

Application of Valuation Method and QFD analysis in Korean Mobile Communication Service

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ABSTRACT

In this paper, we suggest the strategic implications in Korean mobile communication industry through the application of Hedonic Price and QFD analysis. So we divided it into two research analyses.

Analysis 1 attempts to apply hedonic technique to the value measurement of a service property for the use of Korean mobile communication. We use actual transaction prices of mobile communication service to determine whether or not the market functions in pricing call quality of mobile communication service. Finally, we show that the WTP(willingness to pay) of consumer increases as call quality increases through the Hedonic price analysis.

Analysis 2 introduces the QFD(Quality Function Deployment) analysis based on the results of analysis 1 and shows the connections among attributes of service improvement.

I . Introduction

For the rising wave of service industry competition, the management of service quality is essential factor for a success in the service field depends upon service quality properties.

If a service can be defined as economic activities that produce time, place, form, or psychological utilities, it is all the more true in the case of the mobile communication service where service penetration has risen sharply causing keen competition.

Thus this study aims at understanding the quality properties of the mobile communication service keeping pace with the changing conditions of the market, and measuring the value of specific quality properties through hedonic price analysis. In addition, by the application of QFD, the way of the service improvement is analyzed.

II . Market Analysis of Korean Mobile Communication Service

Korean mobile communication service has shown a nearly two-fold increase by years,

since it introduced cellular communication service in 1984. Reasons for this sharp rise in subscription include price reductions for mobile phone from 2 to 1 million won in Apr. 1988 and expanded convenience of use of the mobile communication service to 70 cities nationwide. Digital cellular service was launched in 1996, and competition in that area has become intense with PCS (Personal Communication Service) commencing in Oct. 1997.

The actual number of subscribers of mobile communications in Korea was 2,658 in the first year they were introduced, and have reached 70% penetration rate with 34 million subscribers as of the end of Dec 2005. These means 70 out of 100 persons are using the service, which indicates mobile communication use has entered an extremely popular era.

This rapid distribution of the mobile communication service in Korea actually has induced intense market competition and lead subscription levels to the saturation point. The three current mobile communication suppliers (SKT, KTF, LGT)