A SURVEY OF CONSUMER BRAND LOYALTY IN THE MOBILE TELEPHONY INDUSTRY IN KENYA

BY

PHEOBE AWUOR

D61/60797/2010

A Management Research Project Submitted in partial fulfillment of the requirements for the award of Master of Business Administration Degree, University of Nairobi.

October, 2012

DECLARATION

This research proposal is my original work and has not been to any other institution of learning for the award of an academic certificate.

..... 8/11/2012.

Phoebe Awuor **Date**

This research project has been submitted for examination with my approval as the student supervisor.

..... 08/11/2012

Dr. Raymond Musyoka **Date**

Supervisor

ACKNOWLEDGEMENTS

The completion of this project was not easy. It was not created by the researcher alone, but relied on the cooperative assistance of many unforeseen hands. It has enabled me face new challenges of new situations with more confidence and broadened my analytical skills.

My sincere appreciation goes to my supervisor Dr. Ray Musyoka for taking me through the research process, right form proposal writing, and presentation through to analysis and conclusions. His skilful guidance, constructive criticism, patience enthusiasm and suggestions supported the efforts to get the project successfully completed.

I also wish to thank Dr.Munyoki whose inspiration and encouragement has implanted in me an unequivocal optimism. I wish to extend my gratitude to MBA class of 2012.I may not be in a position to mention all your names but you really shaped my life in a significant way.

I wish to offer my utmost thanks to God the Almighty for giving me the strength, health, sound mind and all that He provided during this period. Know it's in Him, by Him and through Him that I came to the completion of this programme in good time. Thank you God.

DEDICATION

My angelic daughter Sulwe Adela you are my main focus, you give me reason to want to press on to higher levels .Making me laugh even when I am burnt out. God bless you.

Dear mum and dad, I know that I will always need you no matter what age I am. You've made me laugh, wiped my tears, hugged me tight, watched me succeed, seen me fall, cheered me on, kept me going strong and drove me a little bit crazy at times! Indeed you are the promise from God that I will have a friend forever. We are because of you. You are a fountain of inspiration. Thank you for believing in me.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

The modern business environment is characterized by turbulence and cutthroat competition. The turbulence and competition is spurred by globalization, technological change, more demanding customers and higher levels of uncertainty have made management of organizations more challenging than before. To survive, organizations require innovative strategies to reduce costs and improve performance. In this search companies supply chains are examined on a continual basis for opportunities to create the competitive edge required to make businesses successful. One of the strategies that have been adopted is the consumer brand loyalty. Brand loyalty is becoming increasingly important due to its core element status in company strategy and management and also to its financial significance when quantifying intangible assets.

The main objective of this study was to identify the factors that influence consumer brand loyalty in the mobile telephone industry among the subscribers in Kenya. The study employed the cross sectional survey design. Data was collected from a sample of mobile telephone subscribers in four a major towns in Kenya. The findings indicated that the factors affecting customer loyalty in the mobile telephony industry include customer satisfaction, availability of value added services like money transfer services, and affordability of the service. Others included quality of the service, network coverage and influence of friends.

The study recommended that if mobile telephone providers are to gain and retain customers , Management must ensure that customers are always delighted and satisfied with the service they receive, ensure that the service is affordable .They should also lay more emphasis on value added services like the mobile money transfer services. The finding of this study has implications for mobile telephone providers' managers to develop their customer loyalty programmes. Considering the uniqueness of mobile phones communication in shaping the economy, it is of paramount importance to ensure that customer will have repeat transaction behaviors.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Today, people are living in increasingly service based economies. For instance in 2011 the communications sub-sector accounted for 56.0% of the total earnings in the transport and communications sector. Moreover, the sector registered a growth of 14.5 percent from Ksh.605.5 billion recorded in 2010 to 693.1 billion in 2011(Kenya National Bureau of Statistsics,2012).Therefore services go to the heart of value creation within the economy (Rust and Oliver,2005). A service is any activity or benefit that one party can offer to another which is essentially intangible and does not result in ownership of anything (Kotler, 2001). According to Bantug-Herrera (2006) in Philippines, service sectors enterprises make up 79.6 percent of total businesses and employ 70 percent of the workforce.

The growth and usage of mobile phones in Kenya has reached unprecedented heights with the highest growth experienced in 2007 (Ndungu and Waema, 2011). This trend has seen a fray of entry by telephone subscribers into the Kenyan market. Due to the nature of competition, the telecommunication companies have from time to time developed innovative products to enable them stay competitive and increase their market share. The notable routes that have been pursued in this regard include the introduction of M payment M banking, loyalty schemes, and data services.

1.1.1 Brand Loyalty

Brand loyalty is becoming increasingly important due to its core element status in company strategy and management and also to its financial significance when quantifying intangible assets (Bello et al., 2009). Brand loyalty can be defined as a concept which the consumer associates with the brand and the related product. This association is based on analysis of the assets which constitute brand perceived value, their inter-relations and derived aspects such as brand extension.

The loyalty to the brand measures the grade of attachment between the consumer and the brand. This is a referred to as conductive response, not aleatory, expressed throughout time by a judging unit with respect to one or more alternative trademarks. Based on this definition of brand's loyalty consider loyalty is achieved as the result of an evaluating process of the satisfaction obtained on previous buys (Bloemer and Kasper, 2007; Jimenez and Vargas, 2007). The loyalty to the brand forms the base of its value and it is created by a variety of factors such as the experience of use, the recognition, the identity, and the perceived quality. According to Santesmases (2010), brand loyalty connects the company to the market, in order to find out about market needs and to develop the products which serve the demand and supply them.

According to the Marketing science institute brand value is determined by the client and not by the company. From this perspective, the institute defines brand value as the set of associations, built in the image of the consumer which allows the brand to generate a greater turnover than it would if the product did not have that brand (Guillaume, 2008). Brand loyalty can be the most valuable asset a firm possesses in part because they bring higher margins, better channel cooperation, easier extension possibilities, and a host of other benefits (Reast, 2005).

Building strong brand loyalty is dependent on creating positive, strong, and unique associations that will help buyers differentiate it from other available brands (Broniarczyk and Dawar, 2004). Research has also shown that a brand loyalty is often the basis of consumer attitudinal and behavioral judgments towards the brand in various contexts such as co-branding and extensions (Aggarwal, 2000).The associations that create the unique brand concept, however, may often originate from the actual physical or technical characteristics of the brand's products that differentiate it from other brand concepts (Park et al.,2008).According to Kotler and Armstrong (1997,) brand managers must plan long-term brand strategy and watch over their brand's loyalty. This can be achieved through working closely with advertising agencies to create national advertising campaigns to build market share and long term consumer brand loyalty.

1.1.2 Overview of the Telephony Industry in Kenya

The telecommunication industry is one of the fastest growing in the Kenyan market. The sector continued to post a considerable growth mainly on account of mobile telephone industry. During the 2011/12, the fixed network market segment maintained a declining trend. The total fixed line subscription dropped by 39.6% from 460,000 recorded as at 30th June2011. Mobile telephone subscriber base expanded by 27.7% from 20,119,000 to 25,280,000 as at 30th June 2011.This growth resulted in an increase in mobile penetration rate from 52.2 to 64.0% over the same period(KNBS,2012).

Initially there only existed telephone services in Kenya and was provided by the government through Telkom Kenya which handled telephone services for the whole country. The government sought to have a body that regulates telecommunications thereby leading to the formation of Communication Commission of Kenya(CCK) in February, 1999. CCK came into existence through the Kenya Communication Act 1998. It was formed to license and regulate telecommunications, radio communication and postal services in Kenya. Its major responsibilities apart from licensing operators are to regulate tariffs for monopoly areas, establishing interconnection principles as well as approving communication equipment.

In the year 2002 the government through CCK licensed two mobile telephone service companies, that is, Safaricom Limited and Kencell Communications at a cost of four billion shillings. Later on a third mobile operator was to be licensed, that is, Econet Limited at a cost of two billion. In the years to come Telkom was privatized by selling a stake to France Telkom which has ventured in the mobile industry through Orange Mobile. Safaricom and Kencell, later Zain (now known as Bharti Airtel Ltd) have a large stake in the Kenyan market. According to the communications commission of Kenya, CCK June 2012, Safaricom Limited boasts of the largest market share at 69.9% followed by Airtel with 15.2%, Orange with 8% and Essar telecom with 6.4%. This shows that the telecommunications industry is still skewed towards dominant players Safaricom and Airtel.(CCK,2011)Although Safaricom has been a dominant player, Bharti's Airtel Kenya

boosted its market share to 15% from 11% in the first quarter of 2012 and captured 60% of new mobile customers each month. It is therefore evident that Bharti Airtel is becoming a force to contend with. This is by virtue of their aggressive advertising and other promotional campaigns.

In the earlier years Airtel which was known as Kencell and later Zain had targeted the high end market consisting of businessmen (who have to constantly communicate with suppliers and their branches) and managers but it did not seem to work out seeing that the market was not that substantial to be self sustaining. (Muturi, 2002) Safaricom on the other hand entered the market with relatively lower prices that attracted middle income families which took a large part of the population. At the time the mobile companies seemed punitive with their unattractive rates but it was out of their hands seeing that they were taxed heavily. (Muturi, 2002). When Kencell began to fail it was sold off to Celtel, Zain and Bharti Airtel and was rebranded as such. Though it was able to attract some of the middle income families with its attractive pricing, there was a lot of skepticism from consumers by virtue of it being remembered as Kencel and Zain which were discriminatory to them thus creating positioning error. (Muturi,2002).

Orange, a third entrant to the telecommunications market, has had most of its focus emphasized on data services as opposed to voice services. This was based on their competitive strategy as they sought to capitalize on their core competency as they deemed voice services to be "crowded" and unprofitable(Tarus, 2010).In years to come Airtel(then known as Zain Kenya which is considered to be a force in the mobile service sector by virtue of trying to erase the previous brands through aggressive advertising campaigns found that there is a difference between consumer expectation and management perception in mobile telephony services and this is what took Bharti Airtel a while to realize.

What can be said in retrospect is that brand loyalty is truly experienced only to some degree in the mobile service sector with some customers shifting from network to network. For instance when Bharti Airtel lowered the voice call in 2011 the total number

of subscriber base in Kenya increased to 20.1 Million. Safaricom, lost part of its market share to rivals who were charging lower tariffs, dropping by 4.9 per cent from the previous quarter's 80.7 per cent. Airtel, saw its market share rise by 4.4 per cent, Telkom Orange's market share also rose by 1.3 per cent while the tariff wars hived 0.7 per cent off Essar Telecom. The retention of large market share by Safaricom in the wake of stiff competition and lower calling rates by the rivals (Airtel,Yu and Orange) can be attributed to effective brand management. Alongside brand management it can also be pointed out that coverage has always been a crucial factor especially given that the Kenyan market has ties all over the country through relatives in rural areas (Mwema, 2007).

Brand loyalty has been experienced in the telecommunication industry with Safaricom has retaining the highest market share (69.9) despite charging the highest rates for both on net and off net calls. Partly this is because the consumer has had time to sample what the various companies have to offer and establish what brand has been built to their liking. According to Juniper (2010) brand loyalty in the sector, could be said to be experienced for reasons such as perceived quality of the brand, attractive pricing, customer satisfaction, perceived risk of switching and the variety of value added services. Earlier on loyalty was forced with tools such as high switching costs and also having other people using the brand but the Kenyan market is experiencing choice presently.

1.1.3 Mobile Telephony Industry in Kenya

The word mobile comes from the Latin word *mobiles* which means to "move" or "able to move freely or easily" or" able or willing to move freely or easily between occupations, places of residencies and social classes". Device, state of being, industry(oxford English dictionary)The word mobile device can be described as mobile, wireless or cellular phone, a portable, hand held communications device connected to a wireless network that allows users to make local voice calls, send text messages and run applications (Goldstuck 2009).

In Kenya, the growth of mobile phone subscribers has been tremendous. The subscriber base expanded by 25.7% from 20,119,000 in June2010 to 25,280,000 in June2011.This growth resulted in an increase in mobile penetration rate from 52.2% in June 2010 to 64% at the end of June 2011.This was above the Penetration rates estimated by the International Telecommunications Union (ITU) at 41.0% during the same period. In the same year, the mobile operators lowered both on net and off net tariffs in a bid to attract more customers in their respective networks (KNBS, 2012).

In the same year, the government through, the CCK introduced mobile number portability. Using the porting service, customers have the freedom of moving from one network to another while retaining the individual subscriber numbers. This further promoted competition and wider consumer choice. Meanwhile, the fixed network market segment maintained a declining trend with a fixed line subscription dropping by 39.6%. The reduction of fixed lines could be attributed to increase of use of mobile phones. The fixed international voice traffic for both incoming and outgoing calls also dropped by 22.4% and 1.9% respectively. This too was occasioned by increased use of mobile phones in international calls following the lowering of international voice calling charges and other competing alternatives such as instant messages over the internet. Generally in the last half a decade, the use of land lines has grown far less quickly (Rosenberg, 2010).

1.2 Research Problem

The modern business environment is characterized by turbulence and cutthroat competition. The turbulence and competition is spurred by globalization, technological change, more demanding customers and higher levels of uncertainty have made management of organizations more challenging than before (Black et. al, 2000).To survive, organizations require innovative strategies to reduce costs and improve performance. In this search telecommunication firms in Kenya have examined brand loyalty as a major route to gain competitive edge required to make businesses successful. According to Fearme and Fowler (2006) consumer loyalty is the route to competitive

advantage in such an environment to cope with high levels of uncertainty and turbulence (Christopher et. al., 2000).

The mobile telephony market in Kenya has undergone major developments: They include the development of M payments that were pioneered in by Safaricoms' Mpesa in 2007 although other telecommunication companies would later follow suit to develop similar products. According to Tiwari & Buse (2007),this empowered organizations with new ways to offer accessibility to their customers. In 2009,mobile telephone providers and commercial banks started forming partnerships which saw the development of several M banking products like KCB Connect, M-Karo and Coop M banking by the cooperative bank, Hello Money by Barclays bank, Sim-ple banking by National bank,M Kesho by Equity bank among others.

The latest major development in the mobile telecommunications industry was the entry of Bharti which bought out Zain Kenya. Bharti Airtel famously introduced the low cost model in Kenya in 2010.Althouh the model and its lower tariffs could did not increase voice volumes and market share as expected, it was credited for the reduction in both on net and off net voice rates. The most recent and perhaps the most laudable is the laying of fiber infrastructure by the National Optic Fiber Infrastructure (NOFBI) countrywide. However these developments have not been void of challenges. The notable challenge include; high fees paid by operators to obtain a license, government interference in the elimination of call termination rates(CTR), punitive tax rates, flooding of the market by cheap and counterfeit phones, market dominance by some players in the sub sector, cable vandalism, sabotage by other market players just to mention but a few.

A number of studies have been done in Marketing especially in relation to firm customer loyalty. Njoroge (2007), studied customer satisfaction on service quality at Kenya Power and concluded that customers were dissatisfied with the service level offered by the organization because the firm did not have a satisfying customer education programme. Kirui, (2001), conducted a study on competitive advantage through customer loyalty schemes at EABL Kenya; Ndungu (2011) studied brand loyalty in insurance industry

from the consumers' perspective, and sought to determine the effects of brand value, which is perceived by customers based on the services offered by the insurance company preferred, on the level of loyalty towards insurance companies. Murigi(2003) studied the determinants of brand loyalty in pharmaceutical products and found out that customer satisfaction and the level of advertising as the main determinants. Murigi (2003) noted that customers consistently want certain attributes like ease of use, timeliness, and certainly in virtually all service products. Nyaoga (2007) did a study on the role of service quality management and performance in establishing customer loyalty in the service industry Nyagechi(2010) explored perception of brand equity of daily newspapers by media buying agencies in Nairobi, Oyieko (2011) explored factors affecting brand loyalty in the private security industry in Kenya and Mwanika (2009) factors affecting brand loyalty of toilet soaps in Kenya .However, no known study has been done on this important aspect of consumer brand loyalty in Kenya. This therefore, makes it necessary for study to be conducted on this important operational linking tool.

The mobile telecommunications industry in Kenya is fairly young there are a few studies carried out on the subject matter. Maina (2001) investigated perceived quality service and found that there is a difference between customer expectation and management perception in mobile telephony business. Muturi (2002) investigated what consumer loyalty meant for mobile telecommunications companies in the face of new entrants in the market. Murugu (2008), studied the level of customer satisfaction and its impact on loyalty in Airtel (then known as Zain) and found out that customers consistently want certain attributes like ease of use, timeliness, and certainly in virtually all service products Gichuru (2003) investigated brand switching in the mobile telephony business in Kenya. This study will seek to investigate consumer loyalty in this industry especially in the face of better rates which should mean getting value for money and cost effectiveness.

1.3 Objectives of the Study

The main objective of this study was to identify the factors that influence consumer brand loyalty in the mobile telephone industry among the subscribers within the Nairobi County. However the specific objectives of the study were to:

i) Identify factors that determine consumer loyalty to a mobile telephone service provider.
ii) Establish the factors that discourage switching from one mobile telephony service provider to another.
iii) To investigate the challenges facing mobile telephone providers in building brand loyalty.

1.4 Value of the Study

The study aims to add knowledge base to existing literature on consumer brand loyalty in the mobile telephony industry. The study shall be of great importance to academic institutions focusing on the emerging trends in mobile telephony. Secondly, from the managerial point of view, the study shall help practicing managers as the policy makers to improve on mobile phone policies as well as improve on the current weaknesses in the sub-sector. By identifying the major reasons as to why some mobile subscribers retain high market shares despite their higher calling rates. This study may assist policy makers of the market followers to go back to the drawing board and chart the way forward with the knowledge that price alone is not the main influence of loyalty in this sub sector.

Academicians and other researchers wishing to carry out further research, it will contribute to the existing literature in brand management. The study will be a source of reference material for future researchers on other related topics; it would also help other academicians who undertake the same topic in their studies. First and foremost, the study aims to add knowledge base to existing literature on consumer brand loyalty in the mobile telephony industry. The study shall be of great importance to academic institutions focusing on the emerging trends in mobile telephony.

From the managerial point of view, the study shall help practicing managers as the decision makers to improve on mobile phone policies as well as improve on the current weaknesses in the sub-sector. By identifying the major reasons as to why some mobile subscribers retain high market shares despite their higher calling rates. This study may assist the management of the market followers to go back to the drawing board and chart the way forward with the knowledge that price alone is not the main influence of loyalty in this sub sector.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter explores the theoretical and empirical literatures underpinning with the objective of finding what other scholars have researched on or written regarding consumer brand loyalty in the mobile telephony industry. The chapter also develops a conceptual framework, which will underlie the study.

2.2 Brand Loyalty

According to Jacoby and Kyner (1999), brand loyalty is a behavioral response and as a function of psychological processes. It is a function of both attitudes and behavior. Brand loyalty represents a general concept which describes a consumer's overall buying behavior patterns within a product class (Day 1998). It is a descriptive variable that refers to individual differences in consumers' general shopping behavior and buying styles within a particular product class. Brand loyalty can therefore be broadly be defined as a consumer's preference to buy a single brand name in a product. It is a result of the perceived quality of the brand and not necessarily its price (Kyle 1998).

According to Aaker (2001) brand loyalty reflects how likely a customer will be to switch to another brand, especially when that brand makes a change, either in price or product features. Brand and customer loyalty represents a buyer's overall attachment or deep commitment to a product, service, brand, or organization (Oliver 1999). The loyalty concept is similar in meaning to relationship commitment, which is described by the relationship marketing literature as an enduring desire to be in a valued relationship (Morgan and Hunt 2004). Loyalty manifests itself in a variety of behaviors, the more common ones being recommending a service provider to other customers and repeatedly patronizing the provider (Fornell, 2002).

Different authors have presented different perceptual and cognitive factors that influence repeat purchases hence leading to brand loyalty. According to Aaker(1991),brand awareness, brand associations, and perceived product or service quality are the major determinants of brand loyalty. Chernatony and McDonald (2003) included image, perceived value, personality; and organizational associations as additional determinants. Brand awareness refers to the strength of the brand node in memory, i.e. how easy it is for the consumer to remember the brand, brand recall is the most common way to erasure brand awareness while brand image refers to strong, favorable and unique brand associations in memory which result in perceived quality, a positive attitude and overall positive effect (Kottler and Keller, 2003).

There are many advantages of brand loyalty. According to Delgado-Ballester and Munuera-Aleman (2001) the interest in brand loyalty derives from the value that loyalty generates to companies in terms of substantial entry barriers to competitors, an increase in the firm's ability to respond to competitive threats, greater sales and revenues, establishment of a customer base that is less sensitive to the marketing efforts of competitors, lower customer price sensitivity, reduced expenditure on attracting new customers and improved organizational profitability (Rowley,2005).

Brand loyalty leads to greater and continual sales since the same brand is repeatedly purchased, irrespective of situational constraints. Consumers may use more of the brand to which they are loyal, since they may "like" using the brand or because they identify with the image of the brand. Brand loyal consumers are willing to pay more for a brand because they perceive some unique value in the brand that no other alternative can provide. Moreover brand loyal users are willing to search for a brand and they require less advertising frequency, resulting in lower costs for advertising and distribution (Kyner 2003).

According to Smith (2002) brand loyalty enables an organization to expand its market share. Smith further argues that brands with greater market share demonstrate greater levels of repeat purchasing behavior habit among their buyers. According to Ehrenberg et al.,(2000) there is a correlation between market share and number of purchases per buyer and that people appear to like popular (high-market share) products more than less popular ones. Other researchers have also found that there exists a strong positive correlation between brand loyalty and market related to market share and, that habitual buying is directly related to market share (Smith and Whan Park 2002).

Consequently small market share brands have fewer buyers and they are purchased less frequently by these few buyers. In contrast, more popular brands have more buyers and they are also purchased more often by these same many buyers. This is because there is greater awareness and distribution support for high market share brands. For example, a high market share brand may be the only brand that is carried by some stores and, thus, distribution patterns may favor the habitual buying of high market share brands (Fader and Schmittlein 2003). In retrospect to brand loyalty in the mobile telephony industry, the growth M banking and M payments has played a significant role. Other factors include, aggressive strategies a adopted by the Mobile telephone service provides, effective brand management.

2.2.1 Customer Loyalty

Customer loyalty implies allegiance and faithfulness resulting in a continuing relationship that is part of the way in which products are supplied to the market (Smith and Whan-Park 2002). Loyalty is an emotional feeling of commitment where past memories lead to current and future obligations. According to Donoghue (2000), there are three forms of brand loyalty; transactional loyalty, perceptual loyalty and complex loyalty. Transactional loyalty relates to a customer buying behavior changing but what motivates that change is not clear in perceptual loyalty, attitudes and opinions reflect possible

buying behavior in future. Complex loyalty relates to a combination of transactional and perceptual loyalties (Morgan and Hunt 2004).

Oliver (2007) identified four sequential stages in developing customer loyalty. First is cognitive loyalty where the customer purchase with a belief the offer is superior. Secondly the customer is affectively loyal that is achieved after repeat purchases. Third, the customer is combatively loyal where there is high involvement and purchases are intentional. The last stage is action loyalty where actions are taken with the desire to overcome every possible obstacle that might hinder purchasing the brand to which a person is loyal.

Mobile telephone providers should make an attempt to more from cognitive loyalty to action loyalty since retaining customers is financially less expensive than attracting new customers (Reich held and Schefter,2000). Aaker (2001) noted that brand loyalty leads to certain marketing advantages such as reduced marketing costs and increased business due to customer base and greater trade leverage. Donoghue (2000) reported that attracting and retaining customers could be attributed to core services and trust builders. She gave favorable return policy, section and choice of merchandise, rewards programs and promotions as examples of core services and good staff attitude, accurate product information, delivering on advertising promises, knowing the people and being recognized as examples of trust builders.

2.2.2 Customer Purchasing Behavior and Loyalty

Customers' satisfaction and relationship marketing greatly contribute to the understanding of customer's behavior especially towards a brand, shore or supplier. According to Lewin (1996), trust and loyalty are both grounded on experience of satisfaction accumulated overtime. Therefore customer's satisfaction resulting from market transactions is connected to most and repurchase delicious. Lead to high level of customer loyalty due to other intervening variables (Oliver 2005).

Besides must other features of the most stable and durable relationships are commitment, stability, interaction, power, influence, dependence, reciprocity and cooperation. Commitment is durable desire to maintain an important relationship. Morgan and Hunt (2004), identified determinants of commitment as the degree to which customers and firms share the same values (value congruence). The level of shared aims in the relationship (goal congruence), the value of the benefits deriving from the relationship as well as the costs which interrupting the relationship would cause. Given (2005), linked commitment to satisfaction deriving from the perceived equity in the exchange process.

2.3 The Nature of Services and Service Marketing

Marketing in mobile telephone industry aims to ensure that services are managed to achieve set goals (Oliver 2005). Consequently mobile telephone providers have a responsibility of persuading customers to entrust them with their funds (money transfer services) better tariffs, clear networks, a wider coverage and reliability are the some of the services for the customers. Since basic management principles apply to both management of services and products, there is historical lack of interest in services. (Cannon 1999). This is attributed to the little understanding of differences that exists between management of products ducts and services. Bitran & Lojo (2009), Parasuranam et al (1993), and Zeithanal et al (1996), noted six differences namely services are usually perishable, variable simultaneity, intangible, heterogeneous occur only once only once and cannot be replicated hence perishable service providers are obligated to ensure that capacity and demand patterns are commensurate.

Kerringer (2008), asserted that services are highly variable since they highly depend on their provider when and where they are produced. Since production and consumption of services occur at the same time, consumer's participation becomes critical if performance in providing quality service is not increase since services cannot be tested heard felt or smelled before purchasing. (Berry 2007), customers are forced to form opinion and altitudes based on previous experiences. Firms have to seek opinions from customers in

order to get feedback on services. Difficulties in trying to maintain consistently high service level because customers' opinions are individualistic. Hence daily monitoring of customers reaction to service provision is essential (Cannon 1999).

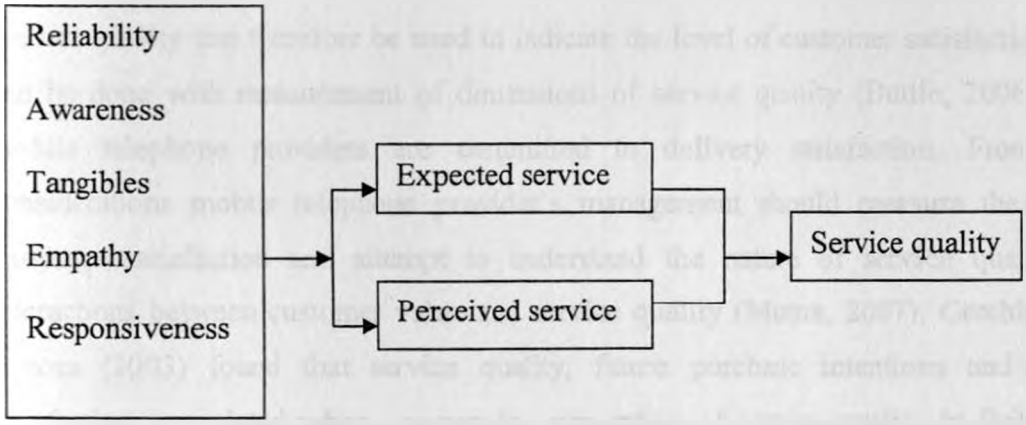
In determining customer's loyalty the rating of service quality plays a significant role as it leads to customer satisfaction which influences repeat transactions (Oliver, 2005). Like other business organizations mobile telephone providers should adopt the use of total quality management (TQM). This will ensure mobile telephone providers achieve operational efficiency by reducing time and resource wastage and replacing unsatisfactory services.

Since service quality is inferred from experiences perceived quality is emphasized. Perceived quality cannot be objectively determined because customers judge products and services quality based on different important attributes such as product characteristic like reliability and performance that differ among them (Aaker, 2006), attitude of customers towards products will generally be influenced by customer perception of quality service (Paliwoda 2009).Perceived quality service can be said to be the degree to which a product or service is uniquely positioned and perceptually differentiated from its competitors. It is judged based on a variety of intrinsic informational cues that they associate with product by providing a basis for perceptions of products and service quality (Schiffman & Kanuk 2004).

The research marketing team of Parasuraman, Berry and Zeithmal (1988) use SERVQUAL for service quality measurement. It has twenty two test items where respondents first rate the service provider based on their expectations and later rate the same test items based on actual service delivery thus showing their perceptions rate these items on a seven-point scale. The mean of the gap difference between perception and expectation for all items showed the SERVQUAL score with low service quality being signified by a negative score. The team viewed perception of service quality as the discrepancy between customer's expectations or desires and their perceptions. The

SERVQUAL model has five dimensions namely tangibility, reliability, responsiveness, assurance and empathy. This is as depicted in Figure 2.1

Figure 2.1: Parasuraman et al., Model of Service Quality



Source: Parasuraman Zeithmul & Barry (1988)

Despite several criticisms leveled against it, the SERVQUAL model has performed better than any other measuring instrument. Buttle (2006), criticized it for failing to draw assumptions from any established economic, statistical and psychology theory. Hence it offered little evidence that customer's assess service quality by the gap between their perceptions and expectations. Cronin and Taylor (2002:2005), instrument because its proponents failed to provide a concrete definition of perceived service quality in attitudinal terms. SERVQUAL received support from Robinson (2009), who claimed it was more scientific in scale development, in assessing customer loyalty, there could be need to bridge the gap between customer perception and perception and expectations which may require SERVQUAL measurement.

2.3.1 Service Quality and Customer Satisfaction

Rust and Zahonick (2003), noted service quality could be effectively managed if the concept of satisfaction is clearly understood. Rust and Oliver (2004), described customer

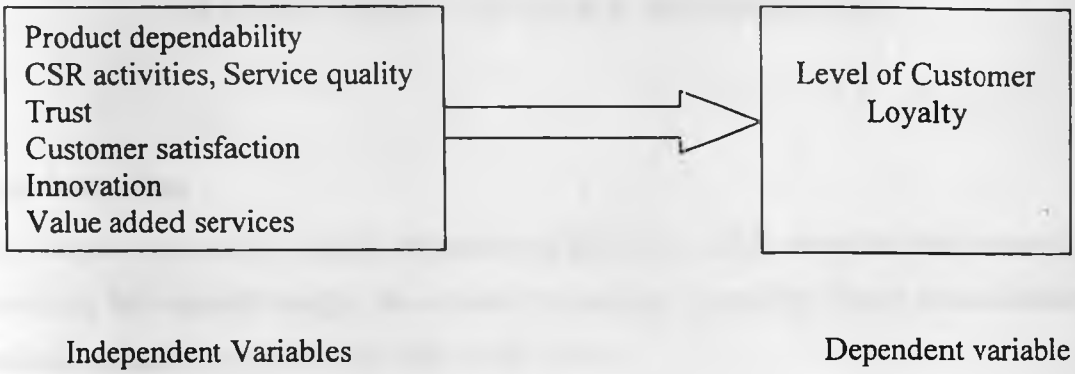
satisfaction as the customer's fulfillment response hence a process in which satisfaction is viewed as largely based on meeting or exceeding customer satisfaction and service quality.

Service quality can therefore be used to indicate the level of customer satisfaction. This can be done with measurement of dimensions of service quality (Buttle, 2006) hence mobile telephone providers are committed to delivery satisfaction. From these considerations mobile telephone provider's management should measure the overall customer satisfaction and attempt to understand the nature of service quality and interactions between customer value and service quality (Mutua, 2007). Cerchigro and Ayrosa (2003) found that service quality, future purchase intentions and custom satisfaction are related when companying perception of service quality in British and Kenyan mobile telephone providers. They found that customer satisfaction and overall evaluation of service quality were related to the same factors in both countries. For British provide dependability of the service closely matched customer satisfaction and service quality while for Kenyan providers assurance links service quality and customer satisfaction.

2.4 Conceptual Framework

Customer loyalty requires mobile telephone providers to focus on factors that affect its ability in maintaining old customers. This includes having highly differentiated products that differ from those of competitors, high end products where price is not the primary buying factor products that have a high service component and multiple products meant for the same customer. Given that is a channel though which consumers reduce money related products/ services, must, customer satisfaction with bank services, perceived value of products/services provided by the bank, the firm image should work together to influence the decision to participate in repeat transactions with a particular provider.

Figure 2.2: Conceptual Framework Model



Source: Researcher, (2012).

Service quality determines how products are offered to customers leading to either the customer being satisfied or disenchantment. By asking the customers of their individual assessment of the service and products offered, management gets feedback which it uses to either enhance the service or change the products offered hence altering customer loyalty. These same outcomes are also the result of manifest brand loyalty toward a brand.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the overall methodology that was used to carry out this research. It embodies; the research design, the research population, sampling design, data collection methods, research procedures and the methodology.

3.2 Research Design

The study adopted a descriptive cross sectional survey method in determining the consumer brand loyalty in the mobile telephony in Kenya. According to Kothari (2003) the design is a flexible and allows the researcher to consider many different aspects of a problem hence helping the researcher to gain new insights and ideas about a problem. Other scholars such as Oyieko (2010) and Murugu (2008) successfully used descriptive survey design in their studies.

3.3 Population

For the purposes of this study, the population of interest was all mobile telephone subscribers in Kenya's major towns namely Nairobi, Mombasa, Nakuru and Kisumu. The facts that were studied did not vary substantially by regions across the country thus allowed for generalization of the results, (Mugenda and Mugenda 2003).

3.4 Sampling

The population of interest was divided into four strata (towns) namely Nairobi,Kisumu, Nakuru and Mombasa and in each stratum was further divided into three categories based on their socio-economic class depending on their income levels (Low income, Middle income and High income classes) before randomly selecting five (5) respondents

the study from each category as depicted in Table3.1.This method gave
all mobile telephone subscribers to be selected for the survey. The
ted consumer brand loyalty in the mobile industry in Kenya and therefore
ralization of the findings.

ling

	Low Income	Middle Income	High Income	Total
	5	5	5	15
	5	5	5	15
	5	5	5	15
	5	5	5	15
	20	20	20	60

tion

as collected for the purpose of this study with the aid of a structured
onsisting of both open and closed ended questions in order to allow for
provide rational responses. The questionnaire was divided into three
n A sought to collect information about the profiles of respondents,
ht to address factors that determine consumer loyalty and factors that
nd switching, while section C collected information on the challenges
es in building brand loyalty. A letter of introduction was issued to each
r to the research. (See Appendix 1 for the introduction letter and appendix
ionnaire respectively).

sis

questionnaires were inspected for completeness, edited for errors and
re being coded and the data captured. The data was then organized and
ing a combination of descriptive statistics. Statistical tools like frequency

distributions and measures of dispersion like range and standard deviation were used to summarize quantitative variables .Data measured on nominal and ordinal scales was summarized using frequency distribution with mode measuring central tendency.

Statistical tests were done to determine the relationship and the influences that exist among the factors influencing customer loyalty. Kruskal-wallis, was used. The major assumption underlying the study was that there is a linear relationship between customer satisfaction, value added service offered e.g. mobile money transfer services and brand loyalty. Hence these factors (customer satisfaction, value added service offered e.g. mobile money transfer services) were the main dependent factors than the other three variables (perceived value of the service provider/ corporate image, perceived value of the service, and network clarity). The following Algebraic model was used in establishing 1st objective:

$Aj = A_1jF_1 + A_2JF_2 + A_3jF_3 + A_mjF_m + Uj$

Where Aj = Customer loyalty.

A_1j.....A_mjF_m = coefficients.

F_1.....F_m = function, + (-) of unknown variables representing the factors affecting customer loyalty that were identified by research analysis

U_1.....U_j = constants.

The variables in the independent factor were either related in unknown ways but the factor itself had a linear relationship with the dependent variable, customer loyalty, besides determining the loadings, A_1j, factor analysis along with the data on customer loyalty, given a mathematical relationship among the data obtained. While Factor analysis was used to investigate the factors that discourage brand switching in mobile telephony industry. These factors were captured from the variables indicated in part one of the questionnaires. In this analysis, data will be analyzed in the rows ('r') mode where the rows represented customers; columns indicated the variables and cell entries indicated the scores of the customers or the variables.

distributions and measures of dispersion like range and standard deviation were used to summarize quantitative variables .Data measured on nominal and ordinal scales was summarized using frequency distribution with mode measuring central tendency.

Statistical tests were done to determine the relationship and the influences that exist among the factors influencing customer loyalty. Kruskal-wallis, was used. The major assumption underlying the study was that there is a linear relationship between customer satisfaction, value added service offered e.g. mobile money transfer services and brand loyalty. Hence these factors (customer satisfaction, value added service offered e.g. mobile money transfer services) were the main dependent factors than the other three variables (perceived value of the service provider/ corporate image, perceived value of the service, and network clarity). The following Algebraic model was used in establishing 1st objective:

$Aj = A_1jF_1 + A_2JF_2 + A_3jF_3 + A_mjF_m + Uj$

Where Aj = Customer loyalty.

A_1j.....A_mjF_m = coefficients.

F_1.....F_m = function, + (-) of unknown variables representing the factors affecting customer loyalty that were identified by research analysis

U_1.....U_j = constants.

The variables in the independent factor were either related in unknown ways but the factor itself had a linear relationship with the dependent variable, customer loyalty, besides determining the loadings, A_1j, factor analysis along with the data on customer loyalty, given a mathematical relationship among the data obtained. While Factor analysis was used to investigate the factors that discourage brand switching in mobile telephony industry. These factors were captured from the variables indicated in part one of the questionnaires. In this analysis, data will be analyzed in the rows ('r') mode where the rows represented customers; columns indicated the variables and cell entries indicated the scores of the customers or the variables.

To establish the challenges facing the telecommunications providers in building brand loyalty, content analysis was used. This was used to support the results of quantitative analysis in drawing conclusions and recommendations for the study.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents analyses, interpretations and findings of the study based on the research methodology. The analysis is both quantitative and qualitative. The chapter is structured according to the questions in the questionnaire and provides discussion of the findings together with their implications. The results are presented on consumer brand loyalty in the mobile telephony industry in Kenya. The data was gathered exclusively from questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study. Moreover the additional data and observations, gained from the survey have been incorporated into the discussion.

4.2 Response Rate

From a total of 60 questionnaires that were distributed, a total of 40 questionnaires were received back thus achieving a response rate of (66.67 %.) According to Nassiuma(2002) only a response rate above (35%) is robust enough for statistical sensible analysis. This response rate was considered statistically sufficient for further analysis. The response rate is summarized in table 4.1.

Table 4.1: Response Rate

Response	Frequency	Percentage
Responded	40	66.67
Not responded	20	33.33
Total	60	100

Source: Research Data (2012)

4.3 Demographic Details

4.3.1 Distribution of the Respondents across the mobile telephone providers

The study further sought to establish the distribution of the respondents across the various mobile providers. The results of the analysis was captured in Table 4.2 and Figure 4.2.According to the results, Safaricom constituted of (50%) of the responses, Airtel had 23%, Orange and Yu had 17 and 10% respectively. This response confirmed that indeed Safaricom is the Market leader in the telecommunications business.

Table 4.2: Distribution of the Respondents across the mobile telephone providers

Company	Frequency	Percentage
Safaricom	30	50
Airtel	14	23
Orange	10	17
Yu	6	10
Total	60	100

Source: Research Data (2012)

4.3.2 Distribution of Respondents by Age

Analyses of the respondents' age revealed that majority of the respondents (32.5%) were above 30 years old, while (12.5%) of the respondents were below the 20 years bracket. The analysis of the respondents by age is presented in Table 4.3.

Table 4.3: Distribution of the Respondents by age

Age	*Below20*	*20-25*	*26-30*	*Above30*	*Total*
Frequency	5	12	10	13	40
Percentage	12.5%	30%	25%	32.5%	100%

Source: Research Data (2012)

4.3.3 Distribution of Respondents by Highest Education Level

The respondents who took part in the study had attained different levels of education as captured in Table 4.4 Majority of the respondents (15%) had completed secondary school and undergraduate degree followed by those with masters degrees at 12.5%, while respondents with post doctoral qualifications were the least at 1%.

Table 4.4: Distribution of Respondents by Highest Education Level

Highest Level of education attained	Frequency	Percentage
Primary	4	10
Secondary	6	15
College	8	20
Undergraduate	6	15
Masters	5	12.5
Doctorate	8	20
Post doctoral	1	2.5
Others	2	5
Total	**40**	10

Source: Research Data (2012)

4.3.4 Distribution of Respondents by Gender

Table 4.5 represents analysis of the respondents by gender. Out 40 respondents, male constituted 68% of the respondents while female accounted for 32%.This was done in order to establish if brand loyalty was influenced by the gender if the respondents. This showed that although mobile telephone penetration has increased two fold, most subscribers are men.

Table 4.5: Distribution of respondents by gender

Gender	Frequency	Percentage
Female	13	32.5%
Male	27	67.5%
Total	40	100%

Source: Research Data (2012)

4.3.5 Distribution of Respondents by Employment Status

Table 4.6 presents respondents' distribution in terms of employment/ work status. Majority of the respondents (37.5%) were in the unemployed category while 7.5% were in the retirees group. This analysis was done in order to determine whether telephony brand loyalty was in any way associated with the form of employment one is engaged in.

Table 4.6: Distribution of respondents by employment/ work status

Employment status	Frequency	Percentage
Unemployed	15	37.5
Self Employed	13	32.5
Employed	9	22.5
Retired	3	7.5
Total	40	100%

Source: Research Data (2012)

4.3.6 Distribution of Respondents by Personal and Household Incomes

The study equally sought to determine the respondents' monthly disposable incomes. This is because mobile expenditure is a function of the consumer's disposable income. Moreover this was done in order t establish whether some brand associations and loyalty were as a result of the socio-economic classes. The analysis of disposable incomes is as depicted in Table 4.7. According to the analysis, 17.5% of the respondents have between Kshs. 40,001 to 80, 0000 as monthly disposable incomes while 2.5 % of the respondents had Ksh. 80,001 to 150,000 as disposable incomes every month.

Table 4.7: Distribution of respondents' Disposable personal monthly incomes

Income bracket (in Kshs)	Personal monthly income	Percentage
0-1,000	8	20
1,001-5,000	6	15
5,001-10,000	3	7.5
10,001-15,000	5	12.5
15,001-25,000	2	7.5
25,001-40,000	4	10
40,001-80,000	7	17.5
80,001-150,000	3	7.5
Above 150,000	2	2.5
Totals	40	100%

Source: Research Data (2012)

The study further sought to establish the racial background of the respondents in order to establish whether brand loyalty was as a result of their racial background. This question received very poor response as out of the 40 respondents only eight indicated their racial background perhaps due to the sensitivity of racial issues. Due to the poor response, the researcher discarded this question from further analysis on the grounds that it did not meet the 35% threshold. According to Nassiuma (2002) only a response rate above 35% is robust enough for statistical sensible analysis. Therefore this response was considered statistically insufficient for further analysis.

4.4 Brand Loyalty

The study sought to establish the levels of brand loyalty amongst the subscribers. Out forty respondents, 67.5% admitted to switching from one company to another while 32.5% remained loyal to their providers. This confirmed that indeed that brand loyalty is truly experienced to some degree in the mobile service sector with some customers shifting from network to network. Further, 50% of the respondents indicated to have been

subscribers to mobile services between 2 to 4years. 37.5% had been subscribers for 5-7years.

Table 4.8: Brand Switching

Switched	Frequency	Percent
Yes	13	32.5
No	27	67.5
Total	32	100.0

Source:-Research Data (2012)

Majority of the respondents, i.e. 67.5% own one line which they keep active faithfully. Other respondents admitted to owning more than one line with six, that is, 17.5% owning two lines, 22.5% and 15% own 3 and 4 lines respectively. The major reason cited here was the desire to cut down the cost of off net calls i.e. from Safaricom to Airtel, Airtel to Yu, Yu to Orange etc. Where the rates charged seem to be punitive and aimed to discourage the same. Partially, the high off net calls can be also be attributed to the current mobile termination rates charged by the providers when making calls across the networks. The analysis of question was captures in Table 4.8.

Table 4.9: Number of Lines held by Subscribers

No. of Lines	Frequency	Percent
1	18	45
2	7	17.5
3	9	22.5
4	6	15
Total	20	100%

Source:-Research Data (2012)

The study sought to establish the reasons behind holding multiple numbers of lines by the respondents. The analysis was presented in Table 4.10. According to the results, enjoying

lower rates, value added services by the various mobile telephone providers and network fluctuations among the providers from region to region, emerged as the most influential reason to holding more than one line with a mean of 4.667 and 4.333 respectively. While prestige least informed the decision with a mean of 3.8667.

Table 4.10: Reasons for holding multiple lines

Factor	Mean	Standard Deviation
To enjoy lower rates	4.4667	0.51640
Value added services	4.3333	0.61721
Network fluctuations	4.3333	0.61721
Organizations' Policy	4.2667	0.88372
Business needs	4.2667	0.79881
Prestige	3.8667	1.45733

Source: Research Data (2012)

The study sought to establish the main factors influence customer loyalty to a given telephony service provider. In these regard respondents were asked to list the reasons that informed their decision to outsource the functions in order of importance on a five point Likert scale and the results are as depicted in Table 4.11.

Table 4.11: Main factors influencing customer loyalty to a given mobile service provider

Factor	Mean	Standard Deviation
Clarity	4.4667	0.63994
To get value for money	4.4010	0.73679
Value added service	4.4000	0.63246
Network Coverage	4.2667	0.59362
Customer care efficiency	4.2667	0.59362
Influence by friends and peers	4.1333	0.74322
Effective promotion campaigns	3.7333	1.09978
Accessibility of the provider	3.5333	1.30201
Product Variety	3.2000	1.32017
Religion	3.1667	0.63994
Government Policy	3.1500	0.53679
Ownership (Foreign/local	3.1350	0.53246

Source: Research Data (2012)

The study further sought to establish factors that have affected internetwork mobility and switching. The respondents were required to indicate the extent to which the given factors affected/hampered your movement from one network to another amongst their consumer base on a 5 point likert scale where very important =5 and not important=1.The analysis of the results were then presented in section in Table 4.12.

4.4.1 Customer satisfaction

Table 4.12: Customer satisfaction

	Frequency	Valid
Valid	40	18.0
Not very important	3	18.0
Not important	8	15.0
Somewhat important	6	18.0
Important	11	31.0
Very important	12	100.0
Total	40	

Source: Research Data (2012)

The results of the analysis shows the responses on the role of customer satisfaction as a factor considered when changing or retaining a provider. (17.5%) felt that it was not "very important" when deciding to move from one mobile provider to another. 20 percent felt that it was "not important" in their decision, 15% felt it's somewhat important, 27.5% of the respondents felt that it was important and 30% felt that it was "very important" in making the decision. This means that on average 72.5% of customers would consider customer satisfaction when making such a decision. The policy makers in the mobile telephone service providers should therefore make their customers are satisfied with their services if they are to retain and attract more subscribers.

4.4.2 Value Added services e.g. Money transfer services

Table 4.13: Value added services

Valid	Frequency	%
Not very important	1	2.5
Not important	5	12.5
Somewhat important	4	10
Important	12	30
Very important	18	45
Total	40	100.0

Source: Research Data (2012)

From table 4.12, 2.5.0% and 12.5% of the respondents felt that it was not very important and it was not important respectively. This means that they do not consider value added service e.g. mobile money transfer services if they were to move or retain their provider. However 10%, 30% and 45% of the respondents consider availability of value added services e.g. mobile money transfer services if they were to move or remain in their mobile service provider. Therefore 85% of the respondents wouldn't move if value added services like money transfer services is not available. On the other hand 15% would move irrespective of the availability of value added services like money transfer services. Value added services are therefore important if more customers are to be gained and retained.

In Identifying factors that determine consumer loyalty to a mobile telephone service, factor analysis was used on the data obtained thereon. The input variables included X_1 X_2, X_3 X_4 and X_5 where; X_1 represented customer satisfaction, X_2 represented value added services e.g. money transfer services, perceived value of the service provider/ corporate image, X_3 represented perceived value of the service provider/ corporate image, X

represented affordability of the service and X_5 represented network clarity, while output/ factor scores were calculated from the data as shown in the table 4.14.

Table 4.14: Factors that determine consumer loyalty to a mobile telephone service

Input/variables values					Output/factor scores	
X_1	X_2	X_3	X_4	X_5	Factor 1	Factor 2
9	6	9	2	2	-0.84037	1.09086
4	6	2	6	7	0.88018	-0.19022
0	0	5	0	0	-1.09151	-2.00037
2	2	0	9	9	1.74028	-0.61231
6	9	8	3	3	-0.43271	1.04976
3	8	5	4	7	0.40098	0.32186
4	5	6	3	6	-0.02497	-0.15184
8	6	8	2	2	-0.77007	0.72030
4	4	0	8	8	1.43499	-0.46909
2	8	4	5	7	0.64349	0.13451
1	2	6	0	0	-1.14897	-1.44074
6	9	7	3	5	-0.14974	0.93232
6	7	1	7	8	1.19589	0.10743
2	1	7	1	1	-0.93920	-0.90774
9	7	9	2	1	-0.94820	1.11161

Source: Research Data (2012)

To determine the relationship and the influences that exist among the factors influencing customer loyalty Kruskal-wallis, analysis was used under the underlying assumption that there exists a linear relationship between customer satisfaction factors, value added services e.g. Mobile money transfer and brand loyalty. Hence these factors (Customer satisfaction, Value added service offerings e.g. money transfer services) were taken to as the two main dependent on the factors compared to others (perceived value of the service

provider/ corporate image, perceived value of the service, and network clarity) with Customer satisfaction coded as Factor 1 and Value added service offerings e.g. Money transfer services coded as Factor 2.

Table 4.15: Rotated factors

Factor pattern			Rotated factor pattern			
				Rotation method varimax		
	Factor 1	Factor 2	Cumulative	Factor 1	Factor 2	Cumulative
X_1	-0.26	0.79	0.69	-0.16	0.82	0.69
X_2	0.05	0.84	0.78	0.6	0.82	0.78
X_3	-0.92	0.30	0.94	-0.87	0.42	0.94
X_4	0.95	0.20	0.94	0.97	0.09	0.94
X_5	0.93	0.25	0.93	0.96	0.13	0.93

Source: Research Data (2012)

Table 4.16: Standardized scores of the coefficients

Input Variables	Standardized scoring coefficients	
	Factor 1	Factor 2
X_1	-0.0458	0.29071
X_2	0.01872	0.21600
X_3	-0.16960	0.03012
X_4	0.48129	0.30197
X_5	0.36845	0.1707

Source: Research Data (2012)

From the above results, customer satisfaction, value added service e.g. money transfer services, perceived value of the service provider/ corporate image, perceived value of the service, and network clarity. ($X_1X_2X_3X_4X_5$) have influence consumer brand loyalty in the following order.

Table 4.17: Influence of each of the Components

Extracted component	% Influence of each component
Component 1 (Customer satisfaction)	29%
Component 2 (Value added services)	21%
Component 3 (Perceived value of the service& Corporate image)	03%
Component 4 (Affordability)	30%
Component 5 (Network clarity)	17%

Source: Research Data (2012)

Thus the first component (affordability of the service) influences customers most at 30% followed by customer satisfaction and value added services e.g. money transfer services at 29% and 21 % respectively. Network clarity and corporate image have the least influence at 17% and 3% respectively. Hence to increase consumer brand loyalty management should focus on the cost of the services, customer satisfaction and offering a wide range of value added services e.g. Money transfer services.

4.5 Factors that Discourage Brand switching

In order to establish the factors that discourages switching from one mobile telephony service provider in the mobile telephone industry, Kruskal Wallis and ANOVA were used where the treatment factor customer loyalty.

ıble 4.18: Comparison of the factors that discourage brand switching

Comparison	N	Rank sum	Mean Rank
tisfaction	40	124638.5	623.19
ılue added services	40	209591.0	1047.96
ɔmpetition	40	65216.0	326.08
ırformance	40	181398.0	906.99
ıage	40	143969.5	719.85
wnership	40	151517.0	757.59
ıends influence	40	104370.0	521.85
ruskal- Wallis Statistics	422.95	-	-
	≤ 0.0001	-	-

ɔurce: Research Data (2012)

he data was tested at level of 0.5 with 6 degrees of freedom. The computed value 422.95) of H statistics was greater than the tabulated value (12.582). This means that ıanagers of mobile telephone companies should consider each of the factors ıdependently when attempting to discourage customers from switching to other roviders this is because the influence of each factor on the customer differs. However ıe results are consistent with the literature. Customer Varies with the named factor ecause the retention level of each factor differs. There was need to determine how each f the factors discourage brand switching. To achieve this correlation analysis was done. 'able 4.18 indicates the correlation matrix showing the correlation coefficient between ach of the factors and customer loyalty. This was done also to determine the nature and trength of the influence of each of the factors.

Table 4.19: Pearson correlation coefficients

	Satisfaction	Value added Services	Competition	Quality of the service	Image	Network Coverage	Friends	Brand switching
Satisfaction	1							
Value added Services	0.292	1						
Level of Competition	0.225	0.525	1					
Quality of the service	0.500	0.622	0.360	1				
Image	0.247	0.286	0.250	0.262	1			
Network Coverage	0.392	0.441	0.250	0.366	0.323	1		
Friends	0.178	0.027	0.043	0.143	0.223	0.010	1	
Brand loyalty and/or switching	0.583	0.426	0.346	0.473	0.373	0.389	0.213	1

Source: Survey Results (2012)

Customer satisfaction has the strongest influence in discouraging brand switching loyalty while influencing from close friends has the least influence with coefficient of 0.583 and 0.2.3 respectively. However those factors are correlated with a correlation coefficient of 0.178. This means improving one will most likely improve the other. The two were retained because they don't entirely measure the same thing. The results suggest network coverage customer satisfaction, value added services, the level of competition, Quality of the service, and influence from close friends is separate constructs that combine to discourage brand switching.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings from chapter four, and it also gives the discussions, conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were to identify factors that determine consumer loyalty to a mobile telephone service provider; establish the factors that discourage switching from one mobile telephony service provider to another and investigate the challenges facing mobile telephone providers in building brand loyalty in Kenya.

5.2 Summary

This research addressed the three main objectives of the study: customer loyalty, switching services providers and challenges to building brand loyalty. The research is a response for the need of customer loyalty research in mobile telephone industry in Kenya. This was occasioned by the fact that although there exists four mobile operators in Kenya, one telecommunication provider commands 68% of the market share as the other three battle it out with the remainder of the market. Utilizing the proposed loyalty model as a theoretical framework, the direct influences of brand loyalty were found to be customer satisfaction, affordability, value added services e.g. money transfer services, quality of service and influence from close influence from close friends. In the study, data sets of 40 completed questionnaires were used.

Factors affecting customer loyalty were extracted from a set of selected items borrowed from commitment and gap measurement of service quality. The items were then amended to suit determination of customer loyalty. This meant that each of the items influenced customer loyalty in varied ways. For instance contrary to expectation of the researcher, the survey results show that customers attach a lot of importance to provision of value

added services especially the now famous Money transfer services e.g. MPESA Airtel Money, Orange money and Yu cash when considering the mobile provider to subscribe to.

Since the items were many, there was need to measure them to meaningful factors that influence customer loyalty i.e. customer satisfaction and value added services like mobile money transfer services. This was achieved through the use of principal component analysis. Seven distinct factors were extracted from the initial items namely customer satisfaction, availability of network, competition, corporate image, performance, influence from close friends (peers) and perceived value. Items that are associated with customer satisfaction indicated that subscribers align satisfaction and value added services offerings especially the mobile money transfers with the mobile telephone services and products.

Item that create an environment where the confidence is instilled in the customer (especially regarding the mobile money transfer services) seem to play a significant role in customer loyalty. It was further noted that customer satisfaction has the highest positive coefficient of correlation with customer loyalty. This indicates that its influence on customer loyalty is much higher than other factors. Items aligned to loyalty included confidence in both customer satisfaction and value added services like the mobile money transfer services. Network availability had a positive correlation coefficient of 0.389 indicating great influence towards customer loyalty.

5.3 Conclusion

The contribution of this study to customer loyalty research is twofold. First, it has successfully applied the traditional conceptualization of customer loyalty in mobile telephony sector that is different from the market place examined in prior studies. Second, customer satisfaction, network availability and clarity. Perceived value, corporate image, performance competition and influence from close friends were found to be important determinant of customer loyalty.

5.4 Recommendations

The finding of this study has implications for mobile telephone providers' managers to develop their customer loyalty programmes. Considering the uniqueness of mobile phones communication in shaping the economy, it is of paramount importance to ensure that customer will have repeat transaction behaviors (especially regarding the mobile money transfer services) and show loyalty to a provider. Current behaviors can result in slowed economic growth since more resource may be wasted in movements from one provider to another.

The four mobile providers should also study their competitive environment with a view of adjusting it, use of network marketing where present customers should influence potential customer or existing customers to maintain loyalty, further to this. These companies should improve range of products offering in inform of Value added services as well as emphasize quality of services and to ensure customer satisfaction since both positively influence customer loyalty.

Customer loyalty is mostly based on how quality of services offered by mobile telephone service providers. It is therefore essential to ensure that the channels for offering the services are right and enhance customer satisfaction. For example, customer care outlets should be expanded as well as enhancement of the clarity width of network coverage. This is mainly because the findings of the study indicate that customer satisfaction had a high positive influence on consumer brand loyalty. It is therefore apparent that such a factor should be the focus of mobile telephone service providers.

5.5 Suggestions for further Study

This study has a number of areas that can be addressed in future research. Firstly, the data used in this study limits generalization to other sectors. A confirmatory analysis and cross-sectorial validation using a large sample gathered from other sectors is required for greater generalization of the factors affecting customer loyalty in the mobile telephone industry.

Secondly the study did not incorporate loyalty outcomes (e.g. market share, relative price &profit) prior studies suggested that market share increases as loyalty increases. The influence of loyalty on the market share product price and profit of any mobile telephone provider is an important issue in need of systematic empirical research studies should be conducted to show the relationships that exist in these outcomes and customer loyalty in the mobile telephone services industry. This may involve the use of regression analysis to come up with a model that could be used for predicting market share when level of customer loyalty is known.

REFERENCES

Aaker, D. (2001). *Managing Brand Equity: Capitalizing on the value of a Brand Name.* New York: The free press.

Aaker, D. (1996). Dimensions of brand personality. *Journal of Marketing Research 34,* 347-56

Agarwal, K. and Rao, R. (2006). *An empirical comparison of consumer-based measures of brand equity.* Marketing Letters.

Bantug-Herrera (2006). Brand trust in the context of consumer loyalty. *European Journal of Marketing.*

Bello et al., (2009). Customer Loyalty: Toward an integrated conceptual framework. *Journal of Marketing Science 22* (2), 99-113.

Broniarczyk and Dawar (2004). A national customer satisfaction barometer: The Swedish experience. *Journal of Marketing 56* (1), 6-21.

Buttle, F. (1996). SERVQUAL: Review,Research Agenda. *European Journal of Marketing.*

Canno, T. (1980). *Marketing principle and practice (*5th Edition). Cassel Publisher.

Cannon (1999). The outcome set of Relationship marketing in consumer marketing. *International Business Review.*

Cerchigro and Ayrosa (2003). *The theory of Buyer Behavior.* New York: John Eiley & Sons.

Chernatony and McDonald (2003). The commitment-trust theory of relationship marketing. *Journal of Marketing 58,* 20-38.

Christopher (2000). A marketing approach to customer retention. *Journal of Customer Marketing.*

Ehrenberg (2000). The importance of customer satisfaction in explaining brand and dealer loyalty. *Journal of Marketing Management*, European Management Journal.

Fader and Schmittlein ((2003). The chain of effects from brand trust and brand affect to brand performance: The role of brand loyalty. *Journal of Marketing.*

Fearme and Fowler (2006). SERVPERF versus SERVQUAL: Reconciling performance-based and perceptions minus expectation measurement of SQ. *Journal of Marketing 56*, 125-131.

Fornell (2002). What is brand equity anyway, and how do you measure it? *Journal of the Market Research Society.*

Fraenkel and Wallen (2002). Consumers and their brands: developing relationship theory. *Journal of Consumer.*

Gichuru (2003). *Brand switching in the mobile telephony business in Kenya.* Unpublished MBA Project. University of Nairobi

Given (2005). Reviving brand loyalty: A reconceptualization within the framework of consumer brand relationships. *International Journal of Research in Marketing.*

Goldstuck (2009). The different roles of satisfaction, trust, and commitment in customer relationship. *Journal of Marketing 63*, 70-87.

Guillaume (2008). *The new strategic brand management: Creating and sustaining brand equity long term*. London: Kogan Page.

Jacoby and Kyner (1999). Conceptualizing, measuring, and managing customer-based brand equity.

Kenya National Bureau of Statistics (2012). The economic survey (2011). Nairobi, Kenya: KNBS.

Kerringer (2008). The measurement and dimensionality of brand associations. *Journal of Product & Brand Management 9* (6), 350-70.

Kirui, (2001). *Competitive advantage through customer loyalty schemes at EABL.*

Kotler, A. (2006). *Customer relationship management: Principles of Marketing* (11th Edition). Prentice Hall

Kottler and Keller (2003). *Strategic brand management: Building, measuring and managing brand equity.* India: New Jersey Prentice Hall.

Kyle (1998). Loyalty: The influences of satisfaction and brand community integration.

Kyner (2003). Evaluation of brand equity measures: Further empirical results. *Journal of Product & Brand management 10* (1), 38-51.

Maina (2001). *An investigation on perceived quality and brand loyalty in mobile the telephony business*. Unpublished MBA Project. University of Nairobi

Mallat, Rossi & Tuunainen, (2007). The outcome set of Relationship marketing in consumer marketing. *International Business Review 4*, 447-469.

Mugenda and Mugenda, (2003). *Research methods for social sciences* (2nd Edition). Nairobi : Moran Publishers.

Murigi (2003). *An investigation on the determinants of brand loyalty in pharmaceutical products.* Unpublished MBA Project. University of Nairobi

Murugu (2008). *Customer satisfaction and its impact on loyalty in Zain.* Unpublished MBA Project. University of Nairobi

Mwanika (2009). *Factors affecting brand loyalty of toilet soaps in Kenya.* Unpublished MBA Project. University of Nairobi

Ndungu (2011). *Brand loyalty in insurance industry, A case of Britak Insurance.* Unpublished MBA Project. University of Nairobi

Njoroge (2007). *The impact of Customer satisfaction on service quality at Kenya Power.* Unpublished MBA Project. University of Nairobi

Nyagechi (2010). *Perception of brand equity of daily newspapers by media buying agencies in Nairobi.* Unpublished MBA Project. University of Nairobi

Nyaoga (2007). *The role of service quality management and performance in establishing customer loyalty in the service industry.* Unpublished MBA Project. University of Nairobi

Oyieko (2011) *Factors affecting brand loyalty in the private security industry in Kenya.* Unpublished MBA Project. University of Nairobi

Parasuranam (1993). An empirical model for brand loyalty measurement. *Journal of Targeting, Measurement and Analysis for Marketing, 15* (4).

Reich held and Schefter (2000). Zero defections: Quality comes to services. *Harvard Business Review* (September-October), 105-11.

Rowley, J. (2005). *The four Cs of customer loyalty, marketing intelligence and planning.*

Rust and Oliver (2005). Consumer-based brand equity: improving the measurement & empirical evidence. *Journal of Product & Brand Management.*

Smith and Whan Park (2002). *Marketing communications: Theory and applications.* Pearson Prentice.

Suoranta and Mattilla (2009). Brand equity and the extendibility of brand names. *International Journal of Research in Marketing* .

APPENDICES

Appendix I: Letter of Introduction

Dear Sir/ Madam,

RE: MBA RESEARCH

You are receiving this letter because I would like to request your assistance in completing the attached questionnaire. I am a student at the University of Nairobi (UON) pursuing a Master of Business Administration (MBA). I am undertaking a research project in partial fulfillment of the requirements for the award of the degree. My study is on "*A Survey of Brand Loyalty in the Mobile Telephony Industry in Kenya*".

You have been selected to form part of the study as a respondent. I will be very grateful if you would spare sometime from your busy schedule, to respond to the questions listed on the attached questionnaire.

Your response will be treated with utmost confidentiality. The findings of this research maybe made available to you upon completion of the research, if you so request.

Your assistance and co-operation will be highly appreciated.

Yours faithfully,

PHOEBE AWUOR
UON MBA STUDENT

RAYMOND MUSYOKA
SUPERVISOR

Appendix II: Questionnaire

This research is carried out in partial fulfillment of the award of a Master of Business Administration at The University of Nairobi. Therefore the responses received shall be used for academic purposes only and all the information obtained shall be treated with utmost confidence. Kindly answer the following questionnaire by ticking against your answer. Your cooperation in completing it will be greatly appreciated.

PART ONE: DEMOGRAPHIC INFORMATION

(Kindly tick against your answer)

1. Age Bracket

Below 20 [ ] 20-25 [ ] 26-30 [ ] Above 30 [ ]

2. Gender

Male [ ] Female [ ]

3. Kindly indicate the highest level of education have you attained.

Primary education ☐ Secondary education ☐ College education ☐

Undergraduate degree ☐ Masters Degree ☐ Doctorate ☐

Post doctoral..... ☐ Others (Indicate)..... ☐

4. In the spaces provided below, kindly indicate the type of employment you are engaged in currently.

Unemployed ☐ Self Employed ☐ Employed ☐ Other..... ☐

5. Kindly indicate the category in which your monthly disposable income falls.

0-1000	☐	1001-5000	☐	5001-10000	☐
10001-15000	☐	15001-25000	☐	250001-40000	☐
40001-80,000	☐	80001-150,000	☐	Above 150,000	☐

6. In the spaces provided below, kindly indicate your Race

African ☐ Asian ☐ American ☐

European ☐ Hispanic ☐ Other..... ☐

PART TWO : MOBILE TELEPHONE SUBSCRIPTION

3. (a) Are you a subscriber to a mobile service provider?

Yes [ ] No [ ]

(b) If yes, for how long have you been a subscriber to mobile services?

Less than two years [ ] 2-4 years [ ]

5-7 years [ ] 8years and above [ ]

(c) How long have you been a subscriber to the specific mobile company?

Less than two years [ ] 2-5 years [ ]

6-9 years [ ] More than 9 years [ ]

4. What mobile telecommunications companies are you subscribed to?

Safaricom [ ] Airtel [ ]

Orange [ ] Yu [ ]

5. How many lines do you own?

1 [ ] 2 [ ] 3 [ ] 4 [ ] 5 [ ]

6. If you own more than one line what are your reasons?

i) To enjoy lower rates ☐

ii) Value added services ☐

iii) Network fluctuations ☐

iv) Organizations' Policy ☐

v) Business needs ☐

vi) Prestige ☐

Other..... ☐

8. (a) Please indicate by ticking the extent to which the following factors influence your loyalty to your telephony service provider. Using the following keys

5= most significant, 4= significant, 3=Neutral, 2= least significant, 1= insignificant.

	5	4	3	2	1
i) Clarity	[ ]	[ ]	[ ]	[ ]	[ ]
ii) To get value for money	[ ]	[ ]	[ ]	[ ]	[ ]
iii) Customer care efficiency	[ ]	[ ]	[ ]	[ ]	[ ]
iv) Network Coverage	[ ]	[ ]	[ ]	[ ]	[ ]
v) Value added service	[ ]	[ ]	[ ]	[ ]	[ ]

vi) Product Variety	[ ]	[ ]	[ ]	[ ]	[ ]
vii) Effective promotion campaigns	[ ]	[ ]	[ ]	[ ]	[ ]
Accessibility of the provider	[ ]	[ ]	[ ]	[ ]	[ ]
viii) Ownership (Foreign/local)	[ ]	[ ]	[ ]	[ ]	[ ]
ix) Government Policy	[ ]	[ ]	[ ]	[ ]	[ ]
x) Influence by friends and peers	[ ]	[ ]	[ ]	[ ]	[ ]
xi) Religion	[ ]	[ ]	[ ]	[ ]	[ ]
xii) Other benefits.....	[ ]	[ ]	[ ]	[ ]	[ ]
xiii) Other benefits.....	[ ]	[ ]	[ ]	[ ]	[ ]
xiv) Other benefits.....	[ ]	[ ]	[ ]	[ ]	[ ]

9. On an importance scale, kindly indicate the extent to which you consider the following factors in your "switching" from one network to another. Where 5 = Very important and 1 not important.

	5	**4**	**3**	**2**	**1**
Value added services	[ ]	[ ]	[ ]	[ ]	[ ]
Customer satisfaction	[ ]	[ ]	[ ]	[ ]	[ ]
Perceived value of the service provider	[ ]	[ ]	[ ]	[ ]	[ ]
Affordability of the service	[ ]	[ ]	[ ]	[ ]	[ ]
Network clarity and Coverage	[ ]	[ ]	[ ]	[ ]	[ ]
Satisfaction	[ ]	[ ]	[ ]	[ ]	[ ]
Quality of the service	[ ]	[ ]	[ ]	[ ]	[ ]
Influence from friends	[ ]	[ ]	[ ]	[ ]	[ ]

10. (a) Have you in the past switched from one company to another?

Yes [ ] No [ ]

(b)If yes what are the reasons for switching companies? Please specify

.....

.....

.....

Thank you for your assistance and cooperation in filling out the questionnaire