EFFECTIVENESS OF PRICING STRATEGIES ON BRAND LOYALTY AMONG CELL PHONE USERS IN OL-KALOU LOCATION IN KENYA

BY:
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A management research project submitted in partial fulfillment of the requirements of the award of a degree of Master of Business Administration

School of Business

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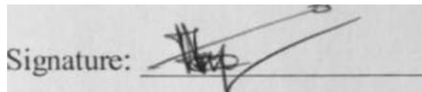
DECLARATION

This research project is my own original work and has never been presented to any other institution of Higher Education for examination purposes leading to awaid of certificate, Diploma or Degree.



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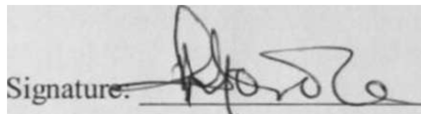

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DEDICATION

This project is dedicated to my Dad, Jackson Mwangi and Mum Anne Wangare for their invaluable efforts to bring me this far. I owe them a lot.

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I thank Almighty God for giving me strength and knowledge to write and eomplete this research project. My special thanks go to Mrs. Mary Kinoti, Lecturer University of Nairobi, for her invaluable support, guidance and contributions that were very useful for the success of this study. Her vast knowledge and experience in marketing field and in project writing added a lot of value to the stu(^\

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LIST OF ABBREVIATIONS

CBD - Central Business District

CCK - Communication Commission of Kenya

CDV - Customer Delivered Value

CPV- Customer Perceived Value.

CRM- Customer Relationship Management

DSTV- Digital System Television Network

EDLP - Everyday Low Price

ICT- Information Communication and Technology

Kshs. - Kenya Shillings.

MTC- Mobile Telecommunication Limited

PM - Push Money

RBP- Relationship Based Pricing

ROI- Return on Investment

SMS - Short Message Services

SPNP - Service Provider Number Portability.

SPSS - Statistical Package for Social Services

TCC - Total customer cost

TCV- Total Customer Value

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ABSTRACT

There are four cell phone service providers in Kenya. Each company is using various marketing strategies to win customeis' loyalty. The aim of this study is to establish the effectiveness of pricing strategies on brand loyalty among cell phone users in Ol-Kalou location The objectives of the study were to establish the level of customers' awareness of the prices charged by the cell phone service providers) on various services they enjoy as well as the effectiveness of pricing strategies used by the mobile phone service providers in creating brand loyalty.

The study was conducted on 200 residents of Ol-Kalou location who were chosen using multi-stage sampling criteria. Cluster sampling was used to sub-divide the location into five sub-locations. Simple random sampling was used to identity the respondents depending on the number of households in each sub-location. Primary data was collected using semi-structured questionnaire. 156 questionnaires which were 78% of the expected total were dully completed. The data was analyzed using descriptive data analysis tools like percentages, mode, mean, standard deviation, frequencies and statistical package of social sciences-PC version.

From the study, it was clear that most people in Ol-Kalou location only uses basic features of their cell phone like voice calls, text messages, checking balance and transferring of money. They rarely use high computing services of smart phones like internet, multimedia messaging among others. The level of awareness of the prices charged on various services residents enjoys stands at an average of 35.53%. Most of them shift from one cell phone service provider to the other. The major reasons being the prices charged, extra services provided and intluence from friends, relatives, colleagues and business associates.

The cell phone service providers should use appropriate pricing strategies to win customers' loyalty. Most respondent preferred being charged low prices, uniform prices across all the networks and being given promotional offers occasionally. However, marketing programs to create awareness on various services provided by service providers on the cell phones and their respective tariff charges should be enhanced.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Mobile phone also referred as mobile, cellular phone, cell phone or hand phone is an electric device used for full duplex two way telecommunication over cellular network at base station known as cell site. Low-end mobile phones are referred as feature phones, whereas high-end mobile phones that offer more advanced computing ability are referred as smart phones. Mobile phones assist subscribers to communicate with others within the network and to other networks irrespective of their geographical location as long as one is within the network (Glotz at el, 2005).

Mobile phone provides various services. They include voice calls, Short Messages Services (SMS) or text messages, internet access, E-Mail, gaming, Bluetooth, infrared, camera, MMS messaging, MP3 Player, radio, GPS. money transfer system, digital televisions backed by Digital System Television Network (DSTV), among other customized services. Due increased use of mobile phones, the number of subscribers worldwide has increased tremendously from 12.4 million in 1990 to approximately 4.6 Billion in 2009 (Smithsonian Institutioa 2009).

In Kenya, there are four licensed mobile phones service providers. They have a combined subscription base of about 20 million. They include Safaricom, Zain, Orange and Yu. The four service providers have been involved in marketing competition in an attempt to increase the customer base. Each company is trying to offer the best service, differentiate its product, give customers incentives, coming up with more innovative services among others at most appropriate price. New entrants have found it difficult to wrestle in the market due to vicious price war. Safaricom and Zain, the oldest service providers have 78% and 17% market share respectively while recent entrants like Orange and Yu, 4% and 1% respectively (www.cck.co.ke). This has prompted Communication Commission of Kenya (CCK) to gazette five new regulations on 19 March 2010 to create a level playing ground for all the competitors. Among them is Kenya Information and Communications (Tariff) Regulations, 2010, allows CCK to control tariffs charged by the MPSPs (CCK Business Weekly, April 1,2010).

There is clear remarkable upward growth trend in the mobile telecommunication industry. Its total annual revenue grew to 84.2 billion Kenya shillings in 2009 compared to 72.6 billion Kenya shillings (Kshs) in 2008. Mobile phone annual investment has increased from 21.2 billion in 2007 to 24.4 billion in 2008 and 35.18 billion Kenya shillings in 2009. Mobile investment as a percentage of revenue have increased from 36.6 to 40.5 and 41.5 in years 2007, 2008 and 2009 respectively (CCK Business Weekly, April 1,2010).

Mobile phones have great impact in influencing the lives of Kenyans both in rural and urban areas. It provides reliable and convenient way of communication enabling subscribers to transmit information, exchange ideas and consultations and making contacts. The industry also has contributed greatly in social economic development. It has emerged to be one of the leading source of Government revenue remitting Kshs 4.8 Billion in taxes in 2007 and Kshs 3.7 billion in 2006 (Monthly Economic Review, 2009). The sector has employed over 3.5 million Kenyans either directly or indirectly in various fields such as administration, technical, engineering and also in provision of services such as mobile phone charging, sale and repair of handsets, sale of SIM card, sale of prepaid recharge vouchers, marketing firms and electronic and print media among others. Mobile phones have enhanced social and business relations through electronic money transfer. The industry has contributed in many other fields like education, health, environment through social corporate responsibility activities.

1.1.1 Concept of pricing strategy

Price can be defined as the exchange value of the product (Stigler. 1996). Economists define price as economic resources foregone by the consumer to enjoy a product. Price is what the consumer, customer or the distributors are willing to pay for the product. Price is usually valued inform of money although it is possible to exchange a product for a product (barter trade). Example of prices includes fares, salaries and wages, fees, commission, charges, penalties among others (Pride and Ferrell, 1997).

Marketing involves various activities known as marketing strategies. They includes product, pricing, place, promotion, people, physical facilities and processes. All these activities must be blend appropriately for them to provide the required synergy for effective marketing to take place. Pricing is the only element in the marketing mix that produces revenue. Price is perhaps the easiest element of marketing program to adjust others take more time (Kotler, 1994).

Marketers select price depending on pricing objectives. Pricing objectives may include maximizing profits, increase market share, increase sales volume, and pricing for survival among other reasons (Stanton et al, 1994). When setting pricing objective and selecting the price, there are important factors that requires critical examination They include the overall objectives of the firm, financial position, resources available, cost of production, administration and marketing, the prices of the competitors, perceived value of the product, income level of the target customers, environmental factors, the level and elasticity of demand and production capacity of the firm (Christopher and Young, 2002).

There are various types of pricing strategy techniques. Among them includes- mark-up pricing, target returns pricing, perceived value pricing, value pricing, match competitors) or competition based or going rate pricing prestige pricing, premium pricing, relationship-based pricing, geographical pricing, psychological pricing price skimming, penetration pricing, limit pricing, predatory pricing, everyday low price, high-low price, contribution margin pricing dynamic pricing, price leadership, marginal pricing, absorption pricing auction pricing and promotional pricing.

1.1.2 Conccpt of brand loyalty

Brand is a name, term, sign, symbol or design or a combination, intended to identify the good and serv ice of one seller or the group of sellers and differentiate them from those of competitor (Keller. 2003). Brand loyalty is actually a deep manifestation between the brand and the customers (Kotler and Armstrong 1996). Reichheld (1993), defines brand loyalty as a deep held internal commitment to re-buy or re-patronize a preferred product or service in the future despite situational influences and marketing efforts of having the potential to cause switch behavior.'

Brand loyalty adds v alue to brand equity. According to Aaker (1991), brand equity is set of assets and liabilities linked to the brand name and symbols that adds or subtract the value provided by a good or a service. The major asset categories are brand name, brand awareness, brand loyalty, perceived quality and brand association. Keller (2003), defines Brand equity as marketing effort or an outcome that accrues to a product with its brand name compared to those that accrue if the same product did not have brand name.
Brand loyalty creates brand value. Brand value can be determined to greater extent by the customer loyalty it commands (Aaker, 2000).

Brand loyalty has great impact on the marketing cost. It reduces the cost of maintaining the customers (Kotler and Keller, 2006). From the committed customers, the firm can be able to predict sales and profit streams. Loyal customers' guarantees future income streams (Nagle et al, 1997). To be truly loyal, customers must hold a favorable attitude towards the brand in addition to purchasing it repeatedly (Day, 1969). Brand loyalty helps to attract new customers, when a customer is loyal; he is likely to speak well to others about the brand (Aaker, 2002).

With increased level of competition due to liberalization, globalization and development in Information Communication and Technology (ICT) creating loyal customers is fundamental. Customers have high accessibility to information. Their needs, choices and preferences are constantly changing and the level of competition is heightening Brand loyalty reduces rate of customers' defections and act as barrier to entry of new firms.

1.1.3 Mobile telephone serv ice providers in Kenya

In Kenya, mobile phone serv ices were introduced in 1992 and official launched in 1993. During that time, mobile phones were using analogue system. Competition in mobile phone industry started in 1999 after formation of Communication Commission of Kenya (CCK) through Kenya Communication Act of 1998. CCK was given the authority to license and regulates telecommunication services, radio communication and postal services in Kenya (www.cck.co.ke). Before the year 1999, there were very few mobile phone subscribers actually less than 20,000. The major reasons were due to the high cost of mobile phone handset, high cost of calling, poor network coverage, ignorance and lack of perfect information about the use andconvenience of mobile phones (Muriuki. 2006).

In Kenya, there are four mobile phone service providers, which include Safaricom, Zain, Orange and YU. By March 2010 the four licensed operators had a combined subscriber base of 19.4 million mobile subscribers, 7.9 percent increase from 17.93 million the by December 2009. The mobile phone population coverage has increased to 84.5 percent by March 2010 from 83 percent March 2009 (CCK Business Weekly April 1, 2010).

The numbers of services provided by mobile phones service providers have also increased. It includes voice calls, Short Message Services (SMS), internet and data services, roaming services money transfer services among others. There is increased mobile traffic in voice calls to 4.5 billion minutes in March 2010 from 3.5 billion in March 2009 an increase of 32.5 percent. 769 million text messages sent an increase from 282.8 million during the same period under review. Internet usage has increased to 1.997 million subscribers March 2010 from 1.880 million September 2009. The mobile annual revenue grew by 15.9 percent reach 84.2 billion Kenyan shillings in 2009 compared to 72.6 billion Kenyan shillings in 2008. However, the average revenue per user per month continued to decline to record 362 Kenya Shillings in 2009 compared to 376.56 Kenya Shillings in the previous year (CCK Business Weekly April 1, 2010).

On March 27, 2010, CCK came up with five new regulations to govern MPSPs. They include Kenya Information and Communication (Fair Competition and Equality of

Treatment) Regulation 2010, Kenya Information and Communication (Dispute Resolution) Regulation 2010, Kenya Information and Communication (Interconnections and Provision of Fixed Links. Access and Facilities) Regulation 2010, Kenya Information and Communication (Tariff) Regulation 2010. all these regulations are aimed at creating a level playing ground for fair competition, dispute resolution, enhancing connectivity with other networks and controlling tariffs charged by MPSPs (www.cck.go.ke).

Recently (May 2010), CCK reduced the initial fee of accessing broadband 3G spectrum from USD 25 million to USD 10 million to enable the subscribers to enjoy wide variety of quality and innovative services and more importantly at affordable price. 3G services are expected to add value to businesses and Government in provision of services to Kenyans. To date only two MPSPs have acquired 3G license (Safaricom and Zain by June 2010)

By the end of June 2010, CCK licensed Netherlands based porting Access Company to mange service that will allow the mobile phone customers to change service providers without losing their original number. To enjoy the serv ice, the subscriber will have to register with Number Portability Service Provider (NPSP) and pay a specific fee of Kshs 200.The Government has authorized mandatory registration of SIM cards with the respective service provider. The exercise is aimed at safeguarding the public against acts of insecurity, including threats of terrorism drugs trafficking, money laundering, extortion, fraud, hate messages and incitement.

Safaricom was incorporated on 3 April 1997 fully owned by Telkom Kenya. Vodafone one of the leading mobile phone service providers in the world bought 40 percent stake in May 2000. March 2008, the Government sold 25 percent of its shares through Initial Public Offer in Nairobi Stock Exchange; hence, the company became a public limited company (**wAvw**.safaricom.com). Safaricom is leading mobile phone service provider in Kenya. It controls 78 percent of Kenya's mobile telephony market. It has a customer-base of 15.79 million subscribers by March 2010. The revenue rose from Kshs 70.497

Billion in Mar 2009 to Kshs 83.96 Billion in Mar 2010. Profit before tax rose from Kshs 15.3 Billion to Kshs 20.996 Billion and profit after tax rose from Kshs 10.5 Billion to Kshs 15.148 Billion during the period between Mar 2009 and March 2010 (Safaricom audited report March 2010).

Kenya Cellular Communication Limited. (KENCELL) was established in 2000 after winning hotly contested tender. It became the second mobile phone sendee provider in Kenya. In year 2004, one of promoters (Vivendi) sold 60 percent of his shares to Celtel International. The company changed its name to Celtel. In 2008, Mobile Telecommunication Limited (MTL) bought 85 percent of Celtel and the company was rebranded as ZAIN. March 30th, 2010, Zain announced sale of its African operation to Bharti Airtel for 10.7 Billions Us Dollais. By the end of year 2009, Zain had 17 percent market share comprising approximately 3.4 million subscribers. Due to competition from the Safaricom, Zain recorded a loss of kshs7.1 billion in year 2008 and loss of 1.8 billion in the nine rronths to September 2009 www.zain.co.ke.

Other mobile phones service prov iders Telkom Kenya that operates under brand name Orange. Being a new entrant in the market, has only managed to get 4% market share. Telkom registered a loss of Kshs 9.1 billion in 2009. Essar Telecom Limited subsidiary of Econet wireless that operates under YU it is the most recent mobile phone service provider to licensed in Kenya. Its operations commenced on December I[s]' 2008. It has market share of1% by March 2010.

1.1.4 Ol- Kalou Location in Kenya

01- Kalou location is located in Nyandarua County in the former Nyandarua District. Currently, it is in Ol-Kalou district. The location has five sub-locations that include:-01-Kalou, Kaimbaga, Munyeki, Rurii and Mawingu. There are 49,938 people living in this area and 1091 homestead by March 2010 (Ol-Kalou Chiefs Office, 2010). Most of the people living in this area rely mostly on agriculture- growing crops and layer domestic animals. Others are employed by the government while others are businessmen.

1.2 Statement of the problem.

Mobile phones service providers are increasing in Kenya. Anytime a new mobile phone service provider is licensed, the market share of the existing one erodes. The new companies also come up with new strategies of marketing their products hence posing a formidable challenge to the existing ones. For the firm to maintain its market share it must use all the marketing strategies appropriately. It must ensure they have the best product in the market, price the product appropriately, and distribute the product effectively employing the right people, use convenient and reliable physical facilities and processes coupled with vigorous product promotion.

ZAIN, which was licensed in 2000, has a market of 60% compared to Safaricom 40% by the end of year 2001. Both service providers were charging per minute billing. Safaricom was the first to change to per second billing and, before Zain -then Kencell- could follow, there was already a mass erosion of customers. Currently. Zain has 17% market share as compared to Safaricom 78%. Price competition has lead to reduction of on-net call charges to a record Kshs 5.66 per minute as on December 2009 from Kshs. 6.33 in December 2008. Safaricom voice call tariffs has dropped from Kshs. 15 within the network and Kshs. 28 to other networks in December 2008 to the current Kshs. 8 within the network and Kshs. 12 to other network in Super Ongea tariff yet the market share has dropped from 84 in 2008 to 78 percent 2009. Zain is charging Kshs. 3 within and to other networks per minute in its Vuka tariff from Kshs. 16 in December 2008.Orange is charging Kshs. 4 within the network, Kshs. 6 to Telcom fixed and Kshs. 8 to other networks. Yu is currently charging Kshs.6 within and to other network as June 2010 (www.cck.co.ke). There was also a recent drop on the price of SMS, cost of accessing the internet and cost of transferring money.

To attract and retain customers MPSPs have currently embarked on promotional prices. Zain launched a promotion on May 14th 2010 where its subscribers can enjoy calling at Kshs. 3 to all Zain to Zain calls and Kshs. 6 to other networks from 6.00 p.m. to 6.00 a.m. Safaricom on its Super Ongea tariff is charging between Kshs. 0.80 to Kshs. 8 to all Safaricom calls depending on time and location Orange introduced 8-4-1 tariff charging

Kshs.8 to all other network. Kshs.4 to call Orange mobile, orange wireless and Telcom fixed and Kshs. 1.00 with Kshs. 100 bundle registration within the network. YU network charges four shillings per minute within the network and Kshs 6 per minute to other networks.

Government has increasingly called on MPSPs to lower tariff charges in order to increase usage of mobile phones. The recent introduction of Communication and Information Regulation (2010) on tariffs will enable the CCK to regulate the tariffs charged by MPSPs. With the licensing cell phone number portability (NPSP) that will enable the consumer to change the service provider without losing their favorite phone number, hence tying customers on one network due to switching costs of loosing contact after changing MPSP(s) will not be possible. NPSP will boost the level of competition in mobile telecommunication market and enhance customer choice. The recent variation in prices across the networks has made some mobile phone subscribers to be having multiple SIM cards and handset. Analysts predicts in future, for MPSPs to attract, retain and develop loyal customers, tariff charges may become the major determinant (Gakuru, 2010)

There are various studies done in the field of pricing. Gitari (2006), conducted a study on consumer perception on tariff plan offered by mobile telephone service providers in Nairobi. Wandera, (2008) identified factors that influences brand loyalty to mobile phone service providers in Kenya. Among these studies, none of them has examined the effectiveness of pricing in enforcing brand loyalty in mobile phone industry especially in rural areas.

This study will try to answer the following research questions:

1. What is the customers' awareness level of the prices charged by their cell phone service providers on various services they enjoy?
2. What is the effectiveness of pricing strategy in creating brand loyalty among of cell phones users?

1.3 Objectives of the study

1. To determine the level of customers' awareness of the prices charged by cell phone service providers) on various services they enjoy.
2. Establish the effectiveness of pricing strategy used by cell phone service providers) in creating brand loyalty.

1.4 Significance of the study

This study is significant to the academicians in that it adds more knowledge in evaluating the extent to which pricing can create brand loyalty. It will provide secondary data to those interested to pursue a study in the same field.

This study will be very important to the mobile phones service providers company as they continue indulging in price wars with their rivals in the industry. Pricing brings revenue to the firm. Increasing or reducing the price of a product has great implication to the profits of the firm. They will be able to identify the most appropriate pricing method that may enable them win the confidence of their customers and create loyal subscribers.

Similarly, the study will be important to the government officials particularly the CCK as they implement Kenya Information and Communications (Tariff) Regulations, 2010 and regulating number portability service provider(s) (NPSP).

1.5 Scope of the study

This study will involve people using mobile phone services in 01- Kalou location. It will be limited to the prices charged on the services offered by MPSPs through mobile phones only. These will include voice calls, short message services, mobile money transfer and mobile internet connectivity. I intend to acquire data from approximately 200 residences in Ol-Kalou location in Nyandarua district. The respondent must be eighteen years and above. This age group that can make a rational decision when choosing the appropriate mobile phone service provider.

CHAPTER TWO: LITERATURE REVIEW

2.1.1. Pricing

Lovelock and Wirtz. (2001) price is the value inherent in payment when obtaining goods and services. It is central to marketing in that it facilitates exchange of value between the firm and the customers. According to Clarke at el, (1996) price is an opportunity cost - what is given up in exchange of goods or services bought. Price is what one pays to enjoy a product either goods or senices that is the quantity of payment or compensation of obtaining or using a product. It may be inform of rent, fee, fares, rates, interest, toll, premium, wages and salaries, commission, tuition, retainer, dues and taxes (Kotler and Keller. 2006).

Price is one element of the marketing mix that produces revenue, the other elements produces cost. Price is perhaps the easiest element in the marketing program to adjust when responding to the competitive forces (Kotler and Keller, 2006). Pricing can be adjusted depending on various factors like time, type of customers and place of delivery, level of demand and the available capacity (Lovelock and Wirtz, 2001).

Price has been the major determinant of customers' choice. In fact, consumers used price cues to define worth of the product (Engel et al, 1991). Some consumers' perception of product quality varies directly with the price (Stanton et al, 1994). Price dictates the customer preference depending on the affordability of the product. Price cues influences customer perception. Small packs and installments buying enable customers to purchase expensive products and services. Price remains one of the most important elements in determining market share and profitability of the firm (Kotler and Keller, 2006).

Internet based technology are actually changing the rules of the market. Continued use of E-Commerce enables the customer to get instant price comparison from thousands of venders, state the price one want to pay for the product and access products with price offers. Sellers monitor customer behavior and tailor their offers to individual customer depending on their bargain. Both customer and the seller can negotiate prices in online auctions and exchanges (Kotler and Keller, 2006).

2.1.2. Pricing strategies

Pricing strategy refers to the methods and the procedures followed by the firm when setting prices to achieve a certain predetermined objective (Munroe and Kent, 2003). When setting prices, factors relating to pricing objective, cost of production, distribution and selling cost and the relative prices of the competitors are important determinants of optimal pricing strategy (Keller. 1998). A good pricing strategy should identify a price that covers all the cost of production and make the product competitive in the market (Porter, 1985).

Pricing strategies are derived from pricing objective(s) of the firm. Pricing objectives are goals that give direction to the pricing process. Pricing objectives are determined by the overall financial marketing and strategic objectives of the company, the objective of the product or brand; consumer price elasticity and price points; and the available resources (Pride and Ferrell, 1997). According to Kotler and Keller. (2006). the firm may price its product or service depending on various internal and external market conditions, cost of production the level of output, level and the prices of the competitors, legal restrictions, Cost of distribution and marketing among many other factors.

Stanton et al, (1994) further divided pricing objectives into three broad classes. They include profit-oriented objectives, sales-oriented objectives and status quo oriented objectives. Other authors identified other additional objectives like; avoid government investigation and intervention, enhance the image of the firm brand or product, obtain or maintain the loyalty and enthusiasm of distributors and the sales personnel, enhance the image of the firm brand or product, be perceived as fair to customers and potential customers, discourage competitors from cutting prices, use price to make product visible, social, ethical, or ideological objectives, and get competitive advantage

There are various pricing strategies a firm can use when setting the prices. They include: Mark-up pricing; a firm set the price by adding a standard mark-up to the production cost (Kotler and Keller. 2006). In most cases, mark-up is calculated as a percentage of cost of production and distribution. It reflects expectation about operating cost, risks and stock-

turnover (Pride and Farrell, 1997).Target-retum pricing: Firm determines the price that would yield the desired rate on investment. The selling price of a product is calculated to produce a particular rate of return on investment for a specific volume of production. Target pricing is not tied to the demand of the product such that if entire volume is not sold, a company might sustain an overall budgetary loss on the product. (Mc Carthy and Pereault, 1993).

Match competitors' prices or going rate pricing. Firm's sets prices to match the prevailing prices in the market already set by the competitors. It is the simplest method and it avoids vicious price wars among firms in the industry'. The firms tend to use other non-pricing competitive approach to attract customers and to increase the size of the customer (Stanton et al, 1994). Competition -based pricing is a strategy of setting the price based more on competitors' price than the cost and the revenue of the firm (Pride and Ferrell, 1997). The firm set the price with assumption that the product has high price elasticity and cross elasticity and there no expectation that the demand of the product will rise (Wasson, 1987).

Perceived value pricing; some firms price their products based on its value proposition and product perceived value. Effective use of marketing-mix element like market communication including advertising can create perceived value on a product. Perceived value includes several elements like buyer's image on the product performance, channels deliverables, warranty quality, customer support, and softer attributes such as supplier's reputation, trustworthiness and esteem. Each customer place different weights on these elements with the results some will be price buyers, others will be value buyers and others loyal buyers. Different strategies are required for different types of groups. For price-buyers, companies need to offer stripped down products and reduced services. For value-buyers, companies must keep on innovating new values and aggressively reaffirming their value. For loyal-buyers, companies must invest in relation building and customer intimacy (Kotler and Keller, 2006).

Prestige pricing or Premium pricing is the practice of keeping the price of a product or a service artificially high in order to encourage favorable perception among buyers (Pride and Farrell, 1997). Prices are set at artificially high level to provide prestige or quality image. The firm tends to have products characterized by high level of perceived quality, taste and status with the price just high enough not to be out of consumer reach. By combining quality, luxury and premium prices firms can create a loyal customer base (Engel et al, 1991). There are assumption that expensive items enjoy an exceptional reputation or represent exceptional quality and distinction. Its applicable to luxurious or superior good (Christopher and Young. 2002).

Value pricing is strategy that enables the firm to win loyal customers by charging low price for high quality offering. The objective of value pricing is to uncover the right blend of product quality and cost and set prices that fully satisfy the needs and wants of consumers and the profit target of the firms (Keller, 1998). Firms may set prices just to remain in business especially when there is overcapacity, intense competition, or changing consumers' wants and taste. This is known as survival strategy. It is a short-term solution since companies are only able to recover some variable costs and some fixed cost (Stanton et al, 1994).

Auction-type pricing, the bidders set the price. The highest bidder takes the product at a fall of the hammer (Kotler and Keller, 2006). This method is common on prestigious products, dispose excess inventory, souvenir, second hand items or items whose value cannot be ascertained precisely among others. There are various methods of auctioning. Ascending or English auction where the seller puts the item and bidders raises offer price until the top price is reached. Dutch or descending auction; the auctioneer announces a high price and slowly reduces until the bidder accept the price. Seal-bid auction, the prospects are invited to place their bids in enclosed envelop and one cannot know what others have bid (Kotler and Keller, 2006).

Relationship based pricing (RBP) is a new concept of pricing and billing framework that help the business to cut through their product silos and enable customer centric pricing.

Customers are priced based on the value of business they conducts with the organizatioa Key hallmark of RBP is the freedom to include Customer Specific Parameters for pricing. This enables the business to reward clients through specific pricing and reward programs (Rust, 2004). Firms may set prices just to remain in business especially when there is overcapacity, intense competition, or changing consumers' wants and taste. This is known as survival strategy. It is a short-term solution since companies are only able to recover some variable costs and some fixed cost (Stanton et al, 1994).

Psychological pricing is a marketing practice based on the theory that certain prices have a psychological impact. Retail prices are often expressed as "odd prices e.g. ending with numbers like 9 and 5. According to a study published in the marketing bulleting journal (1997), 60% of advertising materials in United Kingdom ended in digit 9, 30% digit 5, 7% digit 0 and the remaining seven digits accounted for only slightly over 3%.
Geographical pricing strategy, company decides how to price their products depending on the location of the customers or countries. Firms may charge customers far away high prices to cover the costs associated with the distant (Kotler and Keller, 2006). It reflects the costs of shipping to different location may include Free on Board Price, uniform delivery pricing or zone pricing (Nagle, at el, 1997).

Price skimming or creaming is a pricing strategy in which a marketer initially set a relatively high price for a product or service, then lowers the price over time. It is also referred to as riding down the demand curve. The objective of a price skimming strategy is to generate much needed initial cash flow to help offset sizeable development cost and captures the consumer surplus. It is most appropriate at introductory stage of the product life cycle (Pride and Ferrell. 1997). Price skimming may result to negative publicity if the firm lowers the price too fast without any significant changes in product. The early purchasers feel to have been ripped off. This negative sentiment can be transferred to the brand and the company as whole. It also attracts competition into the industry (Nagle, 1997).

Penetration pricing is the pricing technique of setting relatively low initial entry price, below the price of competing brand to attract new customers and generate large units of sales volime (Pride and Ferrell, 1997). It works well when the market is price elastic and it is associated with increasing sales volume and market share. Market penetration price can create goodwill among the early adopters segment. This can create more trade through word of mouth. However, low price set may dictate price expectation of the product in the future. Some claim the penetration pricing attracts only switchers (bargain limiters) and they switch away as soon as price rises (Monroe, 2003).

Cost - plus pricing strategy, the firm sets its prices by adding on a certain percentage of profit on the cost of productioa The strategy is the simplest but has some flaws because it does not take into consideration account of demand and there is no way of determining if the potential customers will purchase the product (Ward, 1998). Cost-plus pricing is most appropriate in construction and manufacturing industry, or when inflation is too high (Pride and Ferrell, 1997). Absorption pricing is a method of pricing in which all costs of productioa administration, and marketing are recovered. This price of the product includes the variable cost of each item plus a proportionate amount of the fixed cost. It is a form of cost plus pricing (Nagle, at el, 1997).

Limit pricing is price set by monopolist to discourage potential competitors' entry into a market. It is illegal in many countries. Limit pricing is the price that the entrant would face upon entering as long as the incumbent firm did decrease output (Carlton and Perloff 2005). The limit price is often lower than the average cost of production or just low enough to make entrant into the industry unprofitable. Predatory pricing is the practice of selling a product or a service at a very low price with intention of driving the competitors out of the market, or create barrier to entry for potential new competitors. If competitors or potential competitors cannot sustain equal or lower prices without losing money, they go out of the business or choose not to enter the business. In many countries, predatory pricing is anti-competitive (Guiltiman and Gregory, 1996).

Everyday low price (EDLP) is a pricing strategy promising consumers a low price without the need of waiting for sale price events in future. EDLP is believed to generate shopper loyalty and it's relatively cheap for the business in the long run. Saves the retailers time, effort and expenses of periodic price markdowns, and saves the manufacturers the cost of processing and distributing coupons. Various studies conducted shows that it is believed to generate shopper loyalty (Hoch at al, 1994).High-low price is pricing strategy adopted by firms where the firm charges high price and sell the product to the customers by giving discounts, coupons or through clearance of sale (Hoch at al, 1994).

Contribution Margin based pricing is the pricing strategy that maximizes the profit derived from an individual product based on the difference between the product price and the v ariable cost margin contribution per unit. Contribution per unit is multiplied by the number of units expected to be sold at that price to arrive at operating income or the products contribution to the total profit of the firm. Variable costs are all cost that would change with changes in sales, for example raw materials, direct labour and commission sales. Fixed costs are not included. The firms profit will be equal to total contribution to profit less the fixed cost.

Marginal cost pricing is setting the price of a product equal the extra cost of producing an extra unit of output. The producer charges for each product unit sold, only the additional total cost resulting from materials and direct cost. Business use the pricing strategy when sales are poor (Monroe, 2003). Maintain price leadership. Price leadership exists in the in oligopoly where the dominant firm sets the price while other firms follow (Tirole and Jean, 1988). The most reliable firm emerges as the best barometer of the market condition and its price is believed to be the most satisfactory. This situation is common in petroleum industry.

Dynamic pricing is a pricing strategy made possible by development of information technology where the company can adjust the prices online corresponding to the customers' willingness to pay. It largely depends on data gathered online from customer

according to where they live, what they buy, how much they have spent on past purchases. It includes - Time base pricing - charging different rates on a given product or service based on time, day and month. Dynamic pricing could help to increase the volume of repeat buying indicating strengthening and retaining existing customers and leading to reduced attrition rate. It could also increase margin sales, brand awareness and enhances customer relations (Nagle et al, 1997).

Differentiated pricing is initiated to accommodate differences in customers, product and location It includes price discrimination where company sells a product or a service at two or more prices that do not reflect a proportional difference in costs. It includes first-degree discrimination where a firm charges different price to different customers depending to intensity to his or her demand; second-degree discrimination, the seller charges less to customers who buy larger value. Third degree price discrimination the seller charges different amount to different classes of buyers. Differentiated pricing may also be based on customers-segment pricing, product-form pricing, image pricing, channel pricing, location pricing and time pricing (Kotler and Armstrong, 1996).

Promotional pricing are short-term price incentives to customers to encourage trial of a new product or to stimulate demand of the existing product. It is referred to as offering customer deal. The most commonly used price incentives are cent-off and coupons promotion (Engel et al. 1991). Also includes loss leader or price leader pricing where a firm may lower the price of a well-known brand to stimulate additional customers to the store. Special events pricing is usually initiated periodically or seasonally (Pride and Ferrell, 1997). Cash rebates, low-interest financing, longer payment terms, warranties and service contract and psychological discount are also part of promotional prices technique (Kotler and Keller. 2006). Mc Marthy and Pereault (1993) identified various allowances that which can be offered to the suppliers and the channel distributors of the products. They include advertising allowances, stock allowances (slotting). Push money (prize money) and Trade-in allowances.

The objective of price incentives is to increase sales. The best results are achieved when the rate of re-purchase is low due to low preference it the product, high prices, or low brand loyalty. Price deals are likely to succeed when they are used infrequently and at wide spaced intervals, when the brand is relatively new, when deals are not used as substitute of advertising, and if the manufacturers does dot use it to force retailers to stock their product in hope of offsetting acceptance of the prices of the competing brands (Engeletal. 1991).

2.1 J. Importance of pricing in enforcing brand loyalty

Pricing communicates the quality of the product. Shoppers make price-quality judgments particularly when they lack other information about product quality (Stanton et al, 1994). Brand price is related to benefits that the brand provides. A price that is too high in relation to the benefits, will undercut the product or the service value-proposition, as brands are not evaluated independent of price. A brand seen as over-priced by customers is not rewarded even if there is a clear and meaningful benefit (Aaker, 1996). Price shows worthiness of the product (Lovelock and Wirtz, 2001). Consumers may combine their perceptions the quality of the product with the perception of the price to arrive at assessment of its perceived value (Keller, 1998). Value is the ratio of perceived benefits to price and any other related cost. It indicates that the product has the amount of benefit consumer expects from it at a particular price level (Stanton et al, 1994). According to Engel et al (1991), Price may also communicate the quality of the product. High price may denote high quality and low price may communicate poor quality (case of beer drinkers).

According to Aaker, (1996), price can define the competitive-set of the product: a high relative price signals a high quality or premium position, and a low relative price signals a low-quality or low value position. Price reduction may reduce brand equity of highly priced brand. Reducing the price may make the customers suspicious and question the quality of the brand. This erodes the customer loyalty. Value price makes the brand competitive as price points are used as positioning cues (Aaker, 1996). Price also communicates to the market the company intended value positioning of its product

(Kotler, 2006). Pricing policy creates associations in consumer mind to relevant price tiers or level for the brand in the category (Keller, 1998). Price helps in market positioning of the product or a service. Super-premium segments defined by highly priced products whereas regular price is squarely for low-end market. (Engel et al, 1991).

Prices influences consumers' choice. Price oriented customers (transactional buyers) value and buy products and, or services depending on the prices (Kotler and Keller. 2006). Customers are attracted to buy products with the lowest price. Aaker (1996) agrees that one of the major problems in building brand loyalty is pressure to compete on price. He urged that the key success factors of the firm are to reduce the cost hence resulting to lower prices. He views sales promotion as both a driver and indicator of the price focus.

Price can act as barrier to entry to the competitors in the industry. Predatory pricing and limit pricing may discourage other firms into the industry. This will force the customers to rely on one firm. Similarly, marginal pricing strategy struck out the firms that have high cost of production (Guiltinan and Gregory, 1996). Value pricing creates loyal customer base. Value pricing is adopted due to slow growth of disposable income among customers and increased competition in the market. Aim of value pricing strategy is to understand how much value customers perceive in the brand, and to what extent they will pay a premium over product cost and ensure the firm maintains its customer (Keller, 1998). Firms should build strategies for retaining valued customers, even to the extent of not charging maximum feasible amount on a given transaction. After all customer perception on price gouging does not build trust. Yield management systems can be programmed to incorporate loyalty multipliers for regular customers so that reservation systems can give them special treatment status at peak time even when they are not paying premium rates (Lovelock and Wirtz, 2001).

Price only element in the marketing mixes that is easy to adjust. Price can be adjusted depending on various situations. If a competitor launches a threat by lowering the prices of their products, the firm can react spontaneously by lowing its price or coming up with

promotional prices or cent-off prices (Gitomer, 1998). Prices like promotional prices influences customers to buy a product. Reducing the product price is one way of the business can sweeten the deal. Providing premiums which can be free, discounted prices, or when a product is offered as an incentive of buying another product can greatly influence the customers to purchase the product (Blackwell et al, 2006).

Pricing plays a great role in attracting and retention of customers during the product life cycle; Wasson (1987) argued that at introductory stage, the firm can charge cost-plus price to take advantage of their new inventions if there no other competitor in the market. At growth stage, firms should charge the prices that would enable them penetrate into the market. At maturity stage, price charged should match or beat those of the competitors and at decline stage; the firm can cut its prices.

According to wall street journal (1989) - Americans buying survey- found that most low-income customers switch brands for most of the products they use, unlike people with high incomes. Marketers speculates that more affluent people tend to live more pressured lives and do not have time to research for other products as long as they believe they buy highest quality product at reasonable price. This is a clear indication there is a great relationship between price, brand loyalty and individual disposable income.

2.2.1 Brand loyalty

Oliver (1995) defines brand loyalty as 'A deep held commitment to re-buy or re-patronize a preferred product or service in the future despite situational influences and marketing efforts of having the potential to cause switch behavior. It is consumers' conscious or unconscious decisions expressed by intention or behavior to repurchase a brand continually. Brand loyalty consists of a consumer's commitment to repurchase the brand and can be demonstrated by repeated buying of products or a service and other possible behaviors such as word of month advocacy (Aaker, 2000). Pride and Ferrell (1997) define customer loyalty as customer's favorable attitude towards specific brand.

Brand -customer relationship can be based upon a value proposition. A person may be loyal because the product or service delivers at a fair price the functional concept of reliability, emotional benefit of feeling secure, self-expressive benefit or being a symbol of self-concept (Aaker 1996). High brand loyalty results from delivering high customer value. A company must design a competitive superior value preposition aimed at a specific market segment backed-up by superior value-delivery system in order to create customer loyalty (Kotler and Keller. 2006). Loyal customers have very high involvement when buying and re-purchasing the brand. They have high degree of perceived personal importance and relevancy accompanying a brand within a certain situation and context. Hence, a person has little motivation to switch brands due to promotional messages. High level of involvement depends on perceived risks, social sanctions and ego related factors (Nagleetal, 1997).

For a business to flourish, it must have loyalty customers. For customers to be loyal, they must have deep commitment to a particular brand that firm produce (Aaker, 1996).
For the company to succeed they need to have clients that have company's brand as friends (Parasuraman et al, 1985) There are few if any business can survive without establishing loyal customers. Further research shows companies cannot maintain market shares with unique features alone since competitors can easily copy them. Sustainable market share growth can be achieved through loyal customers and excellent service (Christopher, 2002).

2.2.2. Brand Loyalty and brand equity.

Brand equity is a set of assets (and liabilities) linked to brand name and symbol that adds to (or subtract from) the value provided by the product or a serv ice to a firm and or that firm's customers. The major asset categories include the brand name, brand loyalty, perceived quality and brand association (Aaker. 2000). Kotler and Armstrong (1996) defined Brand Equity as the value of a brand based on the extent to which it has high brand loyalty, name awareness, perceived qualities, strong brand association and other assets such as patents, trademarks and channel relationship.

Building and properly managing brand Equity has become essential for most companies. More and more companies have already realized that brand equity is one of the most valuable intangible assets. Maintaining and enhancing the strength of a company brands has therefore become an important management concern (Keller and Lemann. 2006).
One characteristic of a brand with great deal of equity is that the consumers feel much loyal to the brand (Keller. 1998).

.Analysts argue behind a very powerful brand, stands a set of loyal customer (Kotler and Keller, 2006) hence, the basic asset underlying brand equity is customer loyalty which is the major factor of customer equity. Customer equity determines the value of the company since it shows the real value of its customers in terms of the future revenue (Rust et al, 2004). Rust et al (2004) distinguished the three drivers of customers' equity as value equity, brand equity and retention equity. According to Blatterg et al (2002) customer equity is driven by acquisition of prospective customers, retention and add-on selling ability to increase customers spending on a product.

2.2.3 Brand loyalty and satisfaction

Satisfaction is a person feeling of pleasure or disappointment resulting from the product perceived performance in relation to his or her expectation (Kotler and Keller, 2006). The customers can be dissatisfied if performance falls short of expectation or delight (very satisfied) if performance matches the expectation or surpass the expectation. There is a great relationship between brand loyalty and customer satisfaction. Studies show a

satisfied customer has high probability a making repetitive purchase as compared to dissatisfied customer (Schiffman and Kanuk. 1991). As long as customer derive satisfaction from the product consumption, they are likely to continue buying it (Keller, 1998). Loyalty is an outcome of satisfaction (Engel et al, 1991). Dissatisfied customers drive customers away and is a key factor in switching behavior. Highly satisfied or even delighted customers are more likely to become loyal customers (Lovelock and Wirtz, 1996).

According to Schiffman and Kanuk (1991), there is relationship between the level of customer satisfaction and customer repetitive behavior of buying a product Completely satisfied customer becomes loyalists and keeps on buying the product. The delighted customer is an apostle who provides very positive word of mouth to others. Mercenaries are satisfied customers have no real loyalty to the company, and may defect to other competing brands because of lower prices or on impulse buying. Hostages are customers who stay in the company due to monopolistic environment or low prices. Defectors are neutral or merely satisfied customer .They defect to any competitors brand where they belief their product can satisfy them more. Terrorists are customers who had negative experience with the company and spread negative word of mouth.

Lovelock and Wirtz (1996) came up with three loyalty zones. Zone of defectors, which comprises of dissatisfied customers. They switch to other competing brands unless the switching cost is high or there is no viable or convenient alternative. Zone of indifference; these are customers are neither satisfied nor dissatisfied and. zone of affection, which comprises of very loyal customers who are satisfied. Satisfaction is the key customer retention. Highly satisfied customers are likely to be loyal to the product, satisfied customer is likely to switch to competitors, and dissatisfied customers are likely to abandon the product and even bad-mouth it (McCarthy and Pereault, 1993).

2.2.4 Brand loyalty and decision-making

Most of us cope with life by doing everything we can to establish routines and habits .If our choices prove satisfactory we do not make other choices unless circumstances change. Hence, satisfactory choices make a routine that ultimately leads to a habit. Loyalty is a habit that is difficult to change. Once a person recognizes a need, the internal search into memory leads directly to the intention to repeat the previous choice without further deliberations (Engel et al, 1991).

The level of loyalty depends on decision making process .Customers who conduct Extended Problem Solving (EPS) search and analysis for information have high chances of repeating purchases than customer who conduct little or no search for information. Similarly, the customer with low degree of involvement and little commitment to the product can easily switch to other substitutes. Degree of involvement depends on personal factors like self-image, health, beauty and physical condition; product factors like physical, psychological, and financial and performance risk; and situational factors like perception of difference among the alternatives, time availability and consumer mood (Engel et al, 2006). Hence, where there is high degree of involvement, customers conduct Extended Problem Solving search for information If the above factors are satisfied, the customer will re-purchase the product leading to brand loyalty.

2.2.5 Brand Loyalty and price

Pride and Farrell (1997) identified pricing as one of the factor that affect the brand loyalty together with quality, past experience, how well the brand is known and personal recommendation to others. Brand loyalty occurs because consumers perceive the product offers the right product features, image or level of quality at the right price (Aaker, 1991). Consumers offer trust and loyalty with the implicit understanding that the brand will behave in a certain way, to provide the utility through consistent product performance, appropriate pricing promotion, distribution and action. (Keller 1998).

Consumers - Delivered Value (CDV) is deriv ed from comparing Total Customer Value (TCV) and Total Customer Cost (TCC). Total Customer Value (TCV) is measured by various determinants like product value, serv ice value, personal value and image value. Total Customer Cost (TCC) determinants include monetary cost, time cost, energy cost and psychic cost. TCC is customer bundle of cost incurred; TCV is the bundle of benefits perceived (monetary, functional and psychological benefits). Marketers can increase CDV by reducing the TCC and adding the total customer value or benefits. By reducing the prices, or improving the quality and the perfonnance of the product while the price remains constant, the TCC is reduced and CDV increased. This lead to greater satisfaction, brand preference and brand loyalty (Kotler & Keller 2006).

2.2.6 Creating and Maintaining Brand Loyalty

To create brand loyalty, advertisers must break consumers habits help them to acquire new habits and reinforce those habits by reminding consumers of the value purchasing those products in future (Ndeti, 2007). According to Kotler (1994), to achieve brand loyalty, product must go beyond achieving visibility and differentiation. The should develop deep relationships with customers and the brand should become a meaningful part of the customer life and or self-concept.

Christopher (2002), gave a process of loyalty building inform of a ladder whereby a customer has to be converted into a client then to a supporter, an advocate and ultimately into a partner. Customers are becoming more and more knowledgeable, their taste, preferences, choices and quality expectations continues to change and these exerts pressure on organizations which seek to meet there ever changing customers needs and build their success on long-term-customer relationship (Kotler and Keller, 2006)

To create and maintain brand loyalty, companies reduce value gap by aligning brand value with customer value. Marketers should put more emphasis on both brand image and brand perfonnance for customer satisfaction. For customer satisfaction, brand value (the price, psychological attachment, expressive image and functional benefits) is the key to maintaining of customer loyalty (Maklen and Knoz, 1998).

Marketers need to select, create loyal customers and maintain them. They should build a solid foundation of loyal customers by attracting the right customers, developing appropriate products and programs that deliver high level of satisfaction. The firm should then develop a close bond with customers by giving them loyal rewards like financial services tiers recognition, among others and subsequently maintain its customers by reducing churn drivers (Lovelock and Wirtz. 1996).

Switching cost is the cost associated with changing from the use of one product or service provider to another (Blattberg et al, 2002)). Switching cost includes investments of time, money or effort perceived by customers as factors that makes it difficult to purchase from different firms (Guiltinan, 1989). According to Farrell and KJemperer, (1987), a consumer faces switching cost when an investment specific to his current product or supplier must be duplicated for a new product or supplier. For example, in changing mobile phone service provider, one has to communicate to fiiends, relatives and business associates, buying a new handset if the previous one was tied to particular operator, psychological, equipment, financial, emotional, among other costs. By increasing switching cost, marketers are able to tie customers to their products.

Loyalty programs are designed to create, build and maintain brand loyalty. Studies show reward programs using loyal cards, discounts, coupons, premiums and newsletter impact incremental purchases and they are most effective (Schiffman and Kanuk, 1991). However, according to Engel et al (2006), loyalty programs try to motivate repeat buying by providing rewards to consumers based to how much business they do with the company. Reward programs offers both financial non financial incentives on frequent buyers or based on value of purchase, or both creates basic level of customer bond.

Berry and Parasuraman. (1995) identified three retention building approach involved adding structural ties. They argued customer relationship management (CRM), adding social benefits and adding financial benefits like lower prices , maintain price but improve quality or quantity, or give discounts and allowances can assist the company to

retain customers. Aaker, (1991) outlined basic rules which if followed would create a loyal customer base for a marketer. Treat customers right by fostering positive interactions with the customers which includes being polite, responsive and respectful to the customers. Stay close to the customers by developing a strong customer relationship culture to be aware of their feelings. Measuring and managing customer's satisfaction. Survey on customer satisfaction should be conducted regularly, comprehensively and timely to give intended result. Creating switching cost list to make it hard for a customer to shift to the other brands. Providing extras such as loyalty programs, non- financial rewards like appreciation and recognition. Brand loyalty can be lost if it's taken for granted .The key to maintain market share is to be committed to continued innovation coupled with some wisdom and extensive market research. Maintaining advertising level in relation to competitor is strongly advisable (Engel et al, 1991).

2.2.7 Importance of brand loyalty

In-today low-growth and highly competitive market place, retaining brand loyal customer is crucial for surv ival (Mwangi, 2006). Keeping a customer a more efficient strategy then attracting new customers (Blackwell et al, 2006). Loyal customers are willing to pay higher prices for the product and may cost less to serve and maintain them than to bring new customers to the firm. Acquiring new customers can cost five times the cost involved in satisfying and retaining current customers. Customer profit rate tend to increase over the life of the retained customer (Griffins, 1995). Organizations should estimate the value of existing customers reducing defectioa By reducing defections by 5%, a firm can increase the profit by between 25% to 85% depending on the industry. According to research, it can result to an increase in profit by 85% banks, 50% in an insurance brokerage and 30% in an Auto-service chain (Reichhdd, 1996).

Brand loyalty helps to reduce marketing cost. Brand loyalists are less sensitive to competitive promotion. It costs four to six times as much to attract a new customer as it does to retain an old one (Aaker, 1991). Loyal customers play a role of advocacy. These helps to generate brand awareness. They market the product free of charge by speaking well about the product (Webster, 1994). Brand loyalty is one of the many advantages of

creating a positive brand image and manifestation of having brand equity (Keller, 1998). Highly satisfied customers are more likely to become loyal apostles of a firm and spread positive word of mouth hence attracting customers (Lovelock and Wirtz, 1996).

Satisfied customers provide assurance to prospective customers. Loyal customers provide an image of the brand as acceptable (Aaker. 1991). Loyal customers are less sensitive to increase in prices and will be willing to pay more for their preferred brand since they perceive unique value in the brand than other alternatives cannot provide. The firm can be able to charge premium price for the product (Aaker, 1996). Loyal customers are willing to pay higher prices for the product and may cost less to serve and maintain them than to bring new customers to the firm (Fredrick and Sasser, 1990). Brand with high loyalty levels have trade leverage. It can get preferred shelf space and stocking since the stores know customers will have such brands on their shopping list (Aaker, 1991).

If the customers are end consumers, brand loyalty is linked to brand equity. Greater brand loyalty leads to less vulnerability to competitive marketing actions and enables the firm to have enough time to respond to the Competitive threats. Loyal customers do not just move quickly to the superior competitors offer (Aaker, 1991).Brand loyals represents a substantial entry barrier to competitors because many resources may be required to entice customers them to switch to their products. Loyalty is the greatest marketer's asset because it erects barriers against the competitors (Engel, 1991). According to Porter (1995), loyal customers act as barrier to entry for a new firm because they must develop their own distinctive competence to differentiate their product in some ways in order to compete successfully.

Brand loyalty assures the company regular and predictable future cash flows. Customers are less susceptible to competitive activities. It enables marketers to maintain a comfortable and lasting position in the market place. As a relative rare and illimitable asset, customer loyalty represents a significant barrier to competition and makes firms cash flow less vulnerable (Gitari, 2006).

2.2.8 Levels of Brand Loyalty

Kotler and Keller (2006) divided customers into four groups depending on their loyalty status. Hard-core loyal are very loyal consumers who buy only one brand all the time. Split loyal is consumers who are loyal to two to three brands. Shifting loyal are consumers who shift loyalty from one brand to the other. Switchers show no loyalty to any brand. Every group requires its unique marketing technique. Company selling in a market dominated by shifting loyalist and switchers my rely more on price-cutting.

Evans (1997) gave five different categories of brand loyalty. They include undivided loyalty, brand loyalty - Occasional switch, change - brand loyalty switch, divided loyalty and brand indifference that includes customers purchase with no apparent repurchase patterns. It's the opposite extreme of undivided brand loyalty.

Aaker, (2000) identified five levels of brand loyalty. Non-loyal buyers are customers who are completely indifferent to the brand. They buy products for convenience and brand name plays no role in their purchase decision. Habitual buyers are buyers who are satisfied with the brand or at least not dissatisfied. They are vulnerable to competition because they are difficult to reach, for there is no reason for them not to look out for alternatives. Satisfied buyers with switching cost loyal; switching costs can be inform of time, money or performance risk associated with switching Friends of the brand or likes the brand are category of customers whose preference may be based on associations like symbol, set of use experiences or high perceived quality. Committed customers are customers who have pride of discovery or being users of the brand. The brand is very important to them either functionally or as an expression of who they are. They recommend the brand to others since they have confidence in the brand.

D. A. Aaker. (1996) outlined customers into five classes including; Non-customers they who buy competitors brands or are not product class users. Price switchers are price sensitive customers. They buy the product with the lowest price. Passive loyal who buy out of habit rather than reason. Fence sitters are different between two or more brands.

Committed customers are loyal core customers. Pride and Farrell (1997) identified the three levels of the brand loyalty as: Recognition: customer awareness that the brand exist and it's an alternative to purchase. Brand preference; degree of brand loyalty in which a customer prefer a brand to the competing offerings. Brand insistence: degree of brand loyalty in which the customer strongly prefers a specific brand and will accept no substitute. Customers may repurchase a brand due to situational constraints such of viable alternatives or out of convenience .Such; loyalty is referred to as 'spurious loyalty' and can easily be lost to competitors (Oliver, 1999).

2.2.9 Brand Loyalty measurement

Brand loyalty is measured in behavioral sense through the number of repeated purchase especially in the competitive market where there are substitutes (Keller 1998). Loyalty is monitored by considering the actual purchase patterns like percentage rate of repurchasing a product or a service by existing customers.

Brand loyalty can also be measured using loyalty construct like switching cost, satisfaction, liking and commitment (Aaker. 1991). There is a great relationship between loyalty and satisfactioa Most of the satisfied customers are bound to be loyal to the organizations unlike those who are dissatisfied (Aaker, 1997). Satisfaction can be scaled from highly dissatisfaction to highly satisfied using 5-point differential scale (Schiffman and Kanuk, 1991). Measuring customer satisfaction should be done through regular, timely and comprehensive manner. It should be incorporated in day-to-day management to maintain high-level customer satisfaction (Aaker, 1991). Consumer satisfaction is determined by various factors like product performance, consumption feelings and expectations. The more favorable the product performance, the greater the satisfaction and the more the consumer is willing to continue buying the product (Engel et al, 2006). Richard Oliver's expectancy disconfirmation model states that satisfaction depends on comparison of pre-purchase expectations to consumption outcomes. If the product delivers negative expectations consumers rejects it or become extremely upset. Satisfaction can be measured using direct questions about loyalty like 'Are you loyal to this brand?' Do you mostly buy because of price? According to Aaker (1996),

satisfaction can also be measured using experience related questions like " Are you satisfied with the product?" Does the product meet you expectations?

Switching cost is defined as investment foregone to buy and use the new brand and the risk involved in change of a product or supplier. If the switching cost is high, the rate of loyalty attrition is low. Due to these costs, the consumer can assume if the current system is working; even if there are problems, there is always a risk that the new systems will be worse (Farrcll and Klempcrer, 2004).

Liking of the brand is the way of measuring brand loyalty. Marketers are able to finding out if there are feelings of respect and friendship towards the firm or brand. Liking can be scaled in variety of ways such as respect, friendship, trust and reflecting additional price that consumers would be willing to pay to obtain their brand (Aaker, 1997). Customers commitment level to the brand can be monitored through the amount of interaction and communication involved with the product. Is it something that customers like to talk about with others? How is the brand important to the customer in terms of his activities and personality? (Aaker, 1997).Price premium is the basis indicator of loyalty. It indicate the additional amount a customer is willing to pay for the brand in comparison with another brand offering similar or fewer benefits (Aaker, 1996).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

In studying the effectiveness of pricing strategy on brand loyalty in cell phone industry, descriptive research design is the most appropriate. The study involves the relationship between two measurable variables that is the pricing strategy and brand loyalty. According to Copper and Schinder (2003), a study concerns with findings out who. what, which and how a phenomenon is a descriptive study. Previous study on pricing strategy and brand loyalty have successfully used this design in the past Mukiri (2001), Wambugu, (2002) and Ndole (2006).

3.2 Population.

Population of interest of this study comprises of cell phone users in 01- Kalou location. 01- Kalou location is located in Central province in the former Nyandarua district. Currently, it is in Ol-Kalou district. The location has five sub-locations that include:-01-Kalou. Kaimbaga, Munyeki, Rurii and Mawingu. There are 49,938 people living in this area and 1091 homestead by May 2010 (Ol-Kalou Chiefs Office, 2010). Preliminary survey shows that in every homestead there is at least one person using mobile phone. The study focuses on this area due to ease of access to cell phone users and mixture all of all income classes. The users have access to all four cell phone networks licensed in Kenya.

3.3 Sampling.

The study was conducted on 200 cell phone users in 01- Kalou location. The questionnaire was given to one respondent per homestead randomly. They were distributed to the five sub-locations proportionally to the number of homesteads. Ol-Kalou sub-location which has 321 homesteads was given 58 questionnaires, Kaimbaga with 257 homestead 47 questionnaires, Munyeki with 264 homesteads 49 questionnaires, Rurii with 136 homesteads 25 questionnaires and Mawingu with 112 homesteads 21 questionnaires. The homesteads were chosen by random sampling technique using random numbers.

3.4 Data Collection.

Primary data was collected by use structured questionnaires which was administered by the researcher or researcher assistant. The questionnaire was div ided into three sections. Section A contains questions on background information of the respondent. Section B contain questions that will gauge the level of customers awareness of price (tariffs) charged by MPSPs on various serv ices they enjoys. Section C questions attempts to determine the effectiveness of pricing strategy on brand loyalty among the ccll phones users in Ol-Kalou Location.

3.5 Data Analysis

The questionnaire was edited for completeness and consistence. The data was coded and checked for any errors and omission (Churchill, 1991). The data was analyzed using descriptive analysis tools and Procedures within statistical package for social services (SPSS). Data in section A was analyzed using frequencies and percentages to summarize the information profile of the respondent. Data in section B & C was analyzed using descriptive quantitative tools like mean, standard deviation, correlation coefficient, frequencies, percentages and chi-square.

CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND PRESENTATION OF THE FINDINGS

4.1 Introduction

This chapter deals with data analysis, interpretation and presentation of the findings. It's subdivided into various sub-topics to ease presentation of the findings. Data is presented using the table. Various descriptive data analysis method like mean, percentages, frequencies and mode have been used to interpret the data and to establish relationships between the variables. Frequency tables have been used to present the data. The major variables of the study are pricing strategies and brand loyalty among cell phone users in 01- Kalou Location, Nyandarua County in Kenya. It summarizes the results of the objectives that were being tested by the researcher in the entire research work.

4.2 Response rate

200 questionnaires were issued to the respondents. 156 questionnaires were returned fully completed. 6 questionnaires were incomplete and 38 questionnaires were never returned. The response rate was 78%, 3% returned incomplete questionnaires while 19% did not return the questionnaires as shown in table 4.1 below.

Table 4.1: Response Rate

Response rate	Frequency	Percentage	Cumulative percentage
Number of respondents	156	78	78
Incomplete questionnaires	6	3	81
Questionnaires not returned	38	19	100
Total	200	100	

43 Respondent demographics

43.1 Gender

From table 4.2.1 below, most of the respondents were male with 51.5%, followed by female with 47% and 1.5% of the respondents did not fill the gender section in the questionnaire. This shows that there are more male than the female who participated in the study.

Table 4.2.1: Analysis of Gender

Gender	Frequency	Percentages	Cumulative percentage
Male	80	51.5	51.5
Female	73	47.0	18.5
Ignored	3	1.5	100
Total	156	100	

4.3.2 Age of the respondents

The study focused on respondents above eighteen years. Most of the respondents were between 26 years and 45 years aggregating to 75%. 55 years and above were the least with 7.2% followed by age-group between 18 to 25 years at 28% as shown in table 4.2.2 below.

Table 4.2.2: Age of the respondents

Age in (years)	Frequency	Percentage	Cumulative percentages
18- 25	28	17.8	17.8
26- 30	57	36.2	54
30- 45	61	38.8	93
55- Above	11	07.2	100
Total	156	100.0	

43.3 Level of education

Most respondents have acquired formal education. 36% have acquired college or university level of education, 51% secondary school level, 21% primary school level while only 5% had no formal educatioa As shown in figure 4.2.3 below, 74% of the respondents had secondary level and tertiary level of educatioa

Table 4.2.3: Level of Education

Level of education	frequency	Percentage	Cumulative percentage
College/ university	36	23	23
Secondary school	80	51	74
Primary school	33	21	95
No formal education	7	5	100
Total	156	100	

4.3.4 Income levels of respondents

84% of the respondents earn below Kshs. 120,000 per year (Kshs. 10, 000 per month), 37% earns between Kshs. 120000- Kshs. 600.000 per year (Kshs. 10.000- Kshs 50,000 per month), 23% between Kshs.600,000 - Kshs. 960,000 per year, 9% between Kshs. 960.000- Kshs 1,200.000 per year while only 3% earns above Kshs. 1, 200,000 per year (Kshs. 100,000 per month) as shown on table 4.2.4 below.

Table 4.2.4: Level of Income per annum in Kenya Shillings

Income level per year	Frequency	Percentage	Cumulative percentage
Below 120,000	84	53	53
120,000-600,000	37	24	77
600.000-960,000	23	15	92
960.000-1,200,000	9	6	98
Above 1,200,000	3	2	100
Total	156	100	

4.4 Cell phone subscription

4.4.1 Rate of change of cell phone serv ice providers

From table 4.3.1 below, 39.1% of the respondent had subscribed to Safaricom and 36.5% to Zain as their first mobile phone service providers at the time of acquiring their first cell phone(s), while only 12.8% subscribed to Orange and 11.6% to Yu.

Table 4.3.1: The first mobile phone provider

	Frequency	Percent	Cumulative Percent
Safaricom	61	39.1	39.1
Zain	57	36.5	75.6
Orange	20	12.8	88.4
Yu	18	11.6	100
Total	156	100.0	

4.4.2 Change of cell phone serv ice provider

55.5% of the subscribers have changed their cell phone service providers and 43.5% have remained loyal to their original service providers) as shown in table 4.3.2 below.

Table 4.3.2: Rate of change of mobile phone service provider

	Frequency	Percent	Cumulative Percent
yes	87	55.5	56.1
No	68	43.5	100.0
Total	156	100.0	
Total	156	100.0	

4.4.3 The direction of shift

From analysis of first cell phone service provider the respondent had subscribed to (figure 4.3.1), in relation to current mobile phone service provider in table 4.3.3 below, there is a great shift in the subscription. Safaricom has the largest subscription of 55.8% from 39.1%. Zain subscription has reduced from of 36.5% to the 18.2%. Yu subscription has increased from 11.6% to 14.1% and orange subscription has fallen to 10.9% from 12.8%.

Table 4.3.3: Current mobile phone provider

		Frequency	Percent	Cumulative Percent
Valid	Safari com	87	55.8	55.8
	Zain	31	18.2	74
	YJ	20	14.1	88.1
	Orange	18	10.9	100
Total		156	100.0	

4.4.4 Reasons of shifting from one mobile phone service provider to the other

The major reason why most people shifted from one cell phone service provider to the other is tariff charges with 44.2%. Influence from friends and relatives 23.7%, Extra services provided 12.8%, network coverage 18.4% and any other reasons 0.6% as shown in table 4.3.4 below.

Table 4.3.4: The major reason for shifting from one mobile phone sen ice provider to the other

		Frequency	Percent	Cumulative Percent
Valid	Tariff charges	69	44.2	44.2
	Influence from friends, relatives	37	23.7	67.9
	Extra services provided	20	12.8	80.7
	Net work coverage	16	18.4	99.1
	I do not know	5	0.3	99.4
	Any other reason	9	0.6	100
Total		156	100.00	

4.5 Services used by the subscribers and awareness of the prices charged on the **services**

4.5.1 Services used by subscribers in OI- kalou Location

From the table 4.4 below, most of cell phone subscribers in Ol-Kalou location use very few features in their cell phones. All subscribers make phone calls within and across networks. 85% of the respondents use their cell phones to enquire credit balance via SMS, 82% write and read SMS and 74% use money transfer services. This shows feature phones are the most common. Use of smart phone services like internet, MMS messaging, call divert, automatic messaging, call forwarding, call barring and SMS Sokoni are least used

Table 4.4 Services used by subscribers in 01- Kalou locatoin

Services offered	Respondents using the service	Percentage of respondent using the services %
Voice call within network	156	100
Voice call to other network	156	100
SMS within network	127	82
SMS to other network	120	77
MMS messaging	23	15
SMS by Email	23	15
SMS Sokoni	0	0
Automatic Messaging	29	19
Voice mail retrieval	45	29
Customer care	77	49
Balance inquiry via SMS	133	85
Internet connectivity	39	25
Money transfer services	115	74
Advance credit borrowing	33	21
Call divert	16	10
Credit transfer	73	47

Bundle promotion	14	9
Call forwarding	3	2
Call baring	2	1.7

4.6.1 Level of awareness of the prices charged on the serv ices

From table 4.5 below, there is a clear indication that most people who use basic services provided by cell phone service providers arc aware of the prices. 75% are aware of the prices charged on balance inquiry via SMS, 71% on customer care services, 69% are aware of voice call charges, 64% on SMS and 44% on advance credit borrowing .The level of awareness on tariff charges are least (below 20%) in SMS Sokoni, money transfer services, call forwarding, SMS by Email and call barring. The average awareness level is 35.53% which is far below half.

Table 4.5: Level of awareness on prices (tariff) charged by the mobile phone providers

Services offered	I am aware of the tariff charges %	I am not aware of tariff charges %
Voice call within network	69	31
Voice call to other network	52	48
SMS within network	62	38
SMS to other network	37	63
MMS messaging	22	78
SMS by Email	19	81
SMS Sokoni	00	100
Automatic Messaging	23	77
Voice mail retrieval	24	76
Customer care	71	29
Balance inquiry via SMS	75	25
Internet connectivity	32	68
Money transfer services	13	87

Advance credit borrowing	44	56
Call divert	42	58
Credit transfer	31	69
Bundle promotion	22	78
Call forwarding	16	84
Call baring	21	79

4.6.2: Relationship between price awareness and age of the respondents

From the table 4.5.2 below, the level of price awareness among the subscribers decreases with increase in age. Subscribers between 18-25 years have the highest awareness level of 65%, followed by 26-30 years with 51%, and then 30-45 years with 19% while above 55 years has 1%.

Table 4.5.2: Relationship between price awareness and age of the respondents

Age in (years)	Frequency	Percentage
18- 25	15	65
26- 30	24	51
30- 45	16	19
55- Above	1	1

4.6.3: Relationship between price awareness and Level of Income per annum in Kenya Shillings

Table 4.5.3 below shows that the price awareness level is highest among those earning between Kshs 120,000- Kshs 600,000 per year with 51%, followed by those below Kshs 120,000 with 33%, Kshs 600,00- 960,000 29%, 960,000-1,200.000 23% and above Kshs 1.200.000 per year 2%.

Table 4.5.3: Relationship between price awareness and Level of Income per annum in Kenya Shillings

Income level per year	Frequency	Percentage
Below 120,000	26	33
120,000-600.000	19	51
600.000-960,000	5	29
960,000-1,200,000	2	23
Above 1,200,000	3	2

4.6.4: Relationship between price awareness and Level of Education

From the table 4.5.4 below there is a positive relationship between the level of price awareness and the educational background. Respondent who had acquired college/ university level of education had 73%, followed by secondary level, then primary level and lastly those without any formal education with 24%, 24%, and 14% respectively.

Table 4.5.4: Relationship between price awareness and Level of Education

Level of education	frequency	Percentage
College/ university	27	73
Secondary school	19	24
Primary school	8	24
No formal education	1	14

4.7 Factors that influence brand loyalty among subscribers

There are various factors that influence brand loyalty as shown in the table 4.6 below. These factors can be ranked from extremely important to not important at all depending on the mean as shown on the key below. The overall mean of all the factors is 3.25 and the mode is 3 showing that all the factors are important. The standard deviation of 0.02 shows that, every response was not very different from the mean across all factors.

4.7.1 Very important factors

Factors considered as very important includes network subscribed by friends and acquaintances mean of 4.33, tariff charged on voice calls with mean of 4.3. network coverage mean of 4.2, current SIM card number mean of 4.16, variety of airtime vouchers mean of 4.15, charging less than other service providers mean of 4.13, regular discounts and bonuses mean of 3.94. tariff charges on SMS mean of 3.67, and advance credit top-up mean of 3.62

4.7.2 Important factors

Factors with mean of 3 are considered as important. They include handset blocked to service provider with mean of 3.4, customer care services with mean of 3.4, contribution to the society with mean of 3.36, tariff charges across network with mean of 3.3, speed of network connections with mean of 3.12, seasonal offers with mean of 3.10, credit transfer services with mean of 3.03 loyalty programs with mean of 2.9, variety of tariffs plans with mean of 2.85, and advertisement with mean of 2.76.

4.7.3 Factors somehow important and not important

Other factors with mean of 2 and below are considered as just somehow important or not important. They include, contest and raffles with mean of 2.41. tariff charges on internet with mean of 2.17, self attachment with mean of 2.1, customized services with mean of 2.03, roaming services with mean of 2.01 and instant messages update with mean of 1.78.

Table 4.6: Reasons influencing brand loyalty in mobile phone providers in % responses

Key

5 Extremely important	4 Very Important	3 important	2 Somehow important	1 Not important at all

Factors influencing brand loyalty/ important weights	5	4	3	2	1	**Average**	**Std Deviation**
Network coverage	69	58	27	2	0	4.2	0.31
Speed of network connections	17	37	43	46	13	3.12	0.03

Tariff charges on voice calls	73	68	15	1	0	4.3	0.34
Tariff charges on SMS	24	69	54	5	4	3.67	0.03
Tariff charges on internet	4	3	45	69	35	2.17	0.32
Tariff charges across network	21	53	42	31	9	3.3	0.03
Variety of tariffs	12	38	48	31	27	2.85	0.11
Variety of airtime vouchers	61	65	23	7	0	4.15	0.3
Charges less than other serv ice providers	71	46	31	5	3	4.13	0.29
Regular discounts and bonuses	53	57	29	17	0	3.94	0.23
Seasonal offers like holidays	25	19	79	13	20	3.10	0.03
Credit transfer serv ices	19	23	74	23	17	3.03	0.05
Advance credit top up	24	61	64	3	4	3.62	0.04
Contest and raffles	3	17	49	60	27	2.41	0.25
Advertisements	4	31	64	38	19	2.76	0.14
Money transfer services	34	69	27	10	16	3.61	0.13
Roaming services	3	6	38	73	35	2.01	0.37
Availability of variety of services	46	53	19	24	14	3.6	0.13
Network subscribed by friends and acquaintances	73	47	25	7	4	4.33	0.36
Handset blocked to service provider	43	51	17	21	24	3.4	0.06
Customer-care services	19	43	62	39	3	3.4	0.06
Instant message updates	1	3	36	37	79	1.78	0.45
Loyalty programs	41	36	39	19	21	3.36	0.05
Current SIM card services	62	70	13	9	2	4.16	0.3
Self attachment	4	2	47	69	34	2.1	0.34

Customized services	3	5	41	57	46	2.03	0.37
Contribution to the soaety	13	19	81	26	17	2.9	0.09
Mean						3.25	0.9

4.8 Effectiveness of pricing strategies on brand loyalty

Table 4.7 below shows the effectiveness of pricing strategies on brand loyalty. Pricing strategies are ranked as extremely effective (5) to not effective (1) as shown in the key below. The overall average is 3. The standard deviation from the mean is 0.4. This shows there are great variations in the level of effectiveness of various pricing strategies.

4.8.1 Most effective pricing strategies

The most effective pricing strategies include charging low prices throughout without occasional promotional offers with mean of 4.37 and charging uniform price to all networks (within and to other networks) with mean of 4.2.

4.8.2 Effective pricing strategies

Pricing strategies which are effective have the mean of 3. They include charging low initial price and raising it gradually with mean of 3.6, pricing based on competitors offer with mean of 3.4, charging low price within network but high charges to other networks with mean 3.05, and charging price depending on amount of money you spend on their serv ices with a mean of 2.99.

4.8.3 Least effective pricing strategies

The least effective pricing strategies are pricing depending on the time of the day with mean of 2.22, pricing depending on geographical location with mean of 2.19, charge high price but give promotional offers occasionally with mean of 2.09, and charging initial high price and lower it gradually with mean ofl .8.

Table 4.7: Price strategies used by various mobile phone providers

Key

5. Extremely Effective	4. Most Effective	3. Effective	2. Least Effective	1. Not Effective

Pricing strategies/ Preference weights	5.	4.	3.	2.	1.	Mean	Std Deviation
Charges low initial price but raises it gradually	45	52	24	23	12	3.6	0.2
Charge high price but lower it gradually	1	3	38	36	78	1.8	0.4
Charge high price but give promotional offers occasionally	2	6	40	59	45	2.09	0.03
Charges low prices throughout without promotional offers occasionally	79	61	13	1	2	4.37	0.46
Charges price depending on amount of money you spend on their services	18	30	50	47	11	2.99	0.003
Price charges depending on the time of the day	5	10	33	75	33	2.22	0.26
Tariff charged depending on geographical location	4	3	46	68	35	2.19	0.27
Charges low price within network but high charges to other networks	18	38	44	46	10	3.05	0.17
Charges uniform price to all networks (within and to other networks)	72	50	31	2	1	4.2	0.4
Charges based on competitors offer	41	50	20	24	21	3.4	0.13
Average						3.00	0.11

4.9 Action taken if the current mobile phone service provider increases tariff **charges**

If the current mobile phone sen-ice provider increase tariff charges, then most of the subscribers would either shift to the competitor immediately or shift to the competitor after sometimes as indicated by 42% and 39% of the respondents respectively as shown in figure 4.8 below. Only 15% will be willing to pay a high tariff charges and 4% are indifferent on the appropriate action to tdce.

Table 4.8: Action taken if the current mobile phone service provider increases tariff charges

Action	Frequency	Percentage	Cumulative percentage
Shift to competitor immediately	66	42	42
Shift to competitor after sometime	61	39	81
Continue paying higher charges	23	15	96
I do not know	6	4	100
Total	156	100	

4.9.2 Level of satisfaction with the tariff charged by the current cell phone service provider(s)

Most of the respondents are not satisfied with the tariff charged by their current cell phone service providers) with 57% indicating they are not satisfied, meaning that when they can shift to competitors if they get better price offers, as shown in table 4.9 below.

Table 4.9: Level of satisfaction with the tariff charges to the subscribers

Option	Frequency	Percentage	Cumulative percentage
Yes	67	43	43
No	89	57	100
	156	100	

CHAPTER FIVE: SUMMARY, RECOMMENDATION AND CONCLUSION

5.1: Summary

Based on the results of the study, pricing strategies are key in influencing brand loyalty of cell phone subscribers in the rural areas especially Ol- Kalou location. Different cell phone service provider(s) charges different prices for the services subscribers' enjoy. Hence it is very important for mobile phone service providers to adapt appropriate pricing strategics on their products. According to Aaker (1996), price that is too high in relation to the benefits, will undercut the product or the service value-proposition, as brands are not evaluated independent of price. A brand seen as over-priced by customers is not rewarded even if there is a clear and meaningful benefit. Price shows worthiness of the product (Lovelock and Wirtz, 2001). Hence, business institutions should give priority to pricing strategy due to its influence on value proposition and customer satisfaction.

The study shows that more people have changed their mobile phone service providers due to factors like tariff charges within and to other networks, network coverage, loyalty programs, regular discounts and bonuses and influence from friends. Hence, the significance of pricing strategy to brand loyalty among cell phone users cannot be underestimated. This concur with the findings of Gitari, (2006), which showed that there is a direct relationship between prices charged by a particular of cell phone senice provider and the choice of customer subscription. From the study the most effective pricing strategies are charging low prices, charging uniform prices across all the networks and give regular discounts, bonuses and promotions.

The study can be useful to cell phone service providers when selecting pricing objectives and setting pricing strategies to capture wider market in the industry. The use of different tariffs by various cell phone service providers are indications of variety of pricing strategies aiming particular type of the market. Mobile phone companies should therefore give better prices to their customers to achieve brand loyalty. Most customers' prefers the benefits they get from a product like low communication rates within and to other networks as well as in data and internet connectivity.

From the study, more than half (63%) of the subscribers are not aware of prices charged on various services they enjoy from their cell phone service pro\iders. This factor should be considered when designing marketing programs to ensure that customers get to know the price they pay for every service they use from cell phones. This would help eliminate rumors that would influence an individual to shift from one brand to the other. Consequently, most of the subscribers in Ol-Kalou location only use the basic features of the cell phone. This includes making and receiving calls, writing and receiving text messages, checking credit balance and transferring money. Very few makes use of smart phone facilities like internet and data accessibility, Multi-media messaging, SMS sokoni, instant message updates, call forwarding, call barring and SMS by E-mail.

5.2: Conclusion

Cell phone subscribers will be loyal to the company which offers them efficient communication services at the most appropriate cost. Cell phone companies can achieve brand loyalty by providing their services at low and uniform tariffs across all networks. Cell phone service providers) needs to offer attractive incentives like regular promotions, discounts and bonuses. Loyalty programs should be used in building brand loyalty among the cell phone subscribers in the Ol-Kalou location. Other factors like network coverage, advance credit top-up, speed of connections, internet and data accessibility, variety of top-up vouchers, contribution to the society, variety of tariffs, seasonal offers like during the holidays should not be ignored. From the study, it was clear all the factors works together to give synergy to customers' satisfaction which ultimately leads to brand loyalty.

The study also shows cell phone service providers should conduct extensive market communication to create awareness' to their customers on tariff charges. There are substantial numbers of subscribers (63% of the respondents) who are not aware of the prices charged on various services they use. Consequently, most of the subscribers in Ol-Kalou location are not aware of various services provided by cell phone service

providers. More incentives should be given to subscribers to create awareness and to encourage them use the high computing services like internet and data access.

5J: Recommendations from the study

According to the study findings, the following have been recommended for the cell phone service providers in creation and retention of brand loyalty. There should be appropriate marketing strategy to ensure that customers have the knowledge of the use of the services provided and priccs chargcd on those services provided by the cell phone service providers. Reasonable tariff prices which are cheaper than those of the competitors should be established. Cell phone service providers should strive to charge lower prices with regular promotional offers like discounts and bonuses. Loyalty programs should be initiated to increase the switching costs.

Different types of tariffs plans should be introduced to take care of different type of customers primarily depending on the income levels and the needs of individual customers. Good customer-care services need to be in place to effectively respond to customers complains. Cell phone service providers should also heavily invest on good network coverage and enhance speed of network connectivity. Availability of various services which are user friendly and to greater extent customized to the needs of the users is also recommended. From the study it was clear that most low income customers appreciate variety of recharge vouchers which are affordable. All the recommendations made from the results of this study should be considered by different mobile phone providers to achieve brand loyalty in the telephony communication industry.

5.4 Limitation of the study

The study of the effectiveness of the pricing strategy on brand loyalty among cell phone subscribers in Ol-Kalou location was faced by various challenges. The study was conducted on 200 homesteads sampled out of 1091 due to expansiveness of the area and the time factor. The response rate was 78% that is 156 respondents, 6 questionnaires were returned incomplete and 38 respondents did not return their questionnaires at all. Some respondents gave misleading information and contradictory infomation. This was overcome through thorough editing of the questionnaire. The cost of administering the questionnaire and analyzing the data was also high.

5.5 Suggestion for further studies

The cell phone communication industry is very dynamic. The introduction of Nethedands porting company, establishment Kenya Information and Communication Act (2010) and sale of Zain to Bharti Airtel may bring great changes in field of cell phone telecommunication industry. I recommend that the same study can be conducted using different research methodology and also at a different area most probably in urban area.

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LETTER OF INTRODUCTION

UON

University of Nairobi

University of Nairobi,
School of Business,
P.O. Box 30197,
Nairobi.

14th July 2010.

Dear Respondent,
1 am a postgraduate student in the University of Nairobi, School of Business. I am conducting a research project on effectiveness of pricing strategy on brand loyalty among the cell phone users in 01- Kalou location. This is in partial fulfillment to the requirements of Master Degree in Business Administration.

Kindly fill the attached questionnaire to the best of your knowledge. The information you provide is required purely for academic purposes and will be treated with strict confidence.

Your assistant will be highly appreciated. Thanks in advance.

Yours Faithful,

Mwangi Timothy
VfBA student

Kinoti Mary (Mrs)
Supervisor

QUESTIONNAIRE

Section A: Background information

1. >OJIC
2. Gender: Male: { } Female { }
3. Marital status: Married { } Not married { }
4. Age bracket)
   - 18—25 years { }
   - 26—30 years { }
   - 30—45 years { }
   - 45—55 years { }
   - 55 and above { }
5. Level of education (please tick where appropriate)
   - No formal education { }
   - Primary level { }
   - Secondary level { }
   - College/university { }
6. Level of income per year (please tick where appropriate)
   - Below 120,000 { }
   - 120,000-600,000 { }
   - 600,000-960,000 { }
   - 960,000-1,200,000 { }
   - Above 1,200,000 { }
7. **Which was your first mobile phone service provider?** (please tick where appropriate)
   - Safaricom: { }
   - Zain: { }
   - Orange: { }
   - Yu: { }
8. Have your ever changed the mobile phone service provider?
   - Yes: { }
   - No: { }
9. If yes in question eight (8), please tick the major reason of shifting from one mobile phone service provider to the other.
   - Tariff charges: { }
   - Extra services provided: { }
   - Influence from friends, relatives and colleagues: { }
   - Network coverage: { }
   - I do not know: { }
   - Any other reasons, please specify
10. Which is your current mobile phone service provider(s)?
    - Safaricom: { }
    - Zain: { }
    - Orange: {)
    - Yu: { }

Section B

11. Below is a list of services provided by mobile phone service providers in Kenya. Please indicate (use tick) whether you use serv ice below and whether you are aware of the price (tariff) charged.

Service offered	I use the service	I am aware of tariff charges	I am not aware of tariff charges
Connection fee			
Voice call within the network			
Voice calls to other networks			
Voice calls on international calls			
SMS within network			
SMS to other networks			
MMS Messaging			
SMS by E-Mail			
SMS Sokoni			
Automatic messaging			
Voice mail retrieval			
Customer care			
Balance inquiry via SMS			
Balance inquiry via voice call			
Internet access			
Money transfer services			
Advance credit borrowing			
Call divert			
Credit transfer			
Bundle promotion			
Call forwarding			
Call barring			
Call waiting			

Section C

12. The table below shows a list of some of the reasons that may influence the mobile phone users to remain loyal to a particular serv ice provider. Use the scale of 1 to 5 to indicate how each reason is important is important in influencing your loyalty towards the mobile phone service provider. Please tick where appropriate.

	5. Extremely important	4 Very. Important	3. Important	2. Somehow important	1. Not important
Network coverage					
Speed of network connection					
Tariff charges on voice call within network					
Tariff charges on SMS					
Tariff charges on internet					
Tariff charges across network					
Variety of tariffs					
Variety of airtime vouchers					
Charges lower than other serv ice providers					
Regular discounts and bonuses					
Seasonal offers like during the holidays					
Credit transfer services					
Advance credit top-up					
Contest and Raffles					
Advertisements					
Money transfer services					

Roaming serv ices					
Availability of variety of services					
Network subscribed by friends, business associates and acquaintances					
Handset blocked to service provider					
Customer care services					
Response to complains					
Loyalty programs					
Variety of customized services					
Instant messages updates					
Lack of information about competitors					
Current SIM card number					
Self attachment					
Contribution to the society					

13. The table below shows a list of pricing strategies used by various mobile phone service providers. In your opinion, using a scale of 1-5 indicate extent to which you think each strategy is effective in influencing your brand loyalty as a cell phone subscriber..

Pricing strategy	Extremely Effective	Most Effective	Effective	Least Effective	Not Effective
Charge low initial price but raises it gradually					
Charge high price and lower it gradually					
Charge high price but give					

promotion offers occasionally					
Charges low prices throughout within promotional offers					
Charges prices depending on the amount of money you spend on their services					
Price changes depending on the time of the day					
Tariff charges depending on geographical location					
Charges different prices depending on tariff plan					
Charges low price within the network but high charges to other networks					
Charges uniform price to all networks (within and to other networks).					
Charges depending on competitors offer					

14. What would you do if your current mobile phone service provider(s) increase tariff charges above the competitors) or the competitor(s) lower their tariff charges below the charges of your current mobile phone service provider(s).
    a. Continue paying higher charges { }
    b. Shift to the competitors) immediately { }
    c. Shift to competitor after sometime { }
    d. I do not know { }
15. Are you satisfied with the tariff charges of your mobile phone service providers)?
    i. Yes { }
    ii. No {)

List of tariff plans as at July 2010

Supa Ongea

- Supa Ongea is Safaricom's new revolutionary tariff that dynamicaly gives subscribers discounts based on the time and their location at the time of making a call
- Subscribers will enjoy discounts of upto 90% with Supa Ongea
- The tariff is available to Safaricom PrePay subscribers only.
- Subscribers will be required to migrate to the Supa Ongea tariff is by dialling *212*5 # or by calling 212 and following the voice prompts
- Simu-ya-Jamii and Advantage Hybrid customers will not be able to migrate to Supa Ongea.

FEATURES OF THE SUPA ONGEA TARIFF	
Local Call Charges	**Ksh.**
To Safaricom	80 cts - 8.00
To other Networks	12.00
International Call Charges	**Ksh.**
Zone 1 (USA, Canada & China)	25.00
Zone 2 East Africa Including Burundi, Rwanda & Vodacom South Africa MTN Uganda, Vodacom Tanzania UTL & MTN Rwanda	30.00 18.00
Zone 3 (Europe, South Africa)	40.00
Zone 4 (Rest of the world)	50.00
SMS	**Ksh.**
Safaricom to Safaricom	3.50
To Other Networks	5.00
To International	10.00
Direct Deposit (132)	10.00

Supa Ongea Tariff - FAQs

Safari Tariff

FEATURES OF THE SAFARI TARIFF (PREPAID ROAMING)			
Standing Charges			
Connection Fee			100.00
Monthly Access Fee			N/A
Call Type		Rate	
ROAMING TARIFF		/min	/call
All figures inclusive of VAT 16% and Excise Duty 10%			
Calling			
Mobile to Safaricom	Peak Off Peak	28.50	
Mobile to Other Mobile and Local Fixed	Peak Off Peak	28.50	
Mobile to National Fixed	Peak Off Peak	28.50	

International Voice Calls

	Peak	Off Peak
Zone 1 (USA Canada & China)	25.00	
Zone 2 East Africa including Burundi, Rwanda	30.00	
MTN Uganda, Vodacom Tanzania, MTN Rwanda & UTL	18.00	
Zone 3 (Europe, South Africa)	40.00	
Zone 4 (Rest of the world)	50.00	

SMS

Sending SMS To Safaricom Mobile	3.50
Sending an SMS To Other Mobile	10.00
Receiving an SMS	0.00

GetIt	7.00
SMS to Email	7.00
Yoicemail	
Retrieval (+254 ***111*** 133133)	28.50
Retrieval (+254 ***111*** 133133)-When roaming on Other Networks	155.00
.	Based on the outgoing destination per the above Outbound Rates.
Customer Care (+254 20 4272100)	
Voice call to Safaricom Customer Care	?g so
Emergency Services (112, 911)	
Free Service	0.00
Balance Enquiry	
Via IVR	N/A
Via SMS	5.00
Balance Top-Up	
Via IVR	N/A
Via SMS	FREE

M-Pesa Transaction rates

	Min (Kshs)	Max (Kshs)	Charges
Deposit cash	100	35.000	
Send money to non-registered M-Pesa user	100 2501 5001 10001 20001	2500 5000 10000 20000 35000	75 100 175 350 400
Withdraw cash from registered M-Pesa agent	100 2501 5001 10001 20001	2500 5000 10000 20000 35000	25 45 75 145 170
withdraw cash by M-Pesa user at Pesa point	200 2501 5001 10001	2500 5000 10000 20000	30 60 100 175
Buy airtime Check balance Change PIN SIM card replacement Change of secret word Menu update Language change	20	10000	00 01 20 20 00 00 00

Transaction rates of YU

Amua Tariff: Amua- Amua Kshs. 1

Amua Tariff to other Network Kshs 6

Transaction rates of YU Cash

	Min (Kshs)	Max (Kshs)	Charges
Deposit cash	100 2501 5001 10001 20001	2500 5000 10000 20000 35000	00 00 00 00 00
Send money to registered Yu Cash user	100 2501 5001 10001 20001	2500 5000 10000 20000 35000	25 25 25 25 25
Withdraw cash from registered Yu Cash user	100 2501 5001 10001 20001	2500 5000 10000 20000 35000	20 40 65 130 150
Buy airtime Information to other transactions Check balance Check PIN Update menu Request money Invite friends Show history help	10	10000	00 00 00 00 00 00 00 00 00 00

ORANGE MOBILE

Orange Mobile Prepaid

8-4-1 Tariff

Destination	Cost (Kshs)
Other networks	8.00
Orange mobile. Orange Wireless, Telkom	4.00
5 friends with Bunda 100	1.00
SMS (Local and to other mobile network)	3.50
Data per MB	7.00

SMS/ MMS

Destination	Kshs
Orange Mobile	3.50
Orange mobile	3.50
Other mobile operators	3.50
International	10.00

Orange Mobile Prepaid Max

Postpaid Max	Kshs
Monthly fee	450
Deposit	From 5000
On net rate	4.00
Off net rate	8.00
International rate	Per international
SMS Rates	3.50
Sms rates international	10.00
Data per MB	7.00

Orange Mobile Prepaid Flex

Postpaid Max	Kshs
Monthly fee	450
Deposit	From 5000
On net rate	4.00
Off net rate	8.00
International rate	Per international
SMS Rates	3.50
Sms rates international	10.00
Data per MB	7.00

ZAIN

Vuka tariff

Zain-Zain: Kshs 6:00

Zain to other networks: Kshs 6:00

Zap Tariff Guide

Deposit money...Free

Send Money

Zap-Zap 10/-

Zap to other networks .10/-

Top-up Airtime (Zain only) .Free

Pay Bills (Zap to KPLC and DStv) Free

Withdraw money

Transaction Limit (Kshs.)		Zap to Zap	Zap to other Networks	Withdrawals at ATMS	Zap to bank account
From (Kshs.)	To (Kshs)	(Kshs)	(Kshs)	(Kshs)	(Kshs)
50	2,500	25	55	40	60
2,501	5.000	40	70	40	60
5,001	10,000	80	110	80	1.6% of transfer amount
10.001 1	35,000	160	190	160	1.6% of transfer amount

Other transaction charges

Transaction Tvpe	Fee charged on Zap
Balance check, change of nickname, change of password	1 /-
Post pd bill payment via Zap; Bank Account to Zap	Free