The Effect of Perceived Value on the Loyalty of Generation Y Mobile Internet Subscribers: A Proposed Conceptual Framework

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Abstract

The increasing interest in consumer behaviour towards mobile Internet of both marketing academicians and practitioners is justified by the vast revenue opportunities presented by this fast-growing segment. Despite the fact that mobile Internet users play the dual role of technology users and service subscribers, many of the extant studies have focused on investigating the value of the mobile Internet from the perspective of technology users, and few attempts have been made from the perspective of service subscribers. Therefore, this study proposes a customer-oriented value model and examines the relative effects of the perceived value dimensions on various aspects of customer loyalty within the mobile Internet service context.

Keywords: Customer perceived value; customer loyalty; Generation Y; mobile Internet

1. Introduction

Thanks to the growing affordability of smartphones and mobile Internet plans, the increasing prevalence of mobile application stores, and the rapid advancement in mobile network technologies, the use of the mobile Internet is growing at a blistering pace throughout the world. The Mobile Internet is generally defined as the use of the Internet via sophisticated mobile devices (i.e. smartphones) (Srinuan et al., 2012). According to Cisco (2012), the worldwide mobile Internet traffic is projected to increase 18-fold between 2011 and 2016, which represents a compound annual growth rate (CAGR) of 78%. The booming use of the mobile Internet has opened up a new

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revenue stream for mobile service providers and has also presented a solution to the declining voice and messaging
revenue. ABI Research (2013) revealed that mobile Internet service revenue is currently the key driver of revenue
growth since it has increased 21% year over year (y-o-y) and reached US$244.2 billion in 2012. Given that the
mobile Internet service has now become one of the most promising and lucrative market segments across the globe,
understanding the post-purchase behaviour of mobile Internet subscribers is of paramount importance for mobile
service providers to ensure the sustainability and profitability of their business.

According to Ovum, an analyst firm that focuses on the mobile broadband market, the Asia-Pacific region will
dominate the mobile Internet market, with users forecast to grow massively from 119.1 million in 2011 to 518.4
million by 2015 (Shukla, 2011). In Malaysia, the number of mobile Internet users has increased immensely – more
than double since 2010 with growth fuelled mainly by Gen Y’ers in the 15 to 25 years age group, as indicated by the
the strong growth potential of Gen Y’ers, firms are struggling to acquire and then retain them because they are
resistant to traditional marketing efforts and are bombarded with promotional advertising (Bush et al., 2004;
Wolburg & Pokrywczynski, 2001). Furthermore, Gen Y’ers are prone to switch their loyalty instantly to those
companies that offer the most fashionable and trendy products at the time (Morton, 2002; Reisenwitz & Iyer, 2009).
Thus, securing the continued repeat purchase of this notoriously fickle and brand disloyal consumer group seems to
be an arduous task for marketers (Lazarevic, 2012). In an endeavour to foster the loyalty of Gen Y’ers, it is crucial
for mobile service providers to comprehend the key drivers of customer loyalty. Noble and Noble (2000) asserted
that Gen Y’ers are more value-oriented and are willing to exert great effort in searching for the product or service
with the overall best value in the market. Hence, understanding the way Gen Y’ers judge the value of the product or
service is imperative to help mobile service providers create a differential superior offering to garner competitive
advantage over their rivals. Most importantly, the provision of exceptional customer value is a key strategy to ensure
the satisfactory experience of customers, which, in turn, contributes to customer loyalty (Lanning, 2000). In spite of
the importance of customer perceived value in the formation of loyalty behaviour, mobile telecommunications
service companies still lack an understanding of the key dimensions that constitute the customer perception of value
(Kleijsena et al., 2007).

The purpose of this study is therefore to gain a deeper understanding of the value perception of Gen Y mobile
Internet subscribers. Based on an extensive review of the literature, a customer-oriented value model (which
comprised functional value, monetary value, emotional value, customization value, and relational value) that is
applicable to the mobile Internet service setting is proposed. Even though functional, monetary, and emotional
values have previously been identified and related to customer loyalty in the mobile telecommunications service
context (e.g. Deng et al., 2010; Kumar & Lim, 2008; Pihlström, & Brush, 2008), so far, customization value and
relational value have not been identified as the distinct types of customer perceived value. As stated by Leen et al.
(2012), Gen Y’ers will expect the products or services to have as many customization features as possible to meet
their personal needs, interests, and tastes. Apart from their greater demand for customized offerings, Gen Y’ers are
more likely to choose a service provider with better relationship marketing programmes, such as loyalty reward
programmes, and are willing to engage in a long-term relationship with their current service providers in exchange
for such rewards (Aimia, 2011). In light of this, this study intends to bridge the research gap by examining the
relative effects of these five dimensions of perceived value on three distinct aspects of customer loyalty (attitudinal,
behavioural, and composite) in the context of the mobile Internet service.

The organisation of this paper is as follows. First, we will review the literature pertaining to mobile Internet
service, Generation Y, customer loyalty, and customer perceived value. Based on the conceptual basis derived from
the literature review, next, we propose a conceptual framework that integrates the underlying dimensions of
customer perceived value and customer loyalty. Lastly, this paper culminates with a discussion of the theoretical and
practical contributions of the proposed conceptual framework.

2. Literature Review

2.1. Mobile Internet Service

The Mobile Internet is regarded as wireless access to the digitalized contents of the Internet with the aid of
mobile devices (Chae & Kim, 2003). In a broad sense, the mobile Internet notion entails Internet access through any
wireless technology, such as WLAN/ WiFi (e.g. IEEE 802.12), WMAN/ WiMAX (e.g. IEEE 802.16), or second- or third-generation (2G or 3G) mobile communication networks (e.g. EDGE, GSM, W-CDMA/ UMTS, or CDMA-2000). In a less extensive sense, the mobile Internet encompasses the packet-switched and Internet Protocol- (IP-) based access to a broad assortment of advanced or value-added services (e.g. web browsing, e-mail, video streaming) through 3G, 3.5G, HSPA, and 4G mobile communication networks with high transmission speeds (Gerpott, 2010). Compared to wireless technologies in which the Internet access is restricted to a fixed geographical location, the main advantages of accessing the Internet over mobile communication networks are ubiquity and immediacy (Zhou, 2011). With the aid of mobile networks and terminals, mobile users can gain instant access to tremendous amounts of information on the Internet anywhere and anytime, without temporal and spatial constraints (Chae & Kim, 2001; Kim & Steinfield, 2004, Zhou, 2012). For this reason, the present study adopts a narrow definition, confining the mobile Internet to Internet access through the mobile communication network infrastructure by means of advanced mobile devices, the so-called smartphones.

2.2. Generation Y

Generation Y (Gen Y) is also known as the “Millennium Generation”, “Echo Boomers”, “Net Generation”, “Digital Generation” and “Connected Generation” and consists of those born in the late 1970s or the early 1980s, to the early 2000s (Donnison, 2007; Herbison & Boseman, 2009; Leung, 2003). However, there is no exact delimitation of the age group classification of Gen Y given that different scholars quote different starting and ending years (Chrysochou et al., 2012). Lazarevic (2012) pointed out that Gen Y’ers have become a very important and lucrative segment in today’s global market because of their sheer size, their current considerable amount of spending power, and their potential for huge amounts of future spending power. In fact, Gen Y’ers possesses some unique characteristics that distinguish them from previous generational cohorts (i.e. Generation X and baby boomers) (Wolburg & Pokrywczynski, 2001). One of the most distinctive characteristics of Gen Y’ers is that they are the most technically literate and technologically savvy generation (Ang et al., 2009; Hamid, 2011). Inasmuch as Gen Y’ers have grown up with heavy exposure to mobile technology and the Internet, they have been widely recognised as early adopters of new connected devices, extensive users of the Internet, as well as substantial users of mobile services (Kumar & Lim, 2008).

2.3. Customer Loyalty

Although customer loyalty has long been a subject of study for consumer research, interest in this topic appears to have continued relatively unabated to the present day. Both marketing scholars and practitioners have recognised the importance of establishing a loyal customer base for long-term financial success, given that loyal customers will engage in favourable behavioural intentions, such as repeat purchase, positive word of mouth, and referrals (Aksoy et al., 2013). Customer loyalty is defined as “a deep held commitment to rebuy or repatronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour” (Oliver, 1999, p. 34). However, the comprehensiveness of this definition was criticised by Santouridis and Trivellas (2010) since it is based solely on repurchase behaviour and therefore does not capture other aspects of customer loyalty. In this respect, Dick and Basu (1994) suggested that loyalty has both attitudinal and behavioural facets, and argued that it rests on the strength of the relationship between relative attitude and repeat patronage. In general, three distinctive approaches can be used to measure loyalty: attitudinal, behavioural, and composite (Bowen & Chen, 2001; Zins, 2001). The attitudinal approach, which examines loyalty under the cognitive lens, focuses on the psychological disposition of the individual, such as stated preferences, favourable attitudes, and sense of goodwill towards a particular brand (Evanschitzky et al., 2006; Kim et al., 2004; Mellens et al., 1996). On the other hand, the behavioural approach views loyalty as behaviour, and individuals who purchase the same brand systematically are said to be loyal to a particular brand (Odin et al., 2001). The behavioural view is usually based on the monitoring of the proportion of purchase, the sequence of purchase, and the probability of purchase (Mellens et al., 1996; Sheth & Mittal, 2004). A host of scholars (East et al., 2005; Jacoby, 1971; Pritchard & Howard, 1997) asseverated that the composite approach, an integration of both attitudinal and behavioural approaches, can explain and predict customer loyalty more accurately compared to a single approach. This is because the attitudinal approach stresses the
importance of the cognitive process but neglects the actual purchase behaviour; conversely, the behavioural approach underlines the importance of actual purchase behaviour but ignores the underlying cognitive process (Mellens et al., 1996). Notably, Day (1969) contended that to be truly loyal, a consumer must repurchase the brand, along with having a positive attitude towards it. Despite this, existing research in the mobile telecommunications service context have predominantly focused on examining the effect of customer perceived value on the attitudinal and behavioural aspects of loyalty (e.g. Karjaluoto et al., 2012; Pura, 2005), ignoring the composite aspect. In view of this, this study endeavours to fill this knowledge gap by investigating the effect of customer perceived value on three distinct aspects of loyalty (i.e. attitudinal, behavioural, and composite).

2.4. Customer Perceived Value

Customer perceived value is commonly defined as the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given (Zeithaml, 1988). The literature has taken two distinct approaches to conceptualise customer perceived value, either as a unidimensional or a multidimensional construct (Ruiz et al., 2010). The unidimensional approach is based on the price perception or the trade-off between perceived quality and sacrifice (Chi & Kilduff, 2011; Dodds & Monroe, 1985; Monroe & Chapman, 1987). Due to its simplicity, this approach has been criticised for not being able to discern the complex and multifaceted nature of perceived value (Chen & Hu, 2010; Lin et al., 2005; Sigala, 2006). This drove researchers to put forward multidimensional models of customer perceived value in order to provide a holistic view of this complex concept. Among these, Sweeney and Soutar (2001) developed the so-called ‘PERVAL’ scale, in which four distinct value dimensions (i.e. performance/quality, price/value for money, emotional value, and social value) can be used to assess consumer perceptions of the value of durable goods, in the pre- and post-purchase stages. In that PERVAL has been widely recognised as a useful, parsimonious, and practical scale that can be applied in a variety of purchase situations (Sweeney & Soutar, 2001), this study employs three dimensions of perceived value (e.g. functional value (performance/quality), monetary value (price/value for money), and emotional value) in the PERVAL scale. Due to the saturation of markets, the lack of product differentiation, and cut-throat competition eroding customer loyalty, a number of researchers have addressed the need to enhance customization value and relational value in order achieve higher levels of customer loyalty (Chang & Chen, 2007; Coelho & Henseler, 2012; Srinivasan et al., 2002). However, little empirical research exists on the effects of customization value and relational value on customer loyalty in the mobile telecommunications service market. Thus, this study aims to look at these two neglected dimensions.

2.4.1. Functional Value

Functional value is defined as the benefit consumers can derive from the perceived quality and expected performance of the product or service (Sweeney & Soutar, 2001). In the mobile telecommunications service context, functional value concerns those benefits customers can obtain from excellent mobile network performance, including sufficient geographical network coverage, clear and undisturbed call quality, minimum dropped calls, and instantaneous connection (Leelakulthanit & Hongcharu, 2011). Consistent with these definitions, the present study defines functional value in the mobile Internet service setting as “the technical benefits customers can acquire from the superior mobile network performance, in respect of connectivity, stability, speed, and responsiveness of the mobile Internet” (developed from Chae & Kim, 2001; Fogelgren-Pedersen, 2005; Shin et al., 2010; Suradi et al., 2008). A study conducted by Suradi et al. (2008) showed that network performance (e.g. speed, mobility, and accessibility) is positively associated with customer loyalty in the context of High Speed Downlink Packet Access (HSDPA). In the mobile Internet service setting, Vlachos and Vrechopoulos (2008) found that connection quality has a positive strong influence on customer perception of value, and, consequently, on their loyalty behavioural intention (i.e. positive word-of-mouth and continuance usage). Based on the empirical evidence, the propositions below are put forward:

Proposition 1(a): Functional value has a positive effect on attitudinal loyalty.
Proposition 1(b): Functional value has a positive effect on behavioural loyalty.
Proposition 1(c): Functional value has a positive effect on composite loyalty.
2.4.2. Monetary Value

Monetary value is “a form of perceived value that is measurable in terms of the monetary benefits and costs involved in purchasing or using products and services” (Lee et al., 2007, p. 20). Monetary benefit is regarded as the perceived monetary savings in the form of price reduction when purchasing a product or service, while monetary cost is considered as a type of sacrifice, that is, all the costs the consumers have to bear in exchange for the product or service acquisition (Alsheikh & Bojei, 2012; Gwinner et al., 1998; Zeithaml, 1988). When monetary benefit exceeds monetary cost, monetary value is perceived as high. In contrast, when monetary cost exceeds monetary benefit, monetary value is perceived as low (Matzler et al., 2006). In the context of this study, monetary value refers to “the pecuniary benefits customers derive by subscribing to the mobile Internet plans offered by a particular service provider, which is deemed to be reasonably priced, good value for money, and economical” (developed from Karjaluoto et al., 2012; Sweeney & Soutar, 2001). In the mobile telecommunications service setting, a number of researchers (Deng et al., 2010; Edward & Sahadev, 2011; Kumar & Lim, 2008) have found that perceived monetary value has a positive and significant effect on customer satisfaction, and, consequently, on customer loyalty. Specifically, a study by Chiou (2004) indicated that perceived monetary value has a significant positive effect on customer loyalty intention towards their Internet service providers. Drawing on the aforementioned literature, this study proposes as follows.

Proposition 2(a): Monetary value has a positive effect on attitudinal loyalty.
Proposition 2(b): Monetary value has a positive effect on behavioural loyalty.
Proposition 2(c): Monetary value has a positive effect on composite loyalty.

2.4.3. Emotional Value

In the customer-centric era, the competitive battleground of differentiator is gradually shifting from the physical attributes of the product to render customers an exceptional experience through enhancing the emotional aspect of value (Mascarenhas et al., 2006; Sandström et al., 2008). This is because the emotional bonds formed between companies and customers are difficult for competitors to emulate. Thus, firms nowadays are striving to achieve sustainable competitive advantage by adding emotional value to their core offerings (Freemantle, 1999; Mascarenhas et al., 2006). In general, emotional value denotes “the utility derived from the affective states that a product or service generates” (Wang et al., 2004, p. 172). Similarly, Lai (1995) described emotional value as “the perceptual benefit acquired from a product’s capacity to arouse feelings or affective states” (p. 383). Based on a synthesis of previous definitions, the present study defines emotional value in the mobile Internet service setting as “the customer perception of enjoyment, pleasure, and fun gained by subscribing to the mobile Internet service of a particular service provider” (developed from Gummerus & Pihlström, 2011; Turel et al., 2007). Prior studies in the mobile telecommunications service context have demonstrated that emotional value has a significant impact on customer satisfaction, and, hence, on customer loyalty (e.g. Deng et al., 2010; Kumar & Lim, 2008; Lim et al., 2006). A recent study by Karjaluoto et al. (2012) showed that emotional value has a positive effect on trust, which, in turn, results in customer loyalty in the wireless telecommunications industry. All the empirical evidence lends support to the formulation of the propositions below:

Proposition 3(a): Emotional value has a positive effect on attitudinal loyalty.
Proposition 3(b): Emotional value has a positive effect on behavioural loyalty.
Proposition 3(c): Emotional value has a positive effect on composite loyalty.

2.4.4. Customization Value

Driven by the fast-evolving business environment and increasing demands of customers for personalized products and services, most of the marketing strategies of service firms are becoming more customer-orientated, and they start looking for a way to introduce, provide, and deliver customized products or services that can meet the specific needs and preferences of customers perfectly. In general, products can be customized by firms following one of two options: (i) they can offer a purely customized product that meets the specific needs of the customers, or
(ii) they can offer a standard but customizable product that can be altered by the customers themselves (Logman, 1997). A host of scholars (Gilmore & Pine, 1997; Riikhima et al., 2004; Sigala, 2006; Simonson, 2005) remarked that firms that pursue the customization strategy and deliver tailor-made products or services will lead to greater customer perceived value, because customized products or services can serve the unique needs of customers better than the standard products or services. Customization value is defined as the benefits customers attain from the tailored-made products or services that can fulfill their particular needs and preferences (Gwinner et al., 1998; Thirumalai & Sinham, 2011). Providing a customized product or service to the marketplace is increasingly being perceived as a key competitive differentiator and an important source of switching costs. This is because the product or service is designed specifically to meet the particular needs of customer, and, hence, cannot be easily duplicated by rivals (Duray & Milligan, 1999; Lee, 1998, Piller et al., 2004).

In response to the intense competition, the dynamic change of the market condition, and the heterogeneity of customer needs, mobile telecommunication service companies have begun to incorporate some elements of customization into the design of mobile packages, and offered various standard but customizable mobile Internet plans that can be chosen flexibly by customers based on their usage preferences. In the context of this study, customization value is defined as “the value customers derive from the mobile Internet plan that is tailored to their individual needs” (developed from Gwinner et al., 1998; Thirumalai & Sinham, 2011). A study by Coelho and Henseler (2012) indicated that customization (value) is positively related to customer loyalty in the banking and cable TV industries. This is because a highly customized product or service will create switching costs and diminish the attractiveness of competing alternatives, which, in turn, foster greater customer loyalty. Notwithstanding the significance of offering the customized mobile packages to satisfy diverse customer demands, limited empirical evidence appears to exist concerning the relationship between customization value and customer loyalty in the mobile Internet service setting. In an attempt to fill this research void, we postulate the following propositions:

**Proposition 4(a):** Customization value has a positive effect on attitudinal loyalty.

**Proposition 4(b):** Customization value has a positive effect on behavioural loyalty.

**Proposition 4(c):** Customization value has a positive effect on composite loyalty.

### 2.4.5. Relational Value

Today, most firms are unable to build and protect a strong competitive position in the marketplace, because most components of their core offerings can be easily and rapidly imitated by their rivals (Bhide, 1986; Thomas, 1978). In that there are only slight differences in the mobile packages offered by all service providers, customers are unlikely to be overly impressed by those benefits they can derive from the purchase of the core products or services (Pihlström, 2008). In addition to the core benefits being provided, customers are expected to receive additional benefits as a result of engaging in long-term relational exchanges with their service providers (Gwinner et al., 1998; Kim et al., 2011; Martin-Consuegra et al., 2006). These relationship exchanges can create value (hereafter termed as relational value), and, therefore, assist firms in building an insurmountable competitive edge (Gwinner et al., 1998; Marzo-Navarro et al., 2004; Su et al., 2009). Relational value has been an important subject for marketing, which aims at establishing, developing, maintaining successful relationships (Grönroos, 1994; Morgan & Hunt, 1994; Weng et al., 2010). Relational value is regarded as “the benefits customers receive beyond the core offering of the company and that are derived from an established, long-term relationship with their regular service providers” (Dimitriadis, 2010, p. 298).

As a vital component of customer relationship management (CRM), loyalty reward programmes have been widely used by mobile service providers to build a solid base of loyal customers as well as to nurture a valuable long-term relationships with profitable customers (Keh & Lee, 2006; Keropyan & Gil-Lafuente, 2012). Examples of loyalty reward programmes in the mobile telecommunications service industry are free airtime and SMS, birthday treats, discounts on merchant deals, bill rebates, and redeemable points. In the context of this study, relational value is defined as “the benefits customers acquire from the loyalty reward programmes due to having cultivated a long-term relationship with their mobile service providers” (developed from Dimitriadis, 2010; Gwinner et al., 1998; Su et al., 2009). In fact, relational value has been viewed as an important constituent of switching barrier, because all benefits accruing to regular customers will be lost once they switch to a new service provider (Chang & Chen, 2007). In a broad spectrum of service industries, Gwinner et al. (1998) found that relational value is positively associated with customer loyalty. Despite the fact that the nature of relational value can vary considerably across
service industries (Chang & Chen, 2007), there has hitherto been no study that investigates the effect of relational value on customer loyalty within the mobile Internet service context. To fill this gap, the following propositions are formulated for inspection.

Proposition 5(a): Relational value has a positive effect on attitudinal loyalty.
Proposition 5(b): Relational value has a positive effect on behavioural loyalty.
Proposition 5(c): Relational value has a positive effect on composite loyalty.

3. Conceptual Framework

In line with the literature review and the purpose of this study, as elucidated in the preceding sections, a conceptual framework is constructed to study the relationships between customer perceived value (i.e. functional value, monetary value, emotional value, customization value and relational value) and customer loyalty (i.e. attitudinal loyalty, behavioural loyalty, and composite loyalty) (as depicted in Fig. 1). Drawing upon Bagozzi’s (1992) self-regulation processes, we argue that the five dimensions of customer perceived value have a positive effect on different aspects of customer loyalty. Hence, this study considers the five dimensions of customer perceived value as the exogenous variables and three dimensions of customer loyalty as the endogenous variables.

![Conceptual Framework Diagram](image)

4. Conclusion

The objective of this study is essentially twofold. The first is to identify the key dimensions of customer perceived value, while the second is to examine the relative effects of the underlying dimensions of perceived value on different aspects of customer loyalty. In particular, this study endeavours to shed light on the perception of service subscribers of the value towards the mobile Internet service provided, which has been under-researched. The current study also provides enrichment to the emerging value by proposing a customer-oriented value model (i.e. functional value, monetary value, emotional value, customization value, and relational value), which can be used to predict the various aspects of customer loyalty (attitudinal, behavioural, and composite) in the mobile Internet service setting. In terms of practical contributions, this type of conceptual framework, if tested empirically, could provide valuable insights to marketing practitioners on how Gen Y mobile Internet subscribers perceive the value provided to them, and how that perception of value influences their different aspects of loyalty. An in-depth understanding of what types of value are deemed as important from the customer perspective would greatly aid marketing practitioners in formulating a customer-orientation value-based marketing strategy as well as in allocating the resources of their companies more effectively. This would help them create sustainable competitive advantage, and, ultimately, achieve a higher level of customer loyalty.
References


