

State of the Mobile Nation – A Case of Distrust and Unmet Consumer Expectations

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Abstract

This paper presents a conceptual and empirical analysis of the Market Performance Indicator (MPI) index for the mobile phone market in Australia and its influence on customer satisfaction, customer value and switching intentions. Results based on a quantitative research of 1600 mobile phone consumers compare the Australian performance of the MPI with that of the twenty seven members of the European Union (EU). The Australian MPI results identified some significant structural weaknesses in the performance of the mobile phone market as compared to the EU. The results show that Australian consumers find it harder than their EU counterparts to compare mobile carrier offers; have little trust in the industry to respect their rights as a consumer; experience more problems and complain more often; find it harder to switch suppliers; mobile carriers don't live up to consumer expectations and finally consumers don't think that the mobile carriers behave ethically.

Keywords: market performance indicator, switching intention, customer satisfaction, customer value

Introduction

The performance of the industry is being subjected to a number of strong forces including a significant acceleration in the number of consumer complaints reported by the Telecommunications Industry Ombudsman (2011) and pressure from the Australian Telecommunications Media Authority (ACMA, 2011) for the industry to clean up its customer service and marketing practices. The challenge for mobile phone service providers and policy makers is to raise the reputation of the mobile telecommunications industry. In order to do so the industry needs an objective industry benchmark such as a market performance indicator (MPI) to be able to track changes in consumer perceptions of the market over time. With this mind this research paper aims to achieve the following:

1. What are the desirable components of a market performance indicator (MPI)?
2. What is the influence of the MPI on key customer performance measures including customer value, customer satisfaction and brand switching intentions?
3. Do demographic factors play a moderating role in the MPI?

Literature Review

The European Commission (EC 2010 and 2011) attempted to develop a generic market performance indicator (MPI) of consumer perceptions across all twenty seven member states. The MPI measured the extent to which consumer perceptions of a market such as mobile telecommunications was either performing well or was malfunctioning. The EC studies found that market malfunctioning could occur because of anti-competitive activities, inadequate consumer protection laws, product complexity and voluminous product information making it difficult to understand or compare product offerings. It also found that brand switching has a

positive role in stimulating competition and that higher switching rates are linked with less frequent price increases (European Commission 2010, p6).

The Market Performance Indicator (MPI)

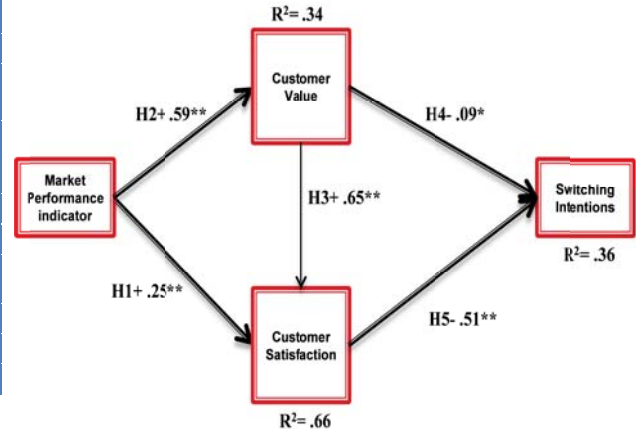
The MPI studies conducted for the EC defined the MPI as a composite equally weighted perceptual and behavioural index. The higher the MPI the better the market is performing for consumers. The MPI index incorporates the consumer perceptions of trust; offer comparability; incidence of consumer problems & complaints, extent to which consumer expectations were met, actual brand switching behaviour and the difficulty of switching between suppliers. Although the EC study of the MPI did not provide a literature review for each of the components of the MPI the inclusion of each of these elements is easily justified. The following sections briefly outline the justification for the model and the conceptual development of hypotheses.

Table1: MPI – Mobile phone consumer perceptions – Australia vs. EU

Market Performance Indicators (MPI) - Mobile Phones	Australian Industry	European Union
Level of comparability (0=very difficult /10=very easy)	5.3	6.9
Level of Trust (0=little or no trust/10=very trustworthy)	4.1	6.1
Problems and Complaints (10=none/0=many -weighted by type of problem)	7.6	8.5
Ease of switching- Switching to a new mobile phone service provider would be a bother (0=strongly Agree/ 10=Strongly disagree)	5.4	7.3
Live up to what you wanted (0=did not/totally met)	5.2	7.3
Ethics (0=very unethical/10=very ethical)	4.1	na
MPI (comparability/trust/problems & complaints/meeting expectations)	5.5	7.2
MPI (plus ethics)	5.2	na
MPIS (MPI plus switching)	5.5	7.2
MPIS (MPI plus switching and ethics)	5.3	na

Source: Australia – Macquarie University Survey Data March 2012; European Commission (2011). The indicator scores range 0-10. The higher the MPI score the better the performance.

Figure 1 MPI – Conceptual Model and PLS results



Note: * p<.05, **p<.01

Customer satisfaction

Customer satisfaction is a necessary condition for increased market share, profitability, positive word of mouth, and customer retention (e.g., Anderson, Fornell & Lehman 1994). Satisfaction is an important part of the brand switching process (Dagger & David, 2012; Dagger & Sweeney, 2007; Hallowell, 1996; White & Yanamandram, 2004). It is likely that as consumers have a better relationship with the industry and their perceptions of the industry improve then the MPI will drive improved customer satisfaction. It is also more likely that satisfied customers less likely to switch to another brand, but that past some point of inflection, dissatisfied consumers, are likely to seek alternative service providers (Mittal & Kamakura, 2001; Stewart, 1998b; White & Yanamandram, 2004). Therefore we propose that: H₁: There will be a positive relationship between the MPI and customer satisfaction.

Customer value

Customer value is most commonly defined as a trade-off between what consumers receive from the product or service and what they sacrifice (e.g., Zeithaml 1988; Ruiz, Gremler, Washburn, and Carrion, 2010). It is likely that the customer value variable is one that

pervades the entire consumption experience. It is also likely that as consumer perceptions of value increase there will be less likelihood of brand switching (Andrews, Benedicktus, & Brady, 2010; Tseng & Lo, 2011; Wang, 2010). However, brand switching could still occur despite relatively high consumer perceptions of value due to consumer dissatisfaction (Ganesh, Arnold, & Reynolds, 2000) or situational factors caused by preference changes such as technological innovation (Petruzzellis, 2010). Therefore, the following is proposed. H₂: There will be a positive relationship between MPI and customer value. H₃: There will be a positive relationship between customer value and customer satisfaction. H₄: There will be a negative relationship between customer value and switching intentions. We also expect that as customers exhibit higher levels of satisfaction that they will be less likely to switch (White & Yanamandram, 2004). Hence: H₅: There is a negative relationship between customer satisfaction and switching intentions.

Method

A sample of 1600 people matched the representativeness of the Australian population by state, gender and age group. Appendix 1 identifies the characteristics of the measures from Table 1 and Figure 1. The six item formative measure of the Market Performance indicator was based on research by (European Commission 2011 and 2010) and feedback from seven qualitative focus groups conducted in October 2011 in Australia. The six item measure of customer satisfaction was based on research by (Ruiz, Gremler, Washburn, & Carrión, 2010). The seven item measure of customer value was derived from a study by (Ruiz, Gremler, Washburn, & Carrión, 2010). The two item measure of switching intentions was based on the work of (Bougie, Pieters, & Zeelenberg, 2003). The variables measured in this study followed the approach recommended by (Gefen & Straub, 2005), that is factor loadings exceed .40 and have significant t-values. In addition, all variables exceeded the minimum cut-off of 0.50 on the AVE as recommended by (Fornell & Larcker, 1981). Cronbach alpha measures were above .80 as recommended by (Bollen, 1989).

Results

As shown in figure 1, there was support for H1 and H2 (Market Performance indicator → Customer Satisfaction ($\beta=.25$, $t=13.87$, $p<.01$); Market Performance indicator → Customer Value ($\beta=.59$, $t=28.97$, $p<.01$). The results supported H3 (Customer Value → Customer Satisfaction ($\beta=.65$, $t=36.31$, $p<.01$); H4 (Customer Value → Switching intentions ($\beta=-.10$, $t=3.10$, $p<.05$) and H5 (Customer Satisfaction → Switching Intentions ($\beta=-.51$, $t=15.64$, $p<.01$). The overall, model predicts reasonably well customer value $R^2 = .35$; customer satisfaction $R^2 = .67$ and switching intention $R^2 = .35$. Interestingly, we conducted multi-group tests of the model to identify potential statistically significant differences between a range of moderating variables including whether consumers have switched or not switched, gender, age and income. We found no statistically significant differences between any of the. Therefore, it seems that consumer perceptions as represented by the MPI are generally held across all major demographic groupings.

Discussion and conclusion

The mobile phone service market in Australia is beset by poor consumer perceptions which are reflected in a low market performance indicator (MPI) index modelled in this paper relative to its European Union counterparts (European Commission 2010 and 2011). These are important issues for managers, researchers and policy makers because they objectively highlight the degree of market malfunctioning in the Australian telecommunications market.

Indeed, the effective and efficient operation of markets in general depends on removing as many market distortions as possible. Both the qualitative and quantitative research underlying this paper shows that the poor performance of the Australian mobile phone service market is largely self-inflicted and caused by a multitude of contributing factors including product complexity, poor marketing communications, haphazard network delivery, poor product design and customer service practices. All of these factors are likely to have had a significant negative impact on individual firm brand equity. However, they are reversible. All the major players in the industry have the resources to eliminate the kind of problems consumers have identified in the MPI. The question is whether the industry has the will to tackle these issues. Based on past performance and the increasing concern expressed by the ACMA, it now seems inevitable that the industry will be forced to comply with measures that are designed to improve consumer protection and reduce the level of complaints and product complexity.

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Appendix A: Details of measures used in this study.

Variables			
Scale and items: weights (w) and loadings (L) of latent constructs where relevant	Measurement stats		Mean (Std) Deviation
	Cronbach Alpha	Communality	
<p>Market Performance Indicator (6 items) – a formative index In general, how difficult or easy is it to compare mobile phone carriers, with 0 being very easy and 10 being very difficult? (w=.12) In general, to what extent do you trust mobile phone carriers to respect the rules and regulations protecting consumers, with 0 being little/no trust and 10 being very trustworthy? (w=.06) In general, to what extent do you think mobile phone carriers behave ethically, with 0 being very unethical and 10 being very ethical? (w=.01) In general, did the mobile phone carriers live up to what you wanted in the last 12 months, with 0 meaning that they do not meet expectations and 10 totally meeting expectations? (w=.65) Problems and complaints (10=none/0=many -weighted by type of problem: i.e. – official third party (1); mobile phone service provider (2); friends/family/other (3); none. (w=.16) Ease of switching- Switching to a new mobile phone service provider would be a bother (0=strongly Agree/10=Strongly disagree) (w=.49)</p>	N/A	N/A	5.3 (2.8) 4.1 (2.6) 4.1(2.5) 5.2(2.8) 7.6(3.4) 5.4 (2.9)
<p>Satisfaction with current provider (6 items, AVE=.80). Q71 I am happy with this company’s services (L=.94,w=.19) Overall, I am pleased when I purchase this company’s services (L=.95,w=.19) Using this company’s services is a satisfying experience (L=.93, w=.19) My choice to use this company was a wise one (L=.94,w=.20) Overall, I am dissatisfied with this company (r) (L=.66,w=.13) I think I did the right thing in deciding to use this company for my service needs (L=.90,w=.19).</p>	.95	.80	4.6 (1.6) 4.5 (1.6) 4.3 (1.6) 4.6 (1.6) 4.4 (1.8) 4.6 (1.5)
<p>Customer Value of mobile services (7 items, AVE=.82)Q72 The value I receive from this company’s services is worth the time, effort and money, I invested (L=.88, w=.17). The company’s services were reasonably well priced (L=.91, w=.15). The company provides good services for the price (L=.93, w=.17). I am happy with the price of the company’s services (L=.93, w=.15). The company makes me feel that I am getting my money’s worth (L=.92, w=.16). The value of the companies services compares favourably to other service providers (L=.85, w=.14). This company offers good value for the price I pay (L=.94, w=.16).</p>	.96	.82	3.3 (1.0) 3.3(1.0) 3.3(1.0) 3.3(1.1) 3.1(1.1) 3.3(1.0) 3.3(1.1)
<p>Switching intention (2 items, AVE=.88). How likely are you to switch to a competing service provider during the next year? (L=.93, w=.51). What is the chance that you will stay with your service provider for the next year? (L=.95, w=.56).</p>	.87	.88	2.4(.94) 2.5(1.1)