that balance of power. Carriers are learning that the right phone—even a pricey one can attract customers and bring in revenue. Now, in pursuit of an apple-like contract, every manufacturer is racing to create a phone that consumers will love, instead of one that carriers will approve. Currently, the market for high-end phones like that of the Apple iPhone is growing. Many people want the Internet, video, and personal digital assistant (PDA) features in one device. The smart phone market will likely to continue to expand rapidly in coming years. As a result, more companies are entering the market and increasing competition.

Traditional companies have typically conducted consumer research, characterized customer satisfaction, determined how services are used, identified explicit service-related needs, and then focused on developing service features that meet those needs. But they have not made an effort to uncover the full range of their customers’ unspoken needs and unmet desires. Delivering innovative service offerings requires personal interactions with customers. These interactions should be designed to let firms listen and carefully observe as customers express their true feelings about their experiences. The rapid advances in information communications technology provide greater opportunities for today’s firms to establish, nurture, and sustain more long-term relationships with their customers than ever before. The ultimate goal is to transform these relationships into greater profitability by reducing customer acquisition costs and increasing repeat purchases. Recognizing the mounting importance of customer orientation, firms in all kinds of industries, ranging from manufacturing to information services, are exploring service-led growth as a

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exploring service-led growth as a promising means of differentiation. Service is no longer treated as a stand-alone marketing decision for increasing customer satisfaction.

South Korea is the fourth largest economy in Asia and has one of the most vibrant telecommunications markets in the world. The market is supported by a visionary government program of stimulating development through liberalization, deregulation and early privatization of the incumbent private sector and a technology savvy population. Loans were given and licenses were awarded to alternative operators to build networks and increase penetration. To foster a knowledge-based society, a major government education initiative provides Wireless Broadband (WiBro) education to all segments of the population. Electronic commerce and mobile commerce is common in private and public sectors. Of particular interest are the developments in the broadband market including the shift away from digital subscriber line (DSL), the development of mobile Digital Multimedia Broadcasting (DMB) services and the launch of WiBro services.

Mobile telecommunications service companies in Korea are advancing technology and exploring new product offerings. As a result, the competition within the market is increasing and intense. Korea is considered a leader in the third generation (3G) mobile technology and has the world’s highest percentage of mobile users on 3G. Over 90% of Koreans have at least one mobile phone. The three main mobile operators are SK Telecom, KTF and LG Telecom. At the start of 2009, SK Telecom held just over 50% of the mobile market, KTF about 30% and LG Telecom almost 20%. The mobile telecommunications market in Korea seems to have vigorous competition though SK Telecom still holds first place in the market as a dominant player. In an increasingly competitive market the three operators have concentrated on delivering 3G growth through wideband code division multiple accesses (WCDMA), the second 3G standard entered the Korean market after CMDA2000. There have also been higher levels of investments in mobile content in an attempt to offset downward pressure on its average revenue per user (ARPU) rates. With saturation not far off, the market has a subscription rate rising by less than 10%, one of the slower growing markets in the region.

In the meantime, some strategic issues in the Korean mobile communications market during 2009 - 2010 were highlighted as follows:

(a) The Korea communications commission has consented to allow for the KT and KTF merger to go ahead in 2009 thus creating a single entity truly capable of offering triple play services.
(b) SK Telecom enlarged its market position by acquiring the broadband operations of Hanaro Telecom, renaming itself as SK Broadband.
(c) In addition, starting with the introduction of iPhone, and other global key players such as RIM, HTC, and Google with its Android Phone, will advance into the Korean market.
(d) The Korean mobile telecommunications operators are forced to develop device vendor management policies to be prepared for the introduction of foreign smart phones in the market while service models allowing free participation of third parties.
(e) Partial legalization of handset subsidies should lead to greater competition in the market.
(f) The very low number of prepaid subscribers remains under 2% of the market; however, the majority of net additions are coming from the low-end segment.
(g) Korean government plans to pay up to 50% of all mobile phone calls for people in low-income brackets to help them cope with inflation. This was an increase from the previous level of 35%.

In such a competitive market, a big question is “how to create new mobile telecommunications service business models in the middle of development of smartphones?” How could firms survive in such competitive markets? In the past, customers were provided with financial incentives to sign up or switch service from one provider to another. Over time, with the increased market saturation, companies have realized that their performance can be improved by focusing more on retaining customers than attaining new customers. As the market provides an increasing range of opportunities for customers, this paper aims to answer the question “how can mobile telecommunications service providers create and maintain customer loyalty?” To answer the question, the present paper investigates key drivers that generate and maintain customer loyalty to mobile telecommunications service providers. In doing so, this paper examines the relationships between corporate image, brand awareness, service price, service quality, customer support services, and customer loyalty.

LITERATURE REVIEW

Although, customer loyalty is increasingly seen as a prime determinant of long-term financial performance in competitive markets, there are clear gaps in our knowledge of the antecedents of loyalty. Service quality and customer satisfaction are viewed as key drivers of customer loyalty (Lai et al., 2009), and research generally tends to consider the links between key drivers and loyalty (Balabanis et al., 2006; Guo et al., 2009). A study demonstrated that online word-of-mouth has a positive relationship to customer loyalty (Gruen et al., 2006). Much of the research has shown that the emotions involved in service recovery have a strong relationship to loyalty as well (Chebat and Slusarczyk, 2005; Lee et al., 2008). Many researchers find that high service quality correlates with relatively high customer satisfaction (Cronin et al., 2000), which in turn drives loyalty (Ennew
Corporate capability refers to the company's expertise in delivering product and service offerings, such as effective innovation and high service quality, while corporate social responsibility refers to the company's management of social issues. Corporate image thus impacts a customer's evaluation of service quality, satisfaction and loyalty (Andreassen and Lindestad, 1998; Zins, 2001).

Signaling theory provides a framework for explaining the empirical link between corporate image and customer loyalty (Erdem and Swait, 2004). According to this theoretical view, the institution's communications, developed to build its reputation for social responsibility and capability, create a repository of credible information signals. Customers use these cues to ascertain the quality and value of the intangible services the firm provides (Teas and Agarwal, 2000). Moreover, much research that applies signaling theory to an online environment finds that reputation plays an important role for consumers when determining the product quality of an online retailer (Chen and Dubinsky, 2003; Kwon and Lennon, 2009). In other words, consumers who develop a positive mental schema of a brand will tend towards higher satisfaction and loyalty (Brodie et al., 2009; Hartman and Spiro, 2005). Therefore, a positive corporate image appears to encourage customer loyalty to the service provider.

A number of empirical studies have found a strong positive association between price, customer satisfaction, and loyalty in business-to-consumer settings (Hidalgo et al., 2008; Kukar-Kinney, 2006). One such study showed that a strong relationship exists between price fairness and store loyalty in a retail context (Martin et al., 2009). Another study showed a strong relationship between price and loyalty on the Internet (Grewal et al., 2003). As firms shift their purpose from offering services in order to increase customer satisfaction to building long-term relationships with customers in order to make a sustainable profit, many innovative pricing structures have emerged, including pricing for service upgrades, subscription pricing, and advanced selling. Many researchers have started to examine the nature of these pricing tactics (Xie and Shugan, 2001). Essegaier et al. (2002); Danaher (2002) provided helpful discussions of two-part pricing, which includes a fixed fee and usage rate. For example, the most recent pricing strategy adopted by mobile communications service providers no longer has a price-per-unit structure. Instead, it is framed as payment for the right to consume a certain amount of services within a period of time. Preliminary empirical evidence demonstrates that customers' choices of service plans are driven by their anticipated maximum future consumption. Though further empirical research is needed to validate these nominal findings and measure their effectiveness, it is proposed that price tends to stimulate customer loyalty to the service provider.

Overall, the literature suggests that the key drivers affecting customer satisfaction and loyalty to mobile communications service providers need to be better understood. Some scholars expressed reservations regarding the marketing of mobile communications service providers, which suggests that understanding key factors related to satisfaction and loyalty will help direct the further marketing efforts of mobile communications service providers. Any service can be modeled as an entity with a set of attributes. For example a mobile communications service may have the following attributes: corporate image, brand awareness, service price (price of hand-set, service charges), service quality (quality of communications service), and customer support services (customer relationship management, privacy protection policy). Accordingly, the following hypotheses proposed:
Hypothesis 1: The corporate image of a mobile communications service provider is associated with customer loyalty to the service provider.

Hypothesis 2: The price of a mobile communications service is associated with customer loyalty to the service provider.

Hypothesis 3: The brand awareness of a mobile communications service provider is associated with customer loyalty to the service provider.

Hypothesis 4: The quality of a mobile communications service is associated with customer loyalty to the service provider.

Hypothesis 5: The customer support service of a mobile communications service provider is associated with customer loyalty to the service provider.

RESEARCH METHODOLOGY

Data collection and sample characteristics

A web-based survey was conducted in Korea during January – June, 2010. In total, the survey yielded 785 responses. Of the 785 responses, 316 were considered unusable due to relatively high amounts of missing data, while 469 were complete and used for data analysis. All survey items regarding mobile communications service attributes were measured using a five-point scale. Customer loyalty was measured by two questions, one assessing satisfaction with a particular mobile communications service provider and the other the intention to continue using that service provider. The survey included 178 male respondents (38%) and 291 female respondents. Sixty respondents were between 21 - 29 years old (12.8%), 149 were between 30 - 39 years old (31.8%), and 189 respondents were between 40 - 49 years old (40.3%). Two hundred and forty respondents (51.2%) were full-time employees and 60 were part-time employees, while 80 were unemployed. Table 1 shows the characteristics of the samples.

Descriptive statistics of survey questions

In reply to the question, “When you choose a mobile communications service provider, how important are the following attributes?” 269 respondents (57.3%) chose the very important or important option for the corporate image attribute. For the service price attribute, 407 respondents (86.8%) chose the very important or important option. For the service quality attribute, 411 respondents (87.6%) chose the very important or important option. For the brand awareness attribute, 234 respondents (49.9%) chose the very important or important option. For the customer support service attribute, 413 respondents (88%) chose the very important or important option. In reply to the question, “After purchasing a mobile communications services, how satisfied are you with the current mobile telecommunications company you subscribe?” only 210 respondents (44.8%) chose the satisfied or very satisfied options. Table 2 shows the result of a correlation analysis of mobile communications service attributes.

RESULTS OF HYPOTHESIS TEST

Measures of association are numerical values that yield information about the relatedness of variables. The measure of association applied in this study is multiple regression analysis, a statistical tool that analyzes the degree of relatedness between many independent variables and one dependent variable. To examine the statistical significance of the model, the following measures were used. \( R^2 \), the coefficient of the determination, indicates the total amount of variability in the dependent variable which is explained by the independent variables. The adjusted \( R^2 \) takes into account the number of independent variables included in the regression equation and the sample size. The partial \( t \)-values were calculated and used to test the statistical significance of the independent variables.

Hypothesis 1 (H\(_0\)): “There is no relationship between corporate image and customer loyalty”;

Hypothesis 2 (H\(_0\)): “There is no relationship between service price and customer loyalty”;

Hypothesis 3 (H\(_0\)): “There is no relationship between brand awareness and customer loyalty”;

Hypothesis 4 (H\(_0\)): “There is no relationship between service quality and customer loyalty”;

Hypothesis 5 (H\(_0\)): “There is no relationship between customer support service and customer loyalty”;

The null hypotheses were all tested by the data. The results showed all relationships are statistically significant (\( p < 0.05 \)) at the 95% confidence level, except the relationship between customer support service and customer loyalty (\( p > 0.05 \)) (Table 3). The findings suggested that corporate image, brand awareness, service price, and service quality are significantly related to customer loyalty to the mobile communications service provider, whereas customer support service is not significantly related to customer loyalty.

Four factors such as corporate image, brand awareness, service price, and service quality are proven to influence customer loyalty. Since beta coefficients in the regression model are the standardized regression coefficients that allow for a direct comparison between coefficients with respect to their relative explanatory power on the dependent variable, they were used for the direct comparison. The beta coefficient of corporate image is 0.189, while that of service price is 0.140, and that of service quality is 0.150. The findings of the study suggest
**Table 1.** Sample characteristics.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Classifications</th>
<th>Frequency*</th>
<th>Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>178</td>
<td>38.0</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>291</td>
<td>62.0</td>
</tr>
<tr>
<td></td>
<td>Full-time employee</td>
<td>240</td>
<td>51.2</td>
</tr>
<tr>
<td></td>
<td>part-time employee</td>
<td>60</td>
<td>12.8</td>
</tr>
<tr>
<td></td>
<td>Laid-off</td>
<td>28</td>
<td>6.0</td>
</tr>
<tr>
<td></td>
<td>Unemployed</td>
<td>80</td>
<td>17.1</td>
</tr>
<tr>
<td></td>
<td>Self-employed</td>
<td>61</td>
<td>13.0</td>
</tr>
<tr>
<td>Employment status</td>
<td>Top level</td>
<td>37</td>
<td>7.9</td>
</tr>
<tr>
<td></td>
<td>Middle level</td>
<td>98</td>
<td>20.9</td>
</tr>
<tr>
<td></td>
<td>Low level</td>
<td>178</td>
<td>38.0</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>156</td>
<td>33.3</td>
</tr>
<tr>
<td>Age group</td>
<td>Under 20 years old</td>
<td>7</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>21-29 years old</td>
<td>60</td>
<td>12.8</td>
</tr>
<tr>
<td></td>
<td>30-39 years old</td>
<td>149</td>
<td>31.8</td>
</tr>
<tr>
<td></td>
<td>40-49 years old</td>
<td>189</td>
<td>40.3</td>
</tr>
<tr>
<td></td>
<td>over 50 years old</td>
<td>64</td>
<td>13.6</td>
</tr>
</tbody>
</table>

* The number of samples was 469 usable responses.

**Table 2.** Results of correlation analysis of mobile communications service attributes.

<table>
<thead>
<tr>
<th>Variables</th>
<th>(a)</th>
<th>(b)</th>
<th>(c)</th>
<th>(d)</th>
<th>(e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer loyalty (a)</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate image (b)</td>
<td>0.464***</td>
<td>0.488***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communications charge (c)</td>
<td>0.432***</td>
<td>0.477***</td>
<td>0.550***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand awareness (d)</td>
<td>0.460***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communications quality (e)</td>
<td>0.454***</td>
<td>0.536***</td>
<td>0.447***</td>
<td>0.553***</td>
<td></td>
</tr>
<tr>
<td>Customer support services</td>
<td>0.445***</td>
<td>0.581***</td>
<td>0.519***</td>
<td>0.547***</td>
<td>0.605***</td>
</tr>
</tbody>
</table>

***, p < 0.001, correlation is significant at the 95% confidence level (1-tailed).

**Table 3.** Results of hypothesis test.

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t-statistics</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₁: Corporate image</td>
<td>0.225</td>
<td>0.060</td>
<td>0.189</td>
<td>3.753***</td>
<td>1.745</td>
</tr>
<tr>
<td>H₂: Communications charge</td>
<td>0.141</td>
<td>0.049</td>
<td>0.140</td>
<td>2.857**</td>
<td>1.657</td>
</tr>
<tr>
<td>H₃: Brand awareness</td>
<td>0.202</td>
<td>0.063</td>
<td>0.165</td>
<td>3.215**</td>
<td>1.818</td>
</tr>
<tr>
<td>H₄: Communications quality</td>
<td>0.178</td>
<td>0.062</td>
<td>0.150</td>
<td>2.874**</td>
<td>1.871</td>
</tr>
<tr>
<td>H₅: Customer support services</td>
<td>0.094</td>
<td>0.062</td>
<td>0.082</td>
<td>1.507</td>
<td>2.039</td>
</tr>
</tbody>
</table>

Dependent variable: customer loyalty to mobile communications service providers, R square = 0.328, Adjusted R square = 0.321, F-value = 45.297, significance = 0.000, **, p < 0.05; ***, p < 0.001, coefficient is significant at the 95% confidence level.

that the corporate image of mobile communications service providers is most significantly related to customer loyalty.

**DISCUSSION**

The results of this study reinforced previous research that service quality, service price, and corporate image are strong antecedents for establishing customer loyalty. Service quality of mobile telecommunications service providers plays an important role in creating customer loyalty to the service providers. This finding reinforces the results of previous research that service quality creates customer loyalty in Chinese mobile telecommunications markets (Lai et al., 2009) and in Turkish mobile telecommunications markets (Aydin and Ozer, 2005).
Service price of mobile telecommunications service providers plays a critical role in encouraging customer loyalty to the service providers. This finding supports the results of the two previous studies (Hidalgo et al., 2008; Martin et al., 2009) that the perception of price fairness impacts customer loyalty with varying degree of service expertise. Corporate image of mobile telecommunications service providers plays an important role in reflecting service providers’ overall reputation and prestige and hence impacts customer loyalty to the service providers. This finding supports the results of the two previous studies (Andreassen and Lindestad, 1998; Kwon and Lennon, 2009) that corporate image impacts customer loyalty with varying degree of service expertise.

In addition, corporate image and brand awareness are also strong antecedents for establishing customer loyalty in mobile communications service markets. However, customer support service shows no relationship to customer loyalty, which partly contradicts previous research. One plausible explanation for this is that customers’ sensitivity to customer support service is decreasing as the importance of having high quality products and services increases in mobile communications service markets. Obviously, service providers should consider customer support services and strive to build and monitor their support services in the market. More customer-centric companies usually offer high value-added services in addition to lower cost products, giving them the option to offer reduced prices. In this way, they are able to cash in on the lower cost items while still generating superior customer value and loyalty.

This study demonstrated that corporate image, brand awareness, service price, and service quality play important roles in creating and maintaining customer loyalty in mobile communications service markets. When pursuing customer loyalty, marketing managers should consider the roles of corporate image, brand awareness, service price, and service quality, particularly corporate image for technology-oriented services. The study results indicated corporate image plays the most important role in generating positive outcomes for high-tech product and service firms. The speed of service innovation will determine a new future for marketing in high-tech service markets in coming years. Mobile telecommunications service providers should market new services as quickly as the innovation itself occurs. When a company tries to link market potential and service innovation, important criteria that must be considered, particularly, is whether the innovation they have been developing will receive the widest distribution and use if it is in the public domain and be available to any interested party. There may be a thin, but clearly defined market for the service. The service may not be appropriate for the general market but rather aimed at certain users in specific situations. In these situations, it is better if market potential is combined with service innovation. If a company pursues service innovation while assessing market potential, the service will be like a golden goose that brings in money. If it does not link market potential to service innovation, a company risks potential market rejection. No matter how great their service innovation or their anticipated market potential, it is essential that a company evaluate actual market potential before pursuing service innovation. Innovative service companies should strive to create a culture that emphasizes and supports a balance between technological push and market pull.

CONCLUSIONS AND LIMITATIONS

This study endeavored to help marketing practitioners better understand the key drivers that create and maintain customer loyalty in a highly competitive market. The results reinforced previous research that suggested corporate image, brand awareness, service price, and service quality are strong antecedents for creating customer loyalty. In addition, the empirical findings of this study showed that corporate image plays the most important role in creating and maintaining customer loyalty in high-tech service markets. Marketing managers should consider the roles of corporate image, brand awareness, service price, and service quality in creating customer loyalty. The results also showed that customers’ sensitivity to customer support services is currently decreasing while their interest in having a high quality products and service is increasing. Successful companies usually offer high value-added services in addition to products at a lower cost. In this way, they are able to profit from the lower cost items while generating superior customer value and loyalty.

Several limitations of the study should be noted. First, certain important factors were not investigated by the model for instance; one unexplored factor that may influence customer loyalty is switching barriers. Second, the sample was collected from a group of Korean consumers who have achieved relatively high levels of education and experienced in using information communications technologies. Therefore, future research must extend to diversified samples in order to ensure this model’s full applicability to other settings.

REFERENCES


