

Do LTE Customers Have Different Customer Loyalty Determinants?

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Overview♪

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▷ **Korean Mobile Telecommunication Market**

▷ **Literature Review**

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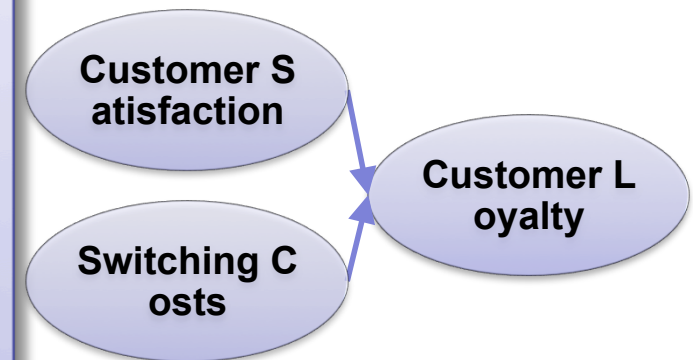
Introduction♪

Research Question:

“Do LTE Customers Have Different Customer Loyalty Determinants?”

Major objectives:

- ✓ To examine the effects/validity of the traditional determinants of customer satisfaction and customer loyalty.
- ✓ To find the difference in the determinants of customer satisfaction and loyalty in the Korean LTE service market.



Why is it important?

Korean Mobile Telecommunications Market♪

- The Korean mobile telecommunications service market is currently served by three major MNOs (Mobile Network Operator)

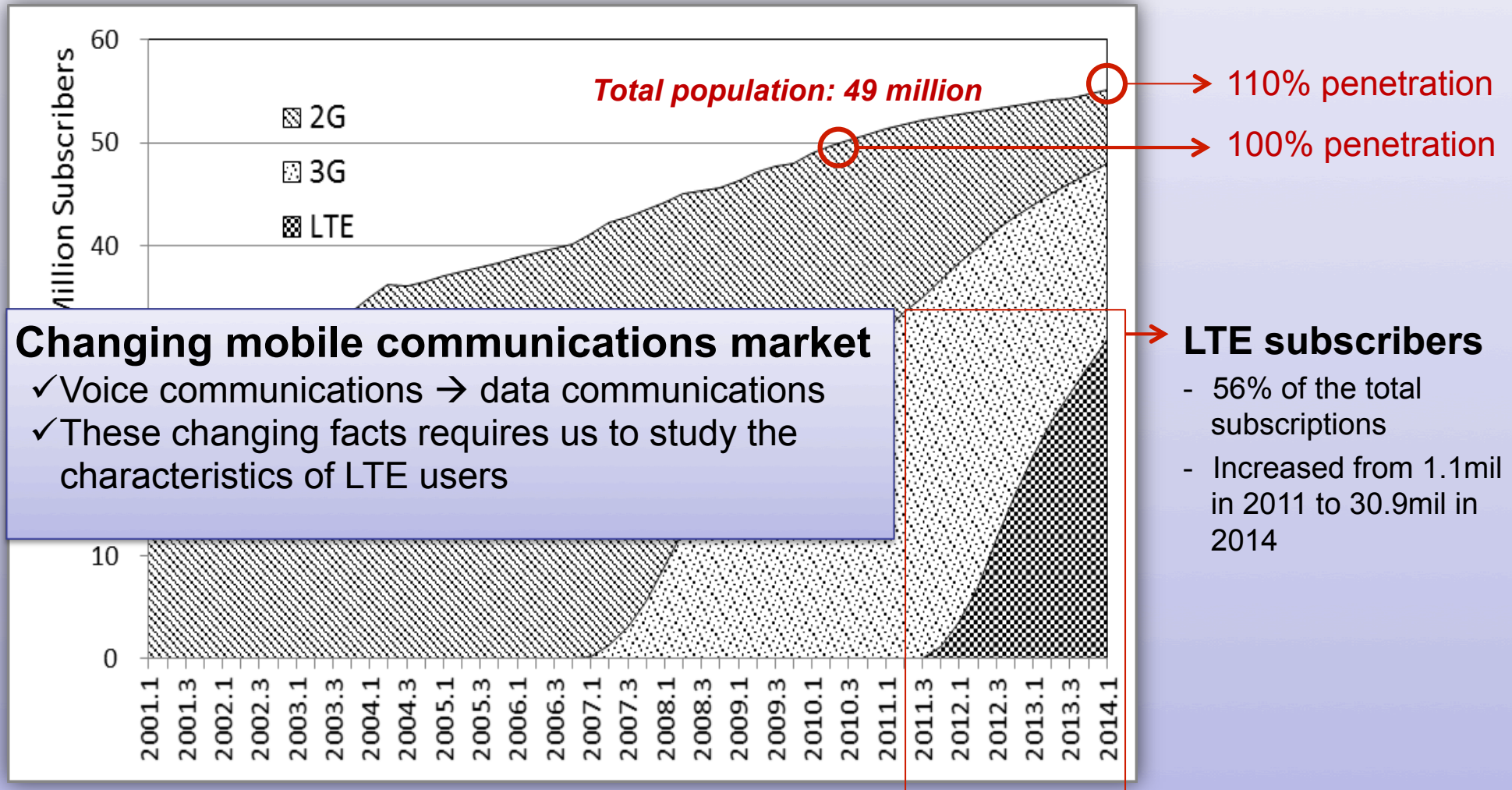
MNOS / Year	Market Shares					
	2009	2010	2011	2012	2013	April, 2014
SKT (SK-Telecom)	50.6%	50.6%	50.6%	50.3%	50.0%	50.4%
KT (Korea Telecom)	31.1%	31.6%	31.5%	30.8%	30.1%	29.9%
LG Uplus	18.3%	17.8%	17.9%	18.9%	19.9%	19.7%



Why is it important?

Korean Mobile Telecommunications Market♪

- Mobile penetration rate has reached 100% as of 2010. (110% in 2014).
- Market saturation has intensified competitions



Why Customer Loyalty♪

- As the market has reached its saturation point, attracting and securing new customers is not only becoming difficult but also costly in terms of marketing; one of the most efficient strategies is to retain the existing customers.
 - “It is a well-known fact in marketing research that the cost of acquiring a new customer far exceeds the cost of retaining an existing one” (Siber, 1997)
 - “The cost of making sale to a new customers is five times higher than the cost of making sale to an existing customers” (Verbeke, 2012).
- Higher customer loyalty leads to higher customer retention rate (Fornel, 1992).

Literature Review

- Customer satisfaction has a significant influence on customer loyalty across variety of industry

(e.g., Fornel, 1992; Athanassopoulos, 2000; Gerpott et al., 2001; Kim et al., 2004; Aydin & Ozer, 2005; Deng et al., 2010; Song & Yang, 2013).



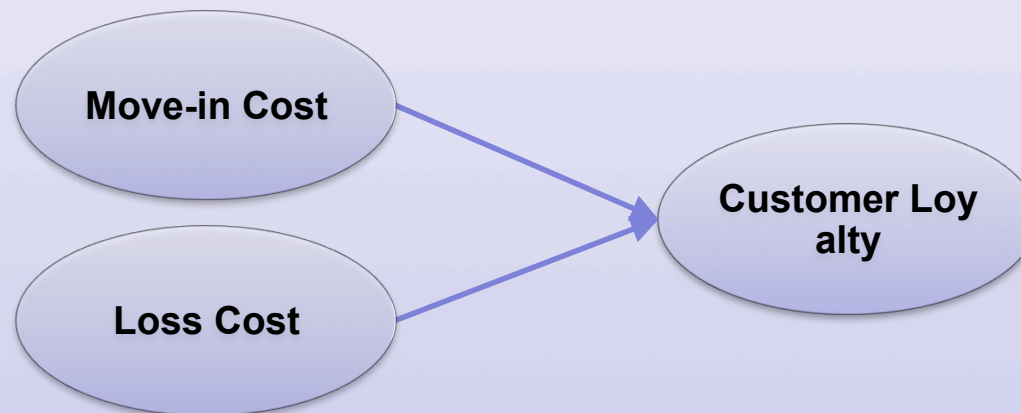
- Customer satisfaction is measured with key service qualities.

Variable	Operational definition	Measurement Items
Call quality	Perceived quality of call(voice) services according to customers	<ul style="list-style-type: none"> - Call stability - Call clarity - Call coverage
Data quality	Perceived quality of data services according to customers	<ul style="list-style-type: none"> - Data transmission stability - Data transmission speed - Data coverage
Customer support	Perceived quality of customer support system	<ul style="list-style-type: none"> - Availability and variety of customer care services - Speed of complaint processing - Convenience in reporting complaint - Friendliness of customer service staffs
Price perception	Perceived perception of customer on prices	<ul style="list-style-type: none"> - Reasonability of price - Variety of rate schedules

Literature Review

▪ The relationship of switching costs and customer loyalty

(Colgate & Lang, 2001; Albert, 2002; Kim et al., 2004; Deng et al., 2010; Liu et al., 2011).



Variable	Operational definition	Measurement Items
Move-in cost	Perceived costs involved in switching to a new service provider	<ul style="list-style-type: none"> - Cost of new device♪ - Registration cost♪ - Cost of termination/penalty
Loss cost	Perceived loss of benefits when terminating contract with the current service provider	<ul style="list-style-type: none"> - Loss of mileage♪ - Loss of membership benefits

Hypotheses♪

H₁: Higher levels of customer satisfaction lead to higher levels of customer loyalty

H₂: Higher levels of move-in cost lead to higher levels of customer loyalty.

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H₃: Higher levels of loss cost lead to higher levels of customer loyalty.

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H₄: Higher levels of perceived call quality lead to higher levels of customer satisfaction.

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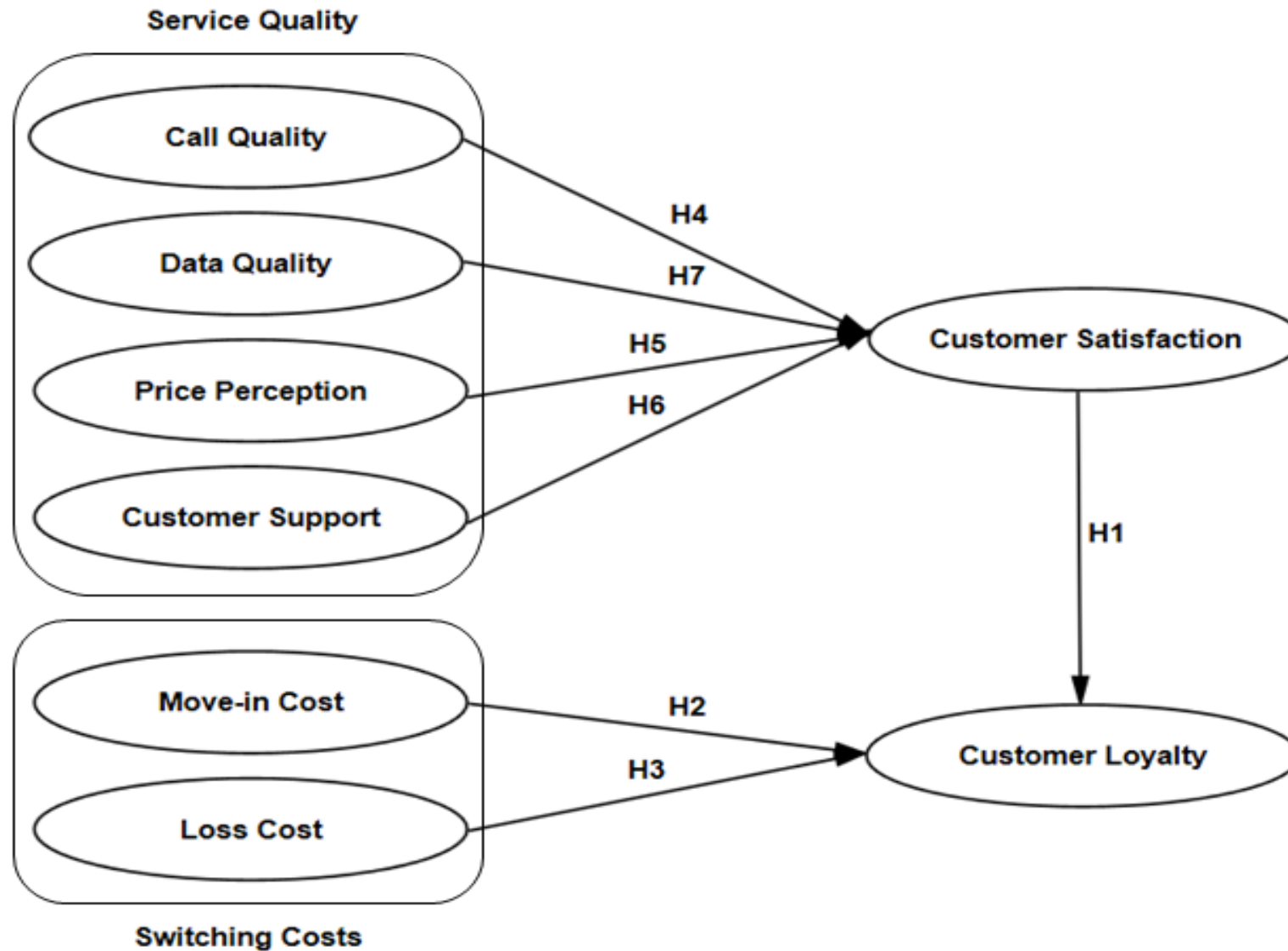
H₅: Higher levels of price perception lead to higher levels of customer satisfaction

♪

H₆: Higher levels of perceived customer support lead to higher levels of customer satisfaction.♪

H₇: Higher levels of perceived data quality lead to higher levels of customer satisfaction.

Hypotheses



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Customer satisfaction	Customers' judgments of satisfaction level with the service provider	<ul style="list-style-type: none"> - Overall satisfaction with the service provider♪ - Overall satisfaction with the service provided
Customer loyalty	Customer's favorable attitude toward the service providers and intention to re-purchase the service	<ul style="list-style-type: none"> - Customer's intention to continue using services from current provider♪ - Customer's intention to recommend the

Data Collection & Methodology♪

Sampling Procedures: Survey Method

- Data were collected through survey, targeting 3G and LTE customers of the Korean mobile telecommunication markets
- The questionnaires were commissioned to a market research company for online survey
- Pilot surveys were conducted
- The survey went through expert revision

Samples

- Total of 1124 survey samples were collected.
- SPSS 18 was used to analyze basic statistical analyses, factor analyses, and reliability tests
- AMOS 20 was used for structural equation model (SEM) analyses.♪

Results

	Path	Estimates	C.R	p	Result
H ₁	Customer satisfaction → customer loyalty	0.618**	18.144	0.000	Accept
H ₂	Move-in cost → customer loyalty	0.027	0.692	0.489	Reject
H ₃	Loss cost → customer loyalty	0.240**	6.102	0.000	Accept
H ₄	Perceived call quality → customer satisfaction	0.152**	3.654	0.000	Accept
H ₅	Price perception → customer satisfaction	0.216**	5.665	0.000	Accept
H ₆	Perceived customer support → customer satisfaction	0.458**	9.715	0.000	Accept
H ₇	Perceived data quality → customer satisfaction	0.324**	8.210	0.000	Accept
Model fit	$\chi^2/df = 3.120$	RMR = 0.068	GFI=0.949	AFGI=0.933	
	NFI=0.957	IFI=0.971	CFI=0.971	RMSEA=0.043	



Results

3G v.s. LTE customers

Overall $\Delta\chi^2(df=6): 30.724^{**}$	Service Type		χ^2	$\Delta\chi^2 (df = 1)$
	3G	LTE		
Perceived call quality → customer satisfaction	0.257 ^{**}	0.054	1034.076	4.648 [*]
Perceived data quality → customer satisfaction	0.192 [*]	0.425 ^{**}	1034.999	5.571 [*]
Price perception → customer satisfaction	0.088	0.256 ^{**}	1033.787	4.359 [*]
Perceived customer support → customer satisfaction	0.707 ^{**}	0.334 ^{**}	1042.208	12.780 ^{**}
Customer satisfaction → customer loyalty	0.490 ^{**}	0.707 ^{**}	1038.516	9.088 ^{**}
Move-in cost → customer loyalty	0.072	0.008	1030.055	0.627
Loss cost → customer loyalty	0.272 ^{**}	0.225 ^{**}	1029.750	0.322

- Call quality is not a significant factor for 4G customers.
- Data quality is more important for LTE subscribers
- Pricing is an important factors for LTE customers
- The perceived quality of customer support has stronger effect on customer satisfaction for 3G subscribers than for LTE subscribers.
- The relationship between customer satisfaction and customer loyalty is much stronger for LTE subscribers than for 3G subscribers.

Conclusion

3G & LTE

- **There is a strong causal relationship between customer satisfaction and customer loyalty.**
 - ✓ Strategies maximizing customer satisfaction → higher customer loyalty → higher retention rate
 - ✓ To improve customer satisfaction, focus on call quality, data quality, pricing, and customer support.
- **There is a significant positive relationship between loss cost and customer loyalty.**
 - ✓ Strategies increasing perceived loss cost → higher customer loyalty
 - ✓ Use of mileage program and membership benefits

3G vs. LTE

- **The customer satisfaction and loyalty relationship is stronger for LTE subscribers**
- **Data quality and pricings → LTE customer satisfaction**
 - ✓ Emphasis needed on data quality and pricing to target LTE users

Thank You

Q&A