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Customer Loyalty on Internet Protocol Television (IPTV) in Thailand

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Abstract

This study aims to investigate the customer loyalty on Internet Protocol Television (IPTV) in Thailand. Data were collected from the accidental sampling which consists of 400 IPTV customers in Bangkok through the self-administered questionnaire in 2014. Descriptive statistics, including percentage, mean and standard deviation, path analysis were employed for hypothesis testing. The results showed that majority of respondent are female, age between 18-25 years old, work at private company and have average income 10,000-20,000 THB. Customer expectation and customer loyalty have a highest impact to customer loyalty if compared to others variables. Service providers should attempt to enhance the content, improve the user interface, system reliability and connectivity as customer will regard the service as valuable service. This could help service providers maintain and gain their market share, increasing their profitability and performance.

Keywords: IPTV; Customer loyalty; Thailand

1. Introduction

The development of Information Technology and media technologies have given a tremendous push forward the development of convergence service like Internet protocol television (IPTV) (Song, Jang & Sohn, 2009). IPTV has emerged as a multi-service network for carry broadband services. Despite its innovative functionalities and convenience, it is still not a major threat to older technologies due to some constraints such as bandwidth limitation, competition in telecommunications industry, quality of service from service provider and customer adoption (Shin, 2009).

Overall growth rate for IPTV subscription across the globe has been remained stable throughout 2011 at about 7% per quarter, growth has slowed down in 2012 and again in 2013 (Point Topic, 2013). Service Providers expect that growth in revenues for the next few years will increasingly come from the provision of additional services over broadband connections with IPTV likely to remain the most popular additional service for the foreseeable future. IPTV is still growing more rapidly than fixed broadband services and IPTV penetration is still relatively low

in many markets, accounting for under a third of broadband lines for most countries. Fixed broadband subscribers also subscribed to an IPTV service. This is a significant increase on previous years. However, competition in IPTV in many markets faces stiff competition from Over-the-top (OTT) providers as well as terrestrial and cable-TV networks.

IPTV in Thailand is still in the early stage of development and competition if compared with the success of IPTV in South Korea and Japan, countries with high rates of broadband use. Four IPTV companies are set to offer services in Thailand, despite heavy competition from both existing broadcasters and new technologies, which are Advanced Data Network Communications (ADC), Cubic (working in collaboration with state-owned TOT Plc), Vooz and Jasmine International's 3BB. Most of them are entering the market at a time when broadband tariffs are becoming more affordable, network coverage is expanding and connections are more stable. Since IPTV was not practical in Thailand due mainly to poor network quality, limited coverage and a lack of quality programming. However, IPTV may not be an immediate success nationwide, as the service will depend on favourable market and regulatory conditions IPTV is facing major challenges from satellite and cable TV operators as well as broadcast TV, which is fast evolving and improving.

IPTV will take off, as the government is increasing broadband use, while Asean is committed to switching from analogue to digital broadcasting by 2015. Thailand has 22 million households but only 5-7 millions have cable or satellite service. This is a huge opportunity. IPTV technology is expected to attract users who want high-quality content on television instead of on a personal computer. It could also attract those who do not want to pay the monthly subscription fees charged by cable and satellite TV providers. With the current players and improved internet infrastructure, IPTV services will be of interest to more than just middle-income families in Bangkok and begin to attract a mass market nationwide. IPTV still faces several challenges despite the country having a good broadband network. Content is the major barrier, as the rights to the best programming are controlled by TrueVision or local cable and satellite TV service providers (Bangkok Post, 2012).

The objective of this paper is to provide insight on how IPTV service providers can attract and retain subscribers as possible under the current competition. Path analysis technique is used in this study to measure determinant factors which affect consumers' loyalty. Results of this paper are expected to inform potential IPTV service providers of customer's loyalty and to help service provider design business strategy based on the need of customers.

This paper is organized as follows. Literature review covered in the following section. Next section will be discussed about method and data analysis. The main part of the paper is devoted

to an explanation of the empirical results. Finally, main conclusions are summarized.

2. Literature review

Lewis and Mazvancheryl (2011) showed that in the well-established customer satisfaction literature, customer satisfaction is posited to be a function of customers' expectation about a product or service, the perceived quality of the product as well as its perceived value. The immediate consequences of increased customer satisfaction are lower levels of customer complaints and increased customer loyalty. This conceptual framework is the basis of the widely used ACSI methodology that consists of a causal model linking these six constructs (see Fig. 1).

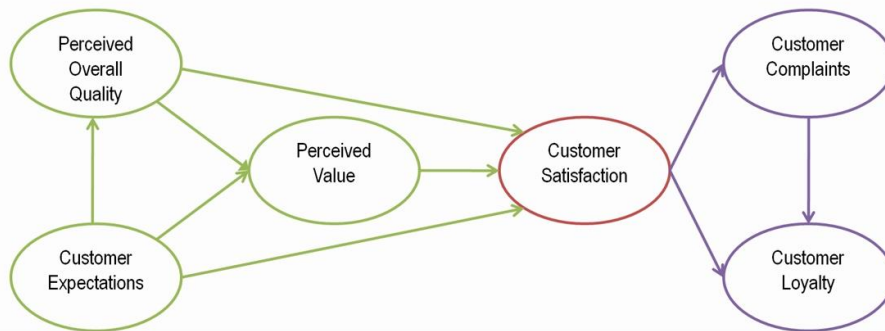


Fig. 1 Customer satisfaction- ACSI model

2.1 Customer Expectation (CE)

Angelova and Zekiri (2011) briefly explained that expectations play an important role in the satisfaction formation. The extent to which a product or service fulfills a customer's need and desire may play an important role in forming feelings of satisfaction because of the impact of confirmation or disconfirmation that have on satisfaction. Consumers expect to be delivered quality products and services; therefore companies try to offer quality products and services. Customers form their expectations from their past experience, friends' advice, and marketers' and competitors' information and promises. Organizations in order to keep expectations from rising, they have to perform services properly from the first time. Thus, customer expectations for the service are likely to rise when the service is not performed as promised.

H1: Customer expectation is positively correlated to perceived value

H2: Customer expectation is positively correlated to satisfaction

H3: Customer expectation is positively correlated to perceived overall quality

2.2 Perceived value (PV) and perceived overall quality (POQ)

Perception is an opinion about something viewed and assessed and it varies from customers to customers, as every customer has different beliefs towards certain services and products that play an important role in determining customer satisfaction. Customer satisfaction is determined by the customers' perceptions and expectations of the quality of the products and services. In many cases, customer perception is subjective, but it provides some useful insights for organizations to develop their marketing strategies. Perceived quality is a significant determinant factor in Information system service, such website and IPTV. Content quality had a positive impact on attitude or perception of customers (Shin, 2009). Providing high level of quality service has become the selling point to attract customer's attention and is the most important driver that leads to satisfaction. Therefore, customer perception and customer satisfaction are very closely linked together, because if the perceived service is close to customer's expectations it leads to satisfaction. Satisfied customers provide recommendations; maintain loyalty towards the company and customers in turn are more likely to pay price premiums.

H4: Perceived overall quality is positively correlated to perceived value

H5: Perceived overall quality is positively correlated to satisfaction

H6: Perceived value is positively correlated to satisfaction

2.3 Customer Satisfaction (CS), customer compliant (CC) and customer loyalty (CLT)

According to Hansemark and Albinson (2004) "satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some needs, goals or desire".

Customer satisfaction can be expressed into two paths. Firstly, customer compliant is measured as a percentage of respondents who indicate they have complained to a company directly about a product or service within a specified time frame. The immediate consequences of increased customer satisfaction are decreased customer complaints and increased customer loyalty. If customers are dissatisfied, then they may have the option of exiting (e.g., going to a competitor) or voicing their complaints in an attempt to receive retribution. On the other hand an increase in overall customer satisfaction should decrease the incidence of complaints. Increased overall customer satisfaction should also increase customer loyalty. Thus, satisfaction has a

negative relationship with customer complaints, as the more satisfied the customers, the less likely they are to complain.

Customer loyalty on the other hand refers to a deeply held commitment to re-buy a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behavior (Oliver, 1997). Customer loyalty is a crucial factor in companies' growth and their performance. Loyalty is linked with the repeat business. Thus, a customer is loyal when he is frequently repurchasing a product or service from a particular provider. Customers that are very satisfied with a company are very likely to remain with that company that leads to future revenue for the company since the cost of acquiring new customers is higher than the cost of retaining existing customers.

H7: Customer satisfaction has negative effect to customer complaint

H8: Customer satisfaction has positive effect to customer loyalty

H9: Customer complaint has negative effect to customer loyalty

3. Data and method

Data collection took place via a non-probabilistic sample of IPTV service users in Bangkok. Bangkok is a major area of IPTV users in Thailand due to the well establishment of infrastructure and number of users. According to the interview with the service provider in the mid of 2014, number of IPTV users in Bangkok about 1 million users. Thus, the calculated sample size by using Yamane formula at the $\pm 5\%$ precision levels where confidence level is 95% is 400 IPTV users. The area for distributed questionnaire was selected from the top five county areas in Bangkok that Most IPTV user live in. It consists of Rajaburana, Huamark, Changewattana, Thonburi and Klongtoey. Period of distributed questionnaire was during July – August 2014. Before conducting the main survey, a pretest and pilot study to validate the instrument were performed. Cronbach's α -test was employed to identify poor item-to-total correlation measure item. The scores ranged between 0.75-0.90, suggesting acceptable construct reliability.

Table 1 shows the demographic information of the respondents. Of the sample participants, 44.60% were in Female, 30.50% were aged between 26-35, 38.75% were earn salary 10,000-30,000 THB and 35.50% of respondents worked as private company officer.

Table 1 Demographic profile of the respondents

Characteristics	Percent	Characteristics	Percent
Gender		Monthly income (con't)	
Male	44.50	30,001-50,000 THB	22.50
Female	55.50	50,001-70,000 THB	17.25
Age		> 70,000 THB	5.75
18-25	24.25	Occupation	
26-35	30.50	Student	23.00
36-45	22.00	Government officer	32.50
Over 45	23.25	Private company officer	35.50
Monthly income(Baht:THB)		Freelance/ Housewife	9.00
<10,000 THB	15.75		
10,000-30,000 THB	38.75		

This paper measured the customer loyalty through the proposed model using 28-item and employed 5 points likert scale. Table 2 represents means, standard deviation, and correlation matrix of all measurement items. The correlations indicate that multi-collinearity was not a serious problem in the proposed model. The overall fit of the measurement model is within acceptable levels, as evidenced by the resulting $\chi^2 = 1.74$ ($p < 0.0$) and fit indices GFI=0.96, CFI =0.93, RMR=0.06, NFI=0.94 and RMSEA =0.042. In general, the proposed model fits the data reasonably well for the current study.

Table 2 Means, standard deviation, and correlation

Construct	Means	S.D.	Correlation matrix					
			CLT	CC	CS	PV	POQ	CE
CLT	3.49	0.73	1.00	-0.27**	0.73**	0.54**	0.65**	0.40**
CC	2.53	0.68		1.00	-0.33*	-0.25*	-0.05**	0.08*
CS	3.56	0.67			1.00	0.23**	0.43**	0.11
PV	3.67	0.64				1.00	0.74*	0.68*
POQ	3.52	0.75					1.00	0.71**
CE	3.58	0.66						1

* $p < 0.05$, ** $p < 0.01$

4. Finding and discussion

The hypothesized paths were tested in this study. Estimated results are consistent with previous studies on customer loyalty for IPTV service (Jang & Noh, 2011; Lin et al., 2012 and Son & Han, 2011). The findings indicated customer expectation, perceived overall quality and perceived value exhibited significant impact on customer satisfaction and consumer loyalty as shown in Fig. 2.

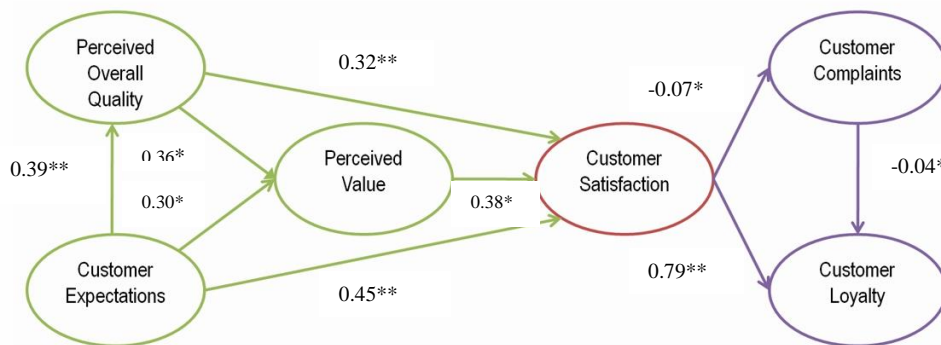


Fig. 2 The estimated model

All hypotheses are supported as shown in Table 3. First, H1-H3 examine the link between customer expectation, perceived value, satisfaction and perceived overall quality. Customer expectation is significantly associated with perceived value ($\beta=0.30$), satisfaction ($\beta=0.45$) and perceived overall quality ($\beta=0.39$). Second, relationship between perceived overall quality with perceived value ($\beta=0.36$), and customer satisfaction ($\beta=0.32$) are also found to have strong positive impact. In addition, the result indicates that relationship between perceived value and satisfaction is confirmed. The coefficient from perceived value to satisfaction is 0.38. These results indicate that H4-H6 are also supported. Third, the negative effect are found on between customer satisfaction and customer compliant ($\beta=-0.07$) and customer compliant to customer loyalty ($\beta=-0.04$) as expected. Finally, the customer satisfaction has positive effect to customer loyalty significantly ($\beta=0.79$). The findings supported hypothesis H7, H8 and H9.

Table 3 Estimated results

	Relationship	Path coefficient	Support
H1:	Customer expectation \rightarrow Perceived value	0.30*	Yes
H2:	Customer expectation \rightarrow Satisfaction	0.45**	Yes
H3:	Customer expectation \rightarrow Perceived overall quality	0.39**	Yes
H4:	Perceived overall quality \rightarrow Perceived value	0.36*	Yes
H5:	Perceived overall quality \rightarrow Satisfaction	0.32**	Yes
H6:	Perceived value \rightarrow Satisfaction	0.38**	Yes
H7:	Customer satisfaction \rightarrow Customer compliant	-0.07*	Yes

	Relationship	Path coefficient	Support
H8:	Customer satisfaction → Customer loyalty	0.79**	Yes
H9:	Customer complaint → Customer loyalty	-0.04*	Yes

*p<0.05, **<0.01

Moreover, the customer expectation and customer satisfaction play a critical role in determining customer loyalty in IPTV. The direct and indirect effect analysis was conducted to clarify the importance of all variables with respect to customer loyalty in IPTV service. The calculation results, as shown in Table 4, show that the total effect is 0.59 for customer expectation, 0.36 for perceived overall quality and 0.30 for perceived value. The directly effect is 0.79 and -0.04 for customer satisfaction respectively as shown in Table 4.

Table 4 Effect of variables on customer loyalty in IPTV service from path analysis

Variable	Direct effect	Indirect effect	Total effect
Customer expectation	-	0.59	0.59
Perceived overall quality	-	0.36	0.36
Perceived value	-	0.30	0.30
Customer satisfaction	0.79	0.00	0.79
Customer compliant	-0.04	-	-0.04

Considering the significant of the variables, the customer loyalty in IPTV service is based not only on their expectation, but also on their satisfaction. Moreover, compared with customer expectation, the satisfaction has a stronger impact on loyalty. This is consistent with the previous study and understandable that customer tends to has more loyalty towards IPTV service when they satisfied with the service they received. The determinant factors that have higher impact on customer satisfaction are customer expectation, perceived value and perceived overall quality. Specifically, customer expectation and perceived overall quality showed a strong statistic significantly at 0.01 levels.

These findings are critical for managerial level because it implies that IPTV service providers in Thailand should not focus on the technology adoption of customer but also should focus on service customer. Service providers should attempt to enhance the content or provide other possible benefits to attract and retain customers. Also, aiming at improve the user interface, system reliability and connectivity as customer will regard the service as valuable service if compared to traditional TV and Cable TV. This could help service providers maintain their market share, increasing their profitability and performance.

5. Conclusion

The challenging of providing IPTV service in Thailand has been increased due to the development of the technology, competition in the telecommunication market and preference of consumers. This study aims to investigate the determinant factors that affect the customer loyalty. The structured questionnaires were distributed to IPTV subscribers in Bangkok during July till august 2014. The path analysis was used as an analytical tool. The findings showed that customer expectation and perceived overall quality value affect customer loyalty via the perceived value and satisfaction significantly. Customers are more likely to stay with the current service provider if they find it valuable and satisfied with it.

Limitation of this study includes two factors. First, the perceive value of using IPTV is mainly discuss about the positive outcome of its. The cost of the service is not explicitly take into account in this study. Therefore, the future study should take this factor into account in order to truly reflect the trade-off value of using this service. Second, this study was done during the market structure of television service in Thailand has been changed from Analogue to Digital system. This might affect the perception of customer. Thus, advanced research can be performed by comparing the strategy of IPTV service provider on customer loyalty during the transition period.

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