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An empirical evaluation of customer-based brand equity of Internet Service Providers (ISPs) in Albania

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Abstract. The main reason for studying Brand Equity of ISPs arises from the motivation of improving marketing productivity in this sector. Given increasing competition, higher costs of technology adoption, flattened demand, ISP managers need a thorough understanding of customer behavior in order to increase the efficiency of marketing expenses and enhance customer loyalty. This study identifies customer's differentiated response towards ISPs and motives in choosing a brand instead of another. In June 2014, a survey among 998 adult connected urban households in Albania has been conducted. A well-structured questionnaire, designed on the basis of Keller's Brand Equity Model evaluate consumer awareness, attitudes and perceptions, relationship and satisfaction with current ISP as key driver to consumer loyalty. The results reveal the existence of different segments in the Internet Service Providers (ISP) market and conclude with a set of implications to guide practitioners and to stimulate future research.

Keywords: Brand Equity, Brand Loyalty, Brand Satisfaction, Brand Awareness, Internet Service Providers, Albania

1. Introduction

For the past twenty years, Internet Service Providers (ISPs) in Albania have been operating within a competitive landscape. Due to digital convergence and growing application of technology, establishing customer loyalty has become challenging within this segment of telecommunication. (Axson 1992; Ennew and Binks 1995). One way for overcoming this challenge can be by creating a strong brand. Brands enable customers to better visualize and understand the intangible side of the products and services while reducing their perceived monetary, social, or safety risk. (Berry, 2000; Bharadwaj et al., 1993). Previous research has indicated that although features such as price, quality and delivery are critical drivers of buyer choice, moving the point of differentiation to more intangible factors such as reputation, innovation, service can create valuable proposition to customers and help ISPs enhance their market share and brand image. (Beverland et al., 2007). Through a stratified survey on customer perception and attitude towards ISPs in Albania, this study provides useful information for ISP brand managers about major trends of consumers' usage; reasons that make customers purchase internet connection of any particular company and the role of branding in securing long term advantage.

2. Conceptual framework

The concept of brand equity developed in the early 1990s as a measurement of marketing success by indicating a non-financial, market-based intangible asset resulting from past marketing activities (Ambler 2003). A decade later, brand equity became an important source of competitive advantage, particularly in services industries where the main benefit is intangible and consumers perceive high risk. (Ambler, Kokkinaki and Puntoni 2004; Clark 1999). Bharadwaj, Varadarajan and Fahy (1993) One of the most commonly cited definitions of brand equity differentiates psychological value from financial value of the brand and states it as "a set of assets and liabilities linked to a brand, its name and symbol, that adds to or subtracts from the value provided by its product or service to a firm and/or

to that firm's customers" (Aaker 1991, p.12). Brand equity can therefore be analyzed on two levels, depending on the beneficiary of value (consumer or firm). Marketing research has largely concentrated on consumer-based brand equity as opposed to firm-based brand equity. This is because the consumer-based approach offers insights into consumer behavior which can be converted into actionable brand strategies (Keller 1993). Keller (1993, p.2) defined consumer-based brand equity as the "differential effect of brand knowledge on consumer response to the marketing of the brand." A brand is positively valued when the consumer reacts more favorably to the marketing of a product, becomes aware of the brand and has strong and favorable brand associations in his mind. It can be measured by assessing the sources of brand equity as it prevails in the customer's mindset. These sources include the customer's awareness of the brand, associations attached to the brand, perceptions, and attitudes towards the brand. (Keller 1993, Shocker et al. 1994). Keller (2013) organizes them according to what he describes as the Customer-Based Brand Equity Pyramid (see Figure 1). On the bottom of the pyramid is Brand Salience, which reflects brand awareness. On the next level is Brand Performance and Brand Imagery. Brand performance reflects the functionality of a brand, while imagery reflects the intangible benefits of a brand. The next level is Customer Judgements and Customer Feelings reflecting customers' opinions and evaluations of a brand. On the top of the pyramid is Consumer-Brand Resonance, which reflects consumers' loyalty with a brand. Building brand equity involves first developing brand salience, then brand meaning (via performance and imagery), which then influences brand response (via customer judgments' and feelings) and the relationships of consumers with a brand (resonance). (Keller 2013)



Figure 1: Keller's Customer Based Brand Equity Pyramid (2013)

3. Measurement

Customer based brand equity scale gives service industry managers a structured approach for formulating their branding strategies. An Internet Service Provider (ISP) is a company that provides individuals and other companies access to the Internet and other related services such as website building and virtual hosting. (Rose 2006) It has the equipment and the telecommunication line access required to have a point-of-presence on the Internet for the geographic area served. Among the largest national and regional ISPs in Albania are ALBtelecom, ABCom, Tring, Abissnet, and Primo. According to Electronic and Postal Communications Authority the number of subscribers to fixed broadband networks at the end of 2014 amounted 206,896 subscribers (13% higher compared to 2013). The major provider is Albtelecom who owns 40% of retail fixed broadband market followed by ABCom with 23% market share, and Abissnet with 11% of shares. (AKEP 2014)



Figure 2. Market Share for broadband access (AKEP 2014)

A survey among 998 adult connected urban households¹ in Albania and internet users² has been conducted. Such sample assures a margin of error of $\pm 3.2\%$ under 95% confidence level. Methodology used is multistage cluster sampling with stratification. Method of selection was probability proportional to size without replacement with number of registered voters serving as measure-of-size. Respondents were screened based on the criterion of using at least one of the two services, fixed telephony or internet. (ESOMAR 2005 pg 26)

4. Results

The findings of this study derived from a well-structured questionnaire, designed on the basis of Keller's Brand Equity Model. The study instrument includes questions about the four proposed dimensions: brand awareness, brand image, perceived quality and brand loyalty. For confidentiality reason, the 5 major ISP brands are presented in alphabetic characters from A to E. *BRAND PERFORMANCE*. Performance is defined as a consumer's judgment about a brand's physical operation and product's physical construction (Lassar et al. 1995). Customer satisfaction measures how a product or a service performs in relation to customers' needs and expectations. In conducting satisfaction studies most firms want to determine what the important features and attributes are for their services or products and then measure perceptions of those features as well as overall satisfaction. Respondents were asked questions according to the four factors that influence the brand equity values, and study consumers' satisfaction degree of the current situation, grading to very satisfied (7 points), to extremely dissatisfied (1 points). No provider reached more than 5.9 points in the satisfaction scale, meaning that customers of each ISP are at most 'somewhat' satisfied.

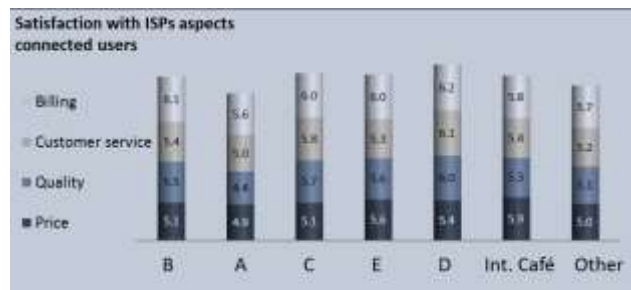


Figure 3. Brand Performance, Satisfaction with price, quality, customer service and billing

¹ Connected household – household that are registered in a fixed telephony provider or ISP so members of the household can use at least one of the services in their dwelling.

² Internet users is agreed among ISPs to be individuals that use internet service at least once per month, despite the reason for usage.



Figure 4. Brand Performance, Switching patterns

Connection speed and high prices are the main reasons that make home-connected users to think on changing providers.

BRAND LOYALTY was measured as the customers' preference of the company as the first choice provider of services, their promise to use the services again, their commitment to recommend company's services to others, as well as their own consideration of themselves as being loyal to their service provider (Aaker, 1991; Pappu et al., 2005; Washburn & Plank, 2002; Yoo & Donthu, 2001). The most valid measurements to evaluate the customer experience a company is providing is the Net Promoter Score (NPS). (ESOMAR, 2005) Net Promoters Score (NPS) is a metrics customer experience through customer's willingness to recommend a company.

Customers of company are asked to evaluate on a scale from 0-10 how likely are they to recommend the company to their friends, colleagues and acquaintances. Those that say 9-10 are categorized as promoters, 7-8 as neutrals and 0-6 as detractors. (ESOMAR, 2005). Promoters are the ones more loyal to a company, also the ones that make positive word-of-mouth. Neutrals are emotionally neutral and very prompt to defect to the competition if a better offer is given. Detractors are the one that harm the company. They are unsatisfied and conduct negative word-of-mouth advertising as revenge for their dissatisfaction.

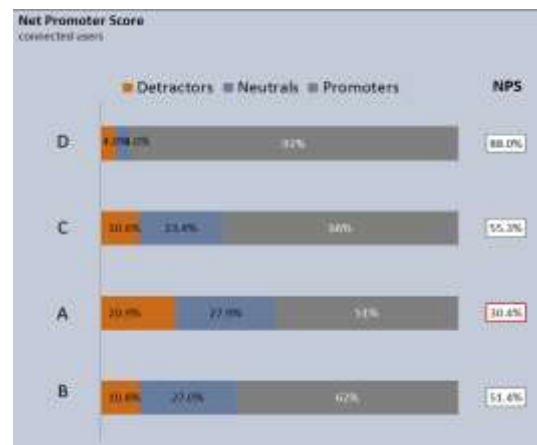


Figure 7. Brand loyalty, Net Promoter Score

51% of Brand A customers are promoters, 20.9% are detractors. Net promoter score (NSP) for Brand A is 30.4%. Although Brand A has a positive net promoter score, its NPS is smaller compared that to B and C. These two providers can be considered as future threat to brand A.

Conclusion

Experience with an ISP is a mixture of real-time experience as interaction with the client, and perceptual- experience as cumulative impression of past organizational value and reputation. Speed is the major attribute on which ISP is evaluated, but since there is no much difference between the speed level offered by ISP's , consumers refer to price as a significant attribute in choosing a brand. Almost one in four ISP household customers show readiness to change operator for a better offer. The NPS score on current ISP providers show that urban internet users have low loyalty to their ISP brand and do not serve as promoter.

This study proposes that ISPs can differentiate the level of service through customized practices, cross-selling and value-added services such as technical supports, quick response and dedicated customer service in order to create long-term customer relationship with the brand. To be able to build relationship with its customers ISP needs to work on building corporate value and consistently deliver high brand experience.

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