# RELATIONSHIP MARKETING AND CUSTOMER LOYALTY IN MOBILE TELECOMMUNICATION INDUSTRY IN NAIROBI, KENYA


**BY**

**ANNIE WANJIKU KIBEH**


**RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

**NOVEMBER, 2013**

# DECLARATION

This project is my original work and has not been presented for the award of a degree in this University or any other Institution of higher learning for examination.

Signature ………………………………… Date ……………………….

**ANNIE WANJIKU KIBEH**
**D61/63749/2011**

This project has been submitted for examination with my approval as the University Supervisor.

Signature ………………………………… Date ………………

**DR. MARY KINOTI**
University of Nairobi

# DEDICATION

This project is dedicated to my family for their love, care, support and encouragement.

# ACKNOWLEDGEMENT

I wish to express my humble gratitude to God for His abundance grace and for good health throughout my studies and for bringing me this far. I sincerely thank the lecturers and the academic staff in the School of Business of the University of Nairobi and especially my supervisor Dr Mary Kinoti for her valued advice, constant guidance and most of all for her patience and understanding. I also thank in a big way my two children Ndungu and Shiru, and my dear parents, for their prayers, love, care, and encouragement throughout my study period. Special thanks to my very dear Paty for selflessly supporting me in all ways and for believing in my capabilities. For sure you are God given. Charity Nguru I thank you for encouraging me to go back to school and for sure you helped me make a wise decision. Although it has not been possible to mention by name all those people that helped me in one way or another to make my work a success, to you all I say thank you and God Bless you abundantly.

# ABSTRACT

Relationship marketing is a strategy designed to promote customer loyalty, interaction and long-term engagement with customers by providing them with information directly suited to their needs and interests and by promoting open communication. The broad objective of the study was to analyze the relationship between customer relationship marketing and customer loyalty in the mobile telecommunication industry in Kenya. The study employed a descriptive survey as its research design because very large samples are feasible, making the results statistically significant even when analyzing multiple variables. The population of interest comprised individuals who obtain services from the four mobile telecommunication companies in Kenya. A sample size of 384 respondents was utilized. The study used stratified sampling technique. With a target sample of 384 respondents, a sample distribution per each company was based on the percentage market share of each company. This study collected primary data from customers of the organizations selected using a questionnaire to collect the data. Descriptive statistics technique was used to analyze the quantitative data. The study found that, the quality of a service is subjectively perceived by customers during the interactions with a firm and has critical impact on customers' evaluation of service quality. The study also found that effective communication of pricing policies as well as flexible pricing for various services offered play a great role in customer loyalty. The study further concluded that a positive brand image makes it easier for a firm to convey its brand value to consumers and also generates favorable customer loyalty among people. This study recommends that businesses operating in an intensely price based competitive environment, dependent on high economies of scale and with low levels of staff-customer interaction are bound to suffer shocks in their market positions and profitability unless huge investments are made in more relational strategies like building trust, commitment, communication and satisfaction .

## TABLE OF CONTENTS

# LIST OF TABLES

# LIST OF FIGURES

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

As the competitive environment becomes more turbulent, the most important issue the sellers face is no longer to provide excellent, good quality products or services, but also to keep loyal customers who will contribute long-term profit to organizations (Tseng, 2007). To compete in such competitive and interactive marketplace, marketers are forced to look beyond the traditional 4Ps of marketing strategy for achieving competitive advantage. Therefore, relationship marketing among other marketing strategies has become an alternative means for organizations to build strong, ongoing associations with their customers (Andaleeb, 2006).The development of relationship marketing has received a lot of attention in both academy and practice areas in the last few decades. It was during the last decade of the 20th century that relationship marketing began to dominate the marketing field (Egan, 2001). During this period, relationship marketing became a major trend in marketing and management of business applied and practiced by many all over the world.

Relationship marketing is a strategy designed to promote customer loyalty, interaction and long-term engagement with customers by providing them with information directly suited to their needs and interests and by promoting open communication. This approach often results in increased word-of-mouth activity, repeat business and a willingness on the customer’s part to provide information to the organization (Peng and Wang, 2006). Buyers and sellers in markets achieve mutual benefits through developing relationships.

Relationship marketing tactics are thus approaches to apply relationship marketing in practice (Tseng, 2007). Effective customer-oriented relationship marketing tactics may help marketers to acquire customers, keep customers, and maximize customer profitability, and finally build up customer loyalty.

The telecommunication industry is one of the most important industries in the world since it delivers voice communications, data, graphics, and video at ever increasing speeds. Telecommunication influences the world economy and the telecommunication industry's revenue was estimated to be $1.2 trillion in 2006. The competition is also becoming more and sharper. In order to obtain sustainable competitive advantage, telecommunication firms are forced to make innovation and do the best for customer satisfaction. Due to this, customer relationship marketing plays an important role in telecommunication industry. It demands a relationship-oriented strategy in marketing (Grönroos, 2004).

### 1.1.1 Concept of Customer Relationship Marketing

Customer Relationship Marketing (CRM) "is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit. It is grounded on high-quality customer data and enabled by IT" (Buttle, 2004). CRM is a business strategy to identify, cultivate, and maintain long-term profitable customer relationships. It requires developing a method to select your most profitable customer relationships (or those with the most potential) and working to provide those customers with service quality that exceeds their expectations (McDonald, 2002). CRM is the strategic process of identifying desirable customer segments, micro-segments or individual customers on a one-to –one basis and developing integrated programmes that maximise both value to the customer and the lifetime value of customers to the organization through targeted customer acquisition, profit enhancing activities and retention (Cook, 2011)

One of the results of CRM is the promotion of customer loyalty (Evans & Laskin, 2008), which is considered to be a relational phenomenon, (Chow & Holden, 1997; Sheth & Parvatiyar, 1995). The benefits of customer loyalty to a provider of either services or products are numerous, and thus organizations are eager to secure as significant a loyal customer base as possible (Gefen, 2009; Reinartz & Kumar, 2003; Rowley & Dawes, 2000). Recent developments in Internet technology have given the Internet a new role to facilitate the link between CRM and customer loyalty (Body and Limayem, 2004).

The fundamental reason for companies aspiring to build relationships with customers is economic and to ensure survival in the global market, both small and big companies are paying special attention to the customer, who has become highly sophisticated, educated, confident and informed (Cook, 2011). As CRM reaches into many parts of the business, it has been suggested that organisations should adopt a holistic approach which places CRM at the heart of the organisation with customer orientated business processes and the integration of CRM systems (Girishankar (2009). Holistic approaches to CRM help organisations coordinate and effectively maintain the growth of disparate customer contact points or channels of communication. According to Newell (2009) CRM is a useful tool in terms of identifying the right customer groups and for helping to decide which customers to jettison. For Newell, jettisoning customers is necessary because of the high-maintenance, high cost involved in maintaining such relationships and the subsequent drain on an organisation's profitability.

### 1.1.2 Concept of Customer Loyalty.

Loyalty is a desire to retain a valuable or important relationship (Morgan *et al* 2004; Moorman *et al.* 2005). That way the establishment of loyalty is predetermined by the importance of relevant relationship or selection. Weiss (2001) points out three aspects that may increase the importance of the relationship: Strategic importance of a product, High risks involved in the transaction or Costs incurred by cancellation of contracts.

Customer loyalty has several importances. Loyalty is defined as building and sustaining a trusted relationship with customers that leads to the customers' repeated purchases of products or services over a given period of time (Lam, Shankar, Erramilli, and Murthy, 2004). Customer loyalty, in general, increases profit and growth to the extent that increasing the percentage of loyal customers by as little as 5% can increase profitability by as much as 30% to 85%, depending upon the industry involved (Gefen, 2009). Loyal customers are typically willing to pay a higher price and are more understanding when something goes wrong. It has also been found that loyal customers are less price sensitive and lower costs are incurred by providers as the expense of pursuing new customers is reduced (Rowley and Dawes, 2000).

The presence of a loyal customer base provides the firm with valuable time to respond to competitive actions (Rowley and Dawes, 2000). According to Frederick Reichheld, creating a loyalty base requires a radical departure from the traditional business thinking.

It puts creating customer value rather than maximizing profits and shareholder value at the centre of business strategy and demands significant changes in business practice (Harvard business review). Customers demonstrate their loyalty in several ways. They may choose to stay with a provider, whether this continuance is defined as a relationship or not, or they may increase the number of, or the frequency of, their purchases (Rowley and Dawes, 2000).

Trustworthiness of the partner is a factor that has certain impact on the establishment of loyalty – nobody expects a long-term relation with a partner that cannot be trusted. Trustworthiness is one criterion for measuring the value of the partner. (Doney et al. 1997) Spekman (1988) calls trust a cornerstone of the strategic partnership. Morgan and Hunt (1994: 22) say that trust is a major determinant of relationship commitment: brand trust leads to brand loyalty because trust creates exchange relationships that are highly valued. Chauduri and Holbrook (2001) have showed that brand trust is directly related to both purchase and attitudinal loyalty. Many authors have accented that trust is important in conditions of uncertainty (Moorman *et al.* 1992; Doney *et al.* 1997; Dwyer *et al.* 1987; Morgan *et al.* 1994). Uncertainty may be caused by dependence or large choice: people tend then to prefer popular or familiar brands or partners.

### 1.1.3 The Mobile Telecommunication Industry in Nairobi Kenya.

The demand for mobile phones in East Africa in the last few years has been more than most people expected and continues to expand. Operators have traditionally targeted urban areas, but it is the demand from rural and low income areas that have exceeded all expectations. The use of phones has already become part of African culture. As urban markets become saturated, the next generation of phone users will be rural based, and they will be using mobile phones.

In African countries alone Kenya included, and according to the Communications Commission of Kenya (CCK), mobile phone usage has grown an average of 65 percent a year for the past five years. This is twice the rate of growth in Asian countries. In Kenya, the growth rate is even higher. Statistics indicate that Kenya has more than 18 million subscribers, up from 6.5million in the year 2006 (Nokia, 2010). Penetration of mobile telephony in Kenya, like many other developing countries, is mainly driven by affordability and innovation.

Although Safaricom Limited remains the market leader, its market share has also been hit to reflect a drop from 80.7 per cent recorded in June 2010 to 68.6 per cent. In the same year, Airtel's market share was 9.1 per cent rising to 15.2 per cent in December, partly due to the price war advantage. However, this went down to 14.3 per cent in June 2011 (Emmanuel, 2011). In June 2010, Essar's Yu had higher market share of 7.4 per cent than Orange Kenya's 2.7 per cent. Essar's market share has since gone down to 6.3 per cent as at June this 2011, while Orange's market share increased to 10.8 per cent. Currently, Safaricom Limited is the only operator making profits, while the rest – Airtel Kenya, Telkom Kenya's Orange, and Essar's yu are yet to break even. Safaricom Limited recently increased its call tariffs, due to what it blamed on high cost of operations (Emmanuel, 2011). According to Kenyan Economic report of (2012), the number of mobile users in Nairobi as 2.4 million with, Essar's Yu with market share of 6.3 per cent , Orange Kenya's 10.8 per cent Airtel Kenya, 22.9% and Safaricom 60% (Economic report 2012).

## 1.2 Research Problem

An Effective CRM has become a strategic imperative for companies in virtually every business sector. Companies are moving closer to their customers, expanding more effort in finding new ways to create value for their customers and transforming the customer relationship into one of solution finding and partnering rather than one of selling and order taking (Szming 2003).

The focus of most CRM systems according to Xu & Yen et al. (2002) is to aid in the understanding of customers. This can be achieved by warehousing collected data about many different customers. Thus, forecasts can be made, of both customer's future buying trends as well as individual customer behavior. These systems can, according to Rigby (2003) be used to tailor to the needs of each individual customers. This customer relationship management in turn boosts customer satisfaction and loyalty. Confronted with the fierce competition in today telecommunication marketplace, there have been many marketing strategies for service providers to plan and implement. However, consumers are disturbed by a number of marketing activities ranging from aggressive sales tactics, telemarketing, direct mail, doorstep selling, radio advertisement, TV advertisement, and internet promotion to customer loyalty programmes (Peng and Wang, 2006).

According to the Communications Commission of Kenya (CCK), mobile phone usage has grown an average of 65 percent a year for the past five years. This is twice the rate of growth in Asian countries. In Kenya, the growth rate is even higher. According to Kenyan Economic report of (2012), the number of mobile users in Nairobi as 2.4 million with, Essar's Yu with market share of 6.3 per cent, Orange Kenya's 10.8 per cent Airtel Kenya, 22.9% and Safaricom 60% (Economic report 2012). In order to obtain sustainable competitive advantage, mobile telecommunication firms are forced to be highly innovative and to do their best to ensure customer satisfaction. Customer relationship marketing plays an important role in mobile telecommunication industry as a result of demands of a relationship-oriented strategy in marketing.

Locally, various Scholars have reviewed the concept of customer relationship in different contexts. Muturi (2004) researched on factors that determine customer loyalty to a mobile phone service provider the case of mobile phone users in Nairobi and found out that the major factor are service quality, price indifference and perceived value. Tanui (2007) conducted a survey of customer loyalty programs applied by petrol stations in Nairobi and found that the main factors that contributed to customer loyalty to their products were attractiveness of the brand personality and perceived quality while Mungai (2008) studied the factors that determine customer loyalty the case of the port of Mombasa and found out that Customer Satisfaction, perceived quality and brand loyalty were the main determinant.

Taking into consideration the preceding discussion and the subsequent benefits that can be obtained from customer loyalty and CRM, little research has been conducted to obtain a better understanding of customer relationship management and customer loyalty in mobile telecommunication industry. Thus the study aims to answer the following research question; what is the relationship between customer relationship marketing and customer loyalty in mobile telecommunication industry in Kenya.

## 1.3 Research Objective

The broad objective of the study was to analyze the relationship between customer relationship marketing and customer loyalty in the mobile telecommunication industry in Kenya.

### 1.3.1 Specific Objectives

i. To determine the Customer Relationship marketing practices in the mobile telecommunication industry in Kenya

ii. To determine the level of customer loyalty in the mobile telecommunication industry in Kenya

iii. To examine the relationship between Customer Relationship marketing and customer loyalty in the mobile telecommunication industry in Kenya

## 1.4 Value of the Study

The study focuses on the topic of customer relationship marketing and customer loyalty, in this regard; scholars in this area will use this study as a form of reference. In addition, researchers will be able to gain additional knowledge from the study given that it is focusing on the mobile telecommunication industry.

Customer Relationship marketing (CRM) has become a strategic imperative for all companies as its effective implementation can increase customer satisfaction, loyalty and retention and so, overall sales and repeat purchases. The research results will provide assistance to telecommunication companies' management to better satisfy its customers, respond to their needs efficiently and on timely manners.

Further, adopting CRM would be the platform for building a good partnership with customers which consequently leads to services development and improvement. Moreover, other public sector enterprises could benefit from the study (parastatals, Ministries, etc); as this study would highlight the importance of building a good relation with customers which could result in performance improvements and better decision making process.

# CHAPTER TWO: LITERATURE REVIEW

## 2.1 Introduction

This chapter presents the past or previous studies that have been done on Relationship Marketing. The chapter is hence broken down into relationship marketing, relationship marketing practices, customer loyalty and lastly relationship marketing and customer loyalty.

## 2.2 Theoretical Foundation

A theoretical basis that explains the relationship between customer loyalty and service quality, customer satisfaction and value was drawn from the social exchange theory. The theory attempts to explain the nature of the relationships between service quality, perceived value, satisfaction and loyalty. The theoretical model adopted for this study was derived from the social exchange theory (Homans, 1958), which posits that all human relationships are formed by the use of cost-benefit analysis and comparisons of alternatives. Homans suggested that when an individual perceives the cost of a relationship outweighs the perceived benefits, then the person will choose to leave the relationship. The theory further states that persons that give much to others try to get much from them, and persons that get much from others are under pressure to give much to them. The social exchange relationships between two parties develop through a series of mutual exchanges that yield a pattern of reciprocal obligations to each party. Social exchange theory indicates that individuals are willing to maintain relationships because of the expectation that to do so will be rewarding. Individuals voluntarily sacrifice their self- benefits and contribute these benefits to other individuals with the expectation for more future gains. Thibaut and Kelly (1959) propose that whether an individual retains a relationship with another one depends on the comparison of current relationship, past experience and potential alternatives. The constant comparison of social and economic outcomes between a series of interactions with current partners and available alternatives determines the degree of an individual's commitment to the current relationship.

The theory is appropriate for this study because service encounters can be viewed as social exchanges with the interaction between service provider and customer being a crucial component of satisfaction and providing a strong reason for continuing a relationship (Barnes, 2007). Social exchange theory attempts to account for the development, growth and even dissolution of social as well as business relationships. In other words, people (or business firms) evaluate their reward - cost ratio when deciding whether or not to maintain a relationship. Rewards and costs have been defined in terms of interpersonal (e.g. liking, familiarity, influence), personal (gratification linked to self esteem, ego, personality) and situational factors (aspects of the psychological environment such as a relationship formed to accomplish some task). In a services context, considering the level of interpersonal contact needed to produce services, there is a range of psychological, relational and financial considerations that might act as a disincentive for a hypothetic change of service providers.

## 2.3 Relationship Marketing

During the last decade of the 20th century, relationship marketing has been seen as the mainstream of thought in planning a marketing strategy both in industrial marketing and consumer marketing (Tseng, 2007). According to Morgan and Hunt (1994), relationship marketing is defined as all the marketing activities that are designed to establishing, developing, and maintaining successful relational relationship with customers.

Hougaard and Bjerre (2009,) also defined relationship marketing as "company behavior with the purpose of establishing, maintaining and developing competitive and profitable customer relationship to the benefit of both parties". Wulf et al. (2008) suggested that different levels of relationship duration would result in different levels of consumption experience, producing different results, satisfaction and loyalty with different relationship marketing tactics. Compared with traditional marketing, relationship marketing is more concerned about building customer relationships in order to achieve long-term mutual benefits for all parties involved in the exchanges. Relationship marketing essentially means developing customers as partners, where the approach is different from traditional transaction (Bowen and Shoemaker, 2003).

Another view of RM is that it deals with the analysis, planning, realization and control of measures that initiate, stabilize, intensify and reactivate business relationships with the corporation's stakeholders (mainly customers) and the creation of mutual value (Bruhn, 2003). In other words, RM is about mutually beneficial relationships between customers and service providers. In the exchange process, its economic nature is manifested in goods, services, delivery systems, financial solutions, material administration and the transfer of information (Gilbert and Choi, 2003).

Gummerson (1994) explains that the building of relationships is the key to reaching and maintaining a successful market share. Gummerson defines the benefits as retention whereby learning relevant information about the customers such as; names, habits, preferences and expectations one-on-one relations can be formed and customers can be kept coming back continuously; maybe even become friends. Also through the use of IT a feeling of intimacy can be created with the customer as no matter whom they come in contact with, they “know” them. The major benefit being that once the relationship has taken form increased profits can be attained by both parties adapting better to each other.

Zeng, Weng & Yen (2003) describe the characteristics of well working CRM as: increased customer satisfaction. Through the use of smart I.T. CRM can provide instant service responses based on customer inputs and requirements. Also by automatically analyzing the customer’s purchases & previous history, trends and estimations of future buying behavior can be made.

Since the final purpose of relationship marketing is to gain the maximal value of a customer, customer loyalty should be emphasized to achieve this goal. The benefits of relationship marketing derive from the continuing patronage of loyal customers who as a partnership are not sensitive to price cut over time (Bowen and Shoemaker, 2003). Interdependence, mutual cooperation and commitment between supplier and customer tend to be essential in relationship marketing, as such whole relationship is viewed as the key to competitive advantage (Hougaard and Bjerre, 2009).

## 2.4 Relationship Marketing Practices

There have been various ways for marketers to implement relationship marketing practices, which are expected to have impact on customer retention and loyalty. Bansal, Taylor and James (2005) suggested that relationship marketing practices can be executed through service quality, price perception, value offered, alternative attractiveness, and so on. Tseng (2007) discussed that tactics as direct mail, tangible rewards, interpersonal communication, preferential treatment and membership which could enhance long-term relationship and increase relationship satisfaction, trust and commitment. Peng and Wang (2006) also examined the application of relationship tactics in service quality, reputation (brand), price perception, value offers. Based on the early theories, certain relationship marketing practices which are considered of importance in service industry, such as service quality, price perception, value offers and brand image, will be focused in the following parts.

*Service* is different from physical products. Compared with physical products, Service is thought to be intangible, heterogeneous, produced and consumed simultaneously, unable to be kept in stock, etc. A widely accepted definition of *service* is proposed by Grönroos as: “A service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems" (Grönroos, 2004, p.46).

High service quality is regarded as a key to succeed in competitive service markets. Many researchers have showed that service quality perceived by customers will directly influence customers' satisfaction, as well as their trust in the service firm (Aydin and Özer, 2005; Ismail et al., 2006; etc.). Customers might be satisfied when a firm provides better services than their pre-purchase expectations.

Price is the monetary cost for a customer to buy products or services. It is the critical determinant that influences customer buying decision. Customers usually select their service providers strongly relying on perceived price. How much consumers are willing to pay differs due to their different needs and wants. Thus, the price perceptions to the same service products may differ among individuals. Higher pricing perceived by consumers might negatively influence their purchase probabilities (Peng and Wang, 2006). Many researchers have pointed out that price perception influences customer satisfaction and trust (Peng and Wang, 2006; Cheng et al., 2008; Kim et al., 2008). Customer often switches mainly due to some pricing issues, e.g. high price perceived, unfair or deceptive pricing practices (Peng and Wang, 2006). Therefore, in order to increase customer satisfaction, it is essential for service firms to actively manage their customers' price perceptions, e.g. carrying out attractive pricing, offering reasonable prices mix, lower prices without decreasing quality, etc.

Brand concept has been frequently discussed in marketing literatures. Brand building is not only an important driving force for marketing physical products, it is also a vital issue for service firms. *Brand image* was defined by Keller (1993) as the "perceptions about a brand as reflected by the brand associations held in consumers' memory." It is thought as the perception or mental picture of a brand formed and held in customers' mind, through customers' response, whether rational or emotional (Dobni and Zinkhan, 1990). The concept of relationship marketing within services displays the importance of one-to-one relationships between businesses and customers as well as relationships between consumers and the brands (O'Loughlin, Szmigin, and Turnbull, 2004). The development of a brand relationship with customers is based on a series of brand contacts experienced by customers (Grönroos, 2004).

Customers will judge the value of consumption after contrasting benefits gained from products and services with their costs (Zeithaml, 2008). Service firms provide superior value through enhanced offers which can improve customer satisfaction by increasing the customer's perceived benefits and reducing the sacrifice so that customer retention is improved. It is clear that companies which execute certain value-adding strategies can increase customer's perceived benefits and reducing customer's perceived sacrifices, which in turn stimulate customer repurchasing activities and remain in the same service provider. In a long-term relationship, customer perceived value offered is related to both episodes and expectations (Grönroos , 2004).

In mobile telecommunication sector, it is essential for operators to offer something valuable to customers in service interaction process, such as reward, refund activities and promotional offers, in order to gain customer satisfaction and trust, which consequently enhance customer loyalty.

## 2.5 Customer Loyalty

Loyalty is defined as a deeply held commitment to re-buy and re-patronize a preferred product or service in the future despite situational influences and marketing efforts having the potential to cause switching behaviour (Kumar et al, 2006). On the same note Shoemaker and Lewis (1999) argues that loyalty occurs when the customer feels that the firm and its products and services can best meet his/her relevant needs that competitors are virtually excluded from the consideration set. According to Novo (2002) loyalty to a customer is the tendency to choose one business or a product over another.

The concept of customer loyalty often used in the literature incorporates behavioral and attitudinal measures. Loyalty is also defined as building and sustaining a trusted relationship with customers that leads to the customers' repeated purchases of products or services over a given period of time (Lau and Lee, 1999). Customer loyalty, in general, increases profit and growth to the extent that increasing the percentage of loyal customers by as little as 5% can increase profitability by as much as 30% to 85%, depending upon the industry involved (Ganesh et al, 2000). Loyal customers are typically willing to pay a higher price and more understand when something goes wrong.

Approaches to study of customer loyalty fall into three broad categories namely; Behavioral approach which examines the customers continuity of past purchases, then measures customer loyalty by rate of purchase, frequency of purchase and possibility of purchase. Secondly, Attitudinal approach, which infers customer loyalty from psychological involvement, favoritism and a sense of good will towards a particular product or service and thirdly, integrated approach, which takes account of both the two approaches in order to create its own concept of brand loyalty (Lau and Lee, 1999). One can conclusively say that for brand loyalty to exist consumers exhibit certain behavior towards the brand. This behavior reflects some degree of attachment to the brand, repeat purchase, possible attitude towards the brand and some level of commitment towards the brand.

Customer loyalty is the most important goal of implementing relationship marketing activities. Oliver (2007, p.392) defined customer loyalty as a “deeply held commitment to rebury or repatronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior” .

Customers are the driving force for profitable growth and customer loyalty can lead to profitability (Hayes, 2008). For a customer, loyalty is a positive attitude and behavior related to the level of re-purchasing commitment to a brand in the future (Chu, 2009). Loyal customers are less likely to switch to a competitor solely because of price, and they even make more purchases than non-loyal customers (Bowen and Shoemaker, 2003). Loyal customers are also considered to be the most important assets of a company (Blackton, 1995). It is thus essential for vendors to keep loyal customers who will contribute long-term profit to the business organizations (Tseng, 2007). Attempt to make existing customers increase their purchases is one way to strengthen the financial growth of a company (Hayes, 2008).

There are evidences suggesting that stronger relationship commitment leads to buyers' repeat patronage. Wulf et al. (2001) defined the construct of behavioural loyalty as a composite measure based on a consumer's purchasing frequency and amount spent at a retailer compared with the amount spent at other retailers from whom the consumer buys. Morgan and Hunt (1994) found significant relationships between the level of a buyer's relationship commitment and his acquiescence, propensity to leave, and cooperation, all of which can be regarded as behavioural outcomes of relationships.

## 2.6 Measurement of customer loyalty

Three groups of studies reflect both the major approaches to defining and/or measuring customer loyalty and the limitation of these approaches. These three groups are: (1) loyalty as repeat purchase behavior (e.g., Liljander and Strandvik, 1993), (2) a composite approach of repeat patronage combine with an attitudinal component (e.g, Dick and Basu, 1994), and (3) a psychological state of loyalty (e.g, Czepiel, 1990a). The first approach is to treat loyalty as either actual purchase behavior or repeat purchase intentions. This approach has long been criticized for leading to spurious loyalty (Day, 1969) while the composite approach lacks theory (Jacoby and Chestnut, 1978). Customers may be loyal due to high switching barriers or lack of real alternatives. Customers may also be loyal because they are satisfied and thus want to continue the relationship. History has proven that most barriers to exit are limited with regard to durability; companies tend to consider customer satisfaction the only viable strategy in order to keep existing customers. Several authors have found a positive correlation between customer satisfaction and loyalty (Bearden, Teel et al. 1980; Bolton and Drew 1991; Fornell 1992; Anderson and Sullivan 1993).

Customer loyalty is a buyer’s overall attachment or deep commitment to a product, service, brand, or organization (Oliver, 1999). Customer loyalty fall into two broad categories: the behavior and the attitude. As a behavior, customer loyalty has been measured as the long-term choice probability for a brand, including hard-core loyalty, repeat purchase probability. Attitudinal approaches focused mainly on brand recommendations, resistance to superior products, repurchase intention, and willingness to pay a price premium. Oliver, (1999) defines loyalty as a deeply held commitment to re-buy product/service consistently in the future, thereby causing repetitive same brand or same-brand set purchasing. The customer attitude toward a service or product (brand) including attitudinal preference and commitment has a greater impact on forming loyalty (Goodwin and Gremler, 1996) cite quality in a relationship as a necessary element in defining loyalty.

## 2.7 Relationship marketing and customer loyalty

The ultimate goal of RM is to bolster already strong relationships and convert indifferent customers into loyal ones (Ndubisi and Chan, 2005; Ndubisi, 2007). It is considered an effective strategy, not only for promoting loyalty and retaining customers, but is also crucial in moving target customers up the ladder of loyalty (Payne et al., 1995). RM brings stability and decreased uncertainty to the company by acting as a barrier to competitor entry and by keeping a stable and solid base of customers (Newell, 2009). For customers, close and long-term relationships yield three types of benefits: 1) psychological or social benefits (familiarity, friendship and information-sharing), 2) economic benefits (discount or other money-saving benefits) and 3) customization benefits (tailor-made services/products), as noted by Otim and Grover (2006), Berry (1995), Relationship marketing orientation measures the extent to which a company engages in developing a long term relationship with its customers. Relationship marketing orientation is a multi-dimensional constructs consisting of five behavioral components: Trust; Commitment; Communications; Bonding, and Satisfaction.

Trust, which exists when one party has confidence in an exchange partner's reliability and integrity," is a central component in all relational exchanges (Morgan and Hunt, 1994). As Moorman (2005) argues, trust is important because it provides a basis for future collaborations.  While service providers would like to work with a service provider whom they can trust, trust is not really the most important factor in shaping consumers loyalty. What consumers really want is value, which they define as the optimal combination of time, effort and cost savings given the benefits obtained (Woods, 2008).

Customers will be loyal to the mobile telecom companies if they trust that service providers will meet their needs and provide what they promise. Customers are likely to switch from one service provider to another in search for trustworthiness. Earlier researchers like (Berry 2010) actually stress that in Telecom services, trust is the basis for loyalty, and that the biggest cause of failure to retain customers and make them loyal is the lack of trust. If customers trust a company and share personal information, they will trust it to make recommendations about other products and services to their friends. Therefore; trust is inversely related to self orientation (Buttle, 2004). Liu Yu (2008) defined commitment as the desire to continue a relationship along with the willingness to work towards that continuance, and the expectation that the relationship will continue. Relationship commitment is a key aspect in building and maintaining business relationships (Morgan and Hunt, 1994; Ellis et al., 1993). If a firm is committed to a relationship with its customers, the customers are also likely to be committed to maintaining the relationship with that organisation, thereby becoming loyal to it. Thus, customer loyalty can be explained to some degree by the extent to which the customers of a firm are committed to maintaining their relationship with that firm.

Relationship commitment is also an important component of relational exchanges. It is defined as an enduring desire to maintain a valued relationship" (Moorman, Zaltman, and Deshpandé, 2004). Research suggests that relationship commitment is at the core of all successful working relationships and that it is an essential ingredient in successful long-term relationships, including supplier–buyer relationships. In marketing-practice and research it is agreed that mutual commitment among partners in business relationships produces significant benefits for companies (Wetzls et al., 1998; Farrelly & Quester, 2003). Commitment is important to the study of relationships because it not only signals enduring stability at the conceptual level, but also serves as a reliable surrogate measure of long-term relationships at the operational and empirical level (Farrelly & Quester, 2003)

Several relationship marketing studies have highlighted the importance of information exchanges in business relationships. The depth or value of communication is likely to influence the customers' perceptions of the firm and the relationships they build with this firm, which will subsequently determine the extent of loyalty of the customers. Different methods of communicating have been used to develop customer satisfaction and loyalty. These include; Word of mouth, on phone, in writing, by email and through the internet (Woods 2008). Further, Hutt et al. (2000) noted that communication among boundary-spanning personnel produces a shared interpretation of expectations and goals, and a common understanding of the processes and responsibilities necessary to achieve those goals. Communication, as conceptualized by Mohr et al. (1996), comprises a combination of relationship building communication attributes. These include communication frequency, bi-directionality, formality, and influence activities.

Reciprocity is positioned as an important interpersonal norm of stable marketing relationships given recent findings that relationships develop most strongly at the individual level. It is suggested that reciprocity leads to personal well-being; thus providing an additional motivation, over and above economic incentives, to develop and maintain relationships (Simon et al 2007). Scholars like Houston et al., (1992), Ellis et al., (1993) have indicated reciprocity as a pertinent component of relationship marketing. They perceive reciprocity as a basis for the interference between exchange transactions and marketing activities. After a review of extant literature, Sin et al., (2002) looked at reciprocity as the dimension of relationship marketing that causes either party to provide favours or make allowances for the other in return for similar favours or allowances to be received at a later date. In retail situations, reciprocity could take form of gift giving. A gift given to customers will result into customers returning the gift in form of loyalty to the organization. An organization that reciprocates to its customers is also likely to make them loyal.

Another relationship mediator, relationship satisfaction, is a customer's affective or emotional state toward a relationship. Relationship satisfaction reflects exclusively the customer's satisfaction with the relationship and differs from the customer's satisfaction with the overall exchange (McDonald et al., 2002.) The focal point of marketing revolves around satisfying customer needs in a dynamic environment. Previous research indicates that relationship marketing offers retailers a means to make their customers satisfied (Bowen, 2003). Others perceive customer satisfaction as primarily an outcome of the interactive relationship between the service provider and the customer (Aydin and Özer 2005). Where there is a network of mutual benefits as a result of long term relationships with its customers, a firm can add perceived value to its offerings, thereby satisfying customers (Chu, Kuo-Ming 2009). Value adding programmes include loyalty schemes, customer clubs and sales promotions (Francis Buttle, 2012)

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter describes the proposed research design, data collection and finally, the techniques of data analysis that was employed.

## 3.2 Research Design

The study employed a descriptive survey as its research design. Surveys are useful in describing the characteristics of a large population. Additionally, high reliability is easy to obtain by presenting all subjects with a standardized stimulus which ensures that observer subjectivity is greatly eliminated (Mugenda and Mugenda, 1999). Surveys according to Robson (2002), is the collection of information from a group through interviews or the application of questionnaires to a representative sample of that group. This design is preferred because very large samples are feasible, making the results statistically significant even when analyzing multiple variables.

## 3.3 Population

The population is an aggregate of all that conform to a given characteristic (Mugenda and Mugenda, 1999). The population of interest comprised individuals who obtain services from the four mobile telecommunication companies in Kenya (see appendix II).

The Kenyan Economic report of (2012) indicated the number of mobile users in Nairobi as 2.4 million with, Essar's Yu with market share of 6.3 per cent , Orange Kenya's 10.8 per cent Airtel Kenya, 22.9% and Safaricom 60% (Economic report 2012).

### 3.4 Sample Design and Sample size

According to Bryman (2008), sampling is the process of selecting a number of individuals for a study in such a way that the individual represents a larger group from which they are selected.

The major criterion used when deciding on the sample size is the extent to which the sample size is represents the population. A sample size of 384 respondents was arrived at by calculating the target population of 2.4million with a 95% confidence level and an error of 0.05 using the following formula from Ariola, (2006):

From Normal distribution the population proportion can be estimated to be

$$n = \frac{Z^2 PQ}{a^2}$$

Where:

n = the desired sample size; if the target population is greater than 10,000

Z is the Z – value = 1.96

P = Population proportion 0.50

Q = 1-P

$\alpha$ = level of significance = 5%

$$n = \frac{1.96x1.96x0.5x0.5}{0.05x0.05}$$

$$n = 384$$

The study used two sampling techniques namely; stratified sampling technique and random sampling. Dividing the population into a series of relevant strata means that the sample is more likely to be representative (Saunders et al., 2007). In addition Simple random sampling is chosen among the objects since it allocates the objects equal opportunity of being sampled (Bryman 2008). Therefore the target population was divided into four strata according to the 4 mobile companies. The sampling points were the companies' care centres within Nairobi CBD. With a target sample of 384 respondents, a sample distribution per each company is based on the percentage market share of each company. Table 3.1 presents the summaries of sampling procedures and the total sample size.

**Table 3.1: Sample distribution**

| **Sections** | **Market share in %** | **Sample** |
|---|---|---|
| Safaricom | 60 | 230 |
| Airtel | 22.9 | 88 |
| Orange | 10.8 | 41 |
| Yu- Essar | 6.3 | 24 |
| | **100** | **384** |

### 3.3 Data Collection

This study collected primary data. For primary data, the researcher collected first hand information from customers of the organizations selected. The study utilized a questionnaire to collect the data. The preference for a questionnaire is based on the fact that respondents are able to complete it without help, anonymously, and it is cheaper and quicker than other methods while reaching out to larger sample (Bryman, 2008; Cohen et al., 2007). The questionnaire was divided into 5 sections. Section A entailed Customer Relationship marketing practices; section B entailed questions on Customer loyalty; Section C entailed questions on relationship marketing and customer loyalty while Section D sought general views from the respondents and Section E inquired respondents' background information.

The questionnaires were administered to the respondents to be filled as the researcher waits. The sampling points were the companies' customer care centres within Nairobi CBD. The researcher sought permission from the management of the mobile companies and with the help of five trained (on methods of data collection) research assistants; the researcher and the assistants distributed the questionnaires to the respondents. Every effort was made to ensure personal delivery and administration of the instrument in order to ensure a higher return rate of the questionnaires. In addition an explanation was provided to the customers who may not understand the marketing concepts in order to ensure their understanding.

## 3.4 Data Analysis

Before processing the responses, the completed questionnaires were sorted, checked and edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. Descriptive statistics technique was used to analyze the quantitative data. Coding was done in SPSS, analyzed and the output interpreted in frequencies, percentages, mean scores and standard deviation. The findings were presented using tables, graphs and pie charts. This was enhanced by an explanation and interpretation of the data. Inferential statistics such as, regression analysis was used to establish the significance of each of the customer relationship marketing practices on customer loyalty. The following model was applied;

**Regression model**

$$Y = \beta_0 + \beta_1 S + \beta_2 P + \beta_3 B_3 + \beta_4 V_4$$

Where; Y= Customer Loyalty, $\beta_{0=}$ Constant Term, $\beta_{1-}$ $\beta_{5}$ $_{(}$Coefficients$_{),}$ S- Service quality, P- Price, B- Brand Image, V – Value Offers

# CHAPTER FOUR

# DATA ANALYSIS, FINDINGS AND INTERPRETATION

## 4.1 Introduction

This chapter presents the findings and their interpretation based on the main objective of the study which was, to establish the relationship between customer relationship marketing and customer loyalty in the mobile telecommunication industry in Kenya. The findings are presented using frequency table.

## 4.2 Response Rate

This study targeted 384 respondents; questionnaires were distributed to all targeted respondents. However, out of 384 questionnaires distributed only 326 respondents fully filled and returned to the questionnaires. This contributed to 84.9% response rate. The findings which are contained in this chapter are based on 84.9% response rate. Mugenda and Mugenda (2003) stated that a response rate of 50% and above is a good response rate for statistical reporting.

## 4.2 Demographic Information

The respondents were asked to respond to a series of questions about themselves and the organization.

### 4.2.1 Gender of the respondents

The study sought to establish the gender of the respondents, the results are as depicted in table 4.2 below.

**Table 4.2: Gender of the respondents**

| **Gender** | **Frequency** | **Percentage** |
|---|---|---|
| Male | 184 | 56% |
| Female | 142 | 44% |
| Total | 326 | 100% |

Out of this number, 56% were males and 44% were females. Majority of the customers sampled for the study were thus males. More males own mobile phones in Nairobi than their female counterparts. This implies that most of the responses in the study emanated from males.

### 4.2.2 Age distribution of the respondents

The study also sought to establish the age distribution of the respondents; the findings are as presented in the table below.

**Table 4.3: Age distribution of the respondents**

| Age | Frequency | Percentage |
|---|---|---|
| Below 18 years | 20 | 6% |
| 18 – 28 years | 136 | 42% |
| 28 – 38 years | 97 | 30% |
| 38– 48 years | 42 | 13% |
| 48 years and above | 31 | 10% |
| Total | 326 | 100% |

Majority of the respondents that participated in the study 42% were between the age of 18 and 28 years of age, followed by those aged between 28-38 years with a percentage of 30%. Ages 18-28 are youth whose communication needs are very high as they struggle to make ends meet. Secondly, being a youthful age, they find it a life style that they should adapt to, while ages 28-38 are very active and responsible members of society of the working class and thus they regard mobile phone communication as the easiest, cheaper and modern way of reaching out to different stakeholders in their day to day economic and social dealings. Ages 38-48 were 13% while 48 years and above were 10% showed little interest in dealing with the mobile phone companies. However, those who possessed mobile phone within that age group showed a much higher level of loyalty as compared to other age groups.

### 4.2.3 Mobile Telecommunication network connections of the respondents

The researcher further sought to determine the respondents' mobile telecommunication service provider.

**Table 4.4: Mobile Telecommunication network connections of the respondents**

| **Network** | **Frequency** | **Percentage** |
|---|---|---|
| Safaricom Ltd | 165 | 51% |
| Airtel Kenya | 78 | 24% |
| Orange Telkom Kenya | 32 | 16% |
| Essar's Yu | 21 | 10% |
| Total | | |

Out of the 326 valid responses, 51% indicated that they were connected to Safaricom Ltd, 24% were connected to Airtel Kenya, 16% were connected to Orange Telkom Kenya, 10% were connected to Essar Yu.

### 4.2.4 Period of dealing with Network

The study went further to establish the period of time the respondents had been dealing with the stated networks.

**Table 4.5: Period of dealing with Network**

| **Period of time** | **Frequency** | **Percentage** |
|---|---|---|
| Less than 1 year | 34 | 10% |
| 1-5 years | 80 | 25% |
| 6-10 years | 190 | 58% |
| Over10 years | 22 | 7% |
| Total | 326 | 100% |

The results in the table above indicate that majority, 58% of the respondents had been with their networks for a period of between 6-10 years. Those who had been with their networks for a period of 1-5 years came in next at 25%. 10% had been with their networks for a period of less than 1 year while 7% said they had been with their networks for more than 10 years. This indicates that the customers have been dealing with the networks for a long period.

## 4.3 Customer Relationship marketing practices

The study sought to determine the extent of relationship marketing undertaken by the telecommunication companies. The findings are elaborated below.

### 4.3.1 Service quality statements

In a service context, there is almost a relationship between customer and service provider; such relationship can be used as a basis for marketing. In order to retain loyal customers who will bring long-term profit to the firm, the key issue for service provider is to make use of this relationship in the way it manages customers by offering what customers' need and want. The respondents were asked to describe the extent they agreed with the following service quality statements in relation to Customer Relationship marketing practices in mobile telecommunication industry in Nairobi. Mean scores and standard deviation were computed for each statement and summarized in table 4.6.

**Table 4.6: Service quality**

| **Service quality statements** | Mean | Std Dev |
|---|---|---|
| The company offers personalized services to meet customers’ needs | 3.64 | 0.147 |
| The company follows up in a timely manner to customer requests | 3.99 | 0.214 |
| The frontline employees of this operator are always willing to help customers | 4.02 | 0.168 |
| The company is consistent in providing good quality service | 4.21 | 0.354 |
| The response to consumers’ complaints are always taken quickly | 4.25 | 0.257 |
| The company provides timely information when there are new services | 4.36 | 0.412 |

According to the study findings, the respondents strongly agreed that; the company provides timely information when there are new services with a mean score of 4.36, the response to consumers’ complaints are always taken quickly with a mean score of 4.25 and the company is consistent in providing good quality service with a mean score of 4.21. The respondents also agreed that the frontline employees of this operator are always willing to help customers as depicted by a mean score of 4.02, they agreed as well that the company follows up in a timely manner to customer requests as indicated by a mean score of 3.99 and that the company offers personalized services to meet customers’ needs as shown by a mean score of 3.64. The findings confirm the literature that, improvements in service quality may be beneficial to a firm as it helps to promote customer satisfaction, which eventually lead to customer loyalty. The quality of a service is subjectively perceived by customers during the interactions with a firm. What is perceived by customers in the interaction process will obviously have critical impact on customers’ evaluation of service quality.

In addition, the standard deviation values were below 1, indicating a consensus on Service quality statements.

### 4.3.2 Price related customer relationship practices

Price is the monetary cost for a customer to buy products or services. It is the critical determinant that influences customer buying decision. Customers usually select their service providers strongly relying on perceived price. The respondents were asked to describe the extent they agreed with price related Customer Relationship practices in mobile telecommunication industry in Nairobi. Mean scores and standard deviation were computed for each statement and presented in table 4.7.

**Table 4.7: Price related customer relationship practices**

| **Price related customer relationship practices** | **Mean** | **Std** |
|---|---|---|
| The company took effective ways to help us know its pricing policies of products and services | **3.56** | **0.268** |
| The pricing policies of products and services from the company are attractive to customers | **3.87** | **0.128** |
| The calling rate/ internet rates offered by the company is reasonable | **4.12** | **0.369** |
| The company is offering flexible pricing for various services that meet customers' needs | **4.28** | **0.148** |

The findings indicate that the respondents agreed that; the company is offering flexible pricing for various services that meet customers' needs with a mean score of 4.28, the calling rate/ internet rates offered by the company is reasonable with a mean score of 4.12, the pricing policies of products and services from the company are attractive to customers with a mean score of 3.87, and the company took effective ways to help them know its pricing policies of products and services with a mean scores of 3.56. This implies that effective communication of pricing policies as well as flexible pricing for various services offered play a great role in customer loyalty. Customers often switch mainly due to some pricing issues, example, perceived high prices, unfair or deceptive pricing practices; therefore, in order to increase customer loyalty, it is essential for service firms to actively manage their customers' price perceptions.

From the findings, low values of standard deviation indicated a consensus on statements regarding price related customer relationship practices.

### 4.3.3 Brand Image

Brand building is not only an important driving force for marketing physical products, it is also a vital issue for service firms. The respondents were asked to describe the extent they agreed with the following brand image statements in relation to Customer Relationship marketing practices in mobile telecommunication industry in Nairobi. Mean scores and standard deviation were computed for each statement and summarized.

**Table 4.8: Brand Image**

| **Brand Image Statements** | **Mean** | **Std** |
|---|---|---|
| Customers have a good feeling about the company's social responsibility | **4.18** | **0.146** |
| The company delivered a good brand image to its customers | **4.36** | **0.127** |
| The customers consider that this company's reputation highly | **4.42** | **0.125** |

With regard to brand image, the respondents strongly agreed that brand image was a crucial determinant in attracting and retaining customers as most said they would want to be associated with a company whose brand image is good. This was indicated by a mean score of 4.36 for the company delivered a good brand image to its customers statement, the customers consider that this company's reputation highly had a mean score of 4.42 while customers have a good feeling about the company's social responsibility had a mean score of 4.18. This implies that a positive brand image makes it easier for a firm to convey its brand value to consumers and also generates favorable word of mouth among people. A neutral or unfamiliar image may not cause any damage, but it does not increase the effectiveness of communication and word of mouth. A negative image reduces sales, communication effectiveness, and trust and so on. The more customers consider a brand valuable, the more sales can be expected to be achieved. Therefore, a positive brand image is supposed to meet customer's expectation and offer more benefits to customer. Thus, Mobile Telecommunication operators who are interested in building brand Loyalty should endeavor to satisfy their customer through the provision of enhanced mobile services. The low values of standard deviation (below 1) indicated a consensus on statements regarding Brand Image.

### 4.3.4 Value related to customer retention practices

Value offers to a customer means adding something to the core product that the customer perceives important, beneficial and of unique value (Wilson and Jantrania, 1995). The respondents were asked to describe the extent they agreed with the following value offers statements in relation to Customer Relationship marketing practices in mobile telecommunication industry in Nairobi. Mean scores and standard deviation were computed for each statement and summarized.

**Table 4.9: Value Offers**

| **Value Offers statements** | **Mean** | **Std** |
|---|---|---|
| It is highly likely that customers achieve the proposed reward from the company. | **3.32** | **0.149** |
| The proposed rewards from the company are what customers needs. | **3.96** | **0.125** |
| The promotional offers from the company are worth client's money | **4.01** | **0.359** |
| It is easy for customers to get benefits from the promotional offers | **4.23** | **0.298** |

The findings demonstrate that, the respondents were of the opinion that; it is easy for customers to get benefits from the promotional offers as indicated by a mean score of 4.23, the promotional offers from the company are worth client's money with a mean score of 4.01, the proposed rewards from the company are what customers needs with a mean score of 3.96. However the respondents were pessimistic about; it is highly likely that customers achieve the proposed reward from the company as indicated by a mean score of 3.32. This implies that companies should concern about customer's value from customer's point of view and thoroughly understand customer's value chain and be able to reduce customer-perceived sacrifice, it is essential for operators to offer something valuable to customers in service interaction process, such as reward and promotional offers, in order to gain customer satisfaction and trust, which are expected to enhance customer loyalty. The low values of standard deviation (less than 1) indicated a consensus on statements regarding value related to customer retention practices

## 4.4 Customer loyalty in mobile telecommunication industry in Nairobi

Customer loyalty is the most important goal of implementing relationship marketing activities. Organization's financial growth is dependent on a company's ability to retain existing customers at a faster rate than it acquires new ones. Managers should understand that the road to growth runs through customers not only attracting new customers, but also holding on existing customers, motivating them to spend more and getting them to recommend products and services to the other people. The study therefore sought to establish the extent to which the respondents agreed with the following customer loyalty statements in relation mobile telecommunication industry in Nairobi. Mean scores and standard deviation were computed for each statement and summarized.

**Table 4.10: Customer loyalty in mobile telecommunication industry in Nairobi**

| **Customer loyalty** | **Mean** | **Std Dev** |
|---|---|---|
| This service provider stimulates me to buy repeatedly | 3.79 | 0.234 |
| Even if another operator' price is lower, I will go on using this provider | 3.87 | 0.254 |
| If I want to change a new mobile telecom service, I am willing to continue selecting this operator | 3.96 | 0.125 |
| I am willing to say positive things about this operator to other people | 3.99 | 0.128 |
| I really care about the fate of this telecom service provider | 4.03 | 0.421 |
| I have bought from this service provider for a number of years because they offer satisfactory services | 4.08 | 0.254 |
| I intend to continue using mobile services from this operator for a long time. | 4.13 | 0.564 |
| I will encourage friends and relatives to use the services offered by this operator. | 4.23 | 0.113 |
| To me, this operator clearly is able to provide the best service | 4.29 | 0.118 |
| I get the services from this service provider on a regular basis | 4.31 | 0.111 |

The findings illustrate that the respondents strongly agreed that; they get the services from this service provider on a regular basis with a mean score of 4.31, the operator clearly is able to provide the best service to them with a mean score of 4.29, they will encourage friends and relatives to use the services offered by the operator with a mean score of 4.23, they intend to continue using mobile services from this operator for a long time depicted by a mean score of 4.13, they have bought from the service provider for a number of years because they offer satisfactory services indicated by a mean score of 4.08, they really care about the fate of the telecom service provider as indicated by mean scores of 4.03. The respondents further agreed that; they were willing to say positive things about the operator to other people shown by a mean score of 3.99, if they want to change a new mobile telecom service they would be willing to continue selecting the operator with a mean score of 3.96, even if another operator’ price is lower they would go on using the provider by a mean score of 3.87, and the service provider stimulates them to buy repeatedly as depicted by mean a score of 3.79. The findings therefore point to very high levels of customer loyalty in mobile telecommunication industry in Nairobi.

As per the findings, the low values of standard deviation indicated a consensus on statements regarding customer loyalty in mobile telecommunication industry in Nairobi.

## 4.5 Relationship Marketing and Customer Loyalty

Relationship marketing involves an understanding of customers' needs and wants through their lifecycle and providing a range of products or services accordingly.

### 4.5.1 Trust and customer loyalty

In Telecom services, trust is the basis for loyalty, and the biggest cause of failure to retain customers and make them loyal is the lack of trust. If customers trust a company and share personal information, they will trust it to make recommendations about other products and services to their friends. The respondents were asked to describe their level of agreement with the following trust statements in relation to Relationship Marketing and Customer Loyalty in mobile telecommunication industry in Nairobi. Mean scores and standard deviation were computed for each statement and summarized. Mean scores and standard deviation were computed for each statement and summarized.

**Table 4.11: Trust and customer loyalty**

| **Trust and customer loyalty** | **Mean** | **Std Dev** |
|---|---|---|
| The company staffs are prepared to be asked questions of what is not being done right | 3.86 | 0.365 |
| The company staffs in the company treat customers fairly. | 3.98 | 0.248 |
| The company staffs respond to customers in constructive and caring manner | 4.18 | 0.268 |
| The company is consistent in providing quality service. | 4.20 | 0.154 |
| Customers trust the company and its staff | 4.21 | 0.136 |
| The staff of the company is quite knowledgeable about their products/Services | 4.34 | 0.165 |
| The company staffs are friendly and approachable | 4.41 | 0.178 |

The findings demonstrate that the respondents agree that; the company staffs are friendly and approachable with a mean score of 4.41, the staff of the company is quite knowledgeable about their products/Services with a mean score of 4.34, customers trust the company and its staff with a mean score of 4.21, the company is consistent in providing quality service with a mean score of 4.20, the company staffs respond to customers in constructive and caring manner with a mean score of 4.18, the company staffs in the company treat customers fairly with a mean score of 3.98 and the company staffs are prepared to be asked questions of what is not being done right with a mean score of 3.86. This confirms that the level of relationship marketing strategies in customer service operation will determine how loyal your customer will be. Thus, companies must focus on those attributes of trust which consumers' base on to judge the trustworthiness of the services offered. Low values of standard deviation indicated a consensus on statements regarding Trust and customer loyalty.

### 4.5.2 Commitment and customer loyalty

Research suggests that relationship commitment is at the core of all successful working relationships and that it is an essential ingredient in successful long-term relationships, including supplier–buyer relationships. The respondents were asked to describe their level of agreement with the following commitment statements in relation to Relationship Marketing and Customer Loyalty in mobile telecommunication industry in Nairobi. Mean scores and standard deviation were computed for each statement and summarized.

**Table 4.12: Commitment and customer loyalty**

| **Commitment and customer loyalty** | **Mean** | **Std** |
|---|---|---|
| The staff of the company believes in betterment of their customers | **3.75** | **0.146** |
| The company makes adjustments to meet customers' needs | **3.86** | **0.254** |
| Staff in this company strongly value customers and processes that create useful change | **3.94** | **0.365** |
| Problem solving by the company staff is excellent/adequate | **4.01** | **0.136** |
| The staff of this company have commitment towards customers' needs | **4.18** | **0.129** |
| The company staff are always willing to help the customers | **4.21** | **0.115** |

According to the findings, the respondents agreed that; the company staff are always willing to help the customers with a mean score of 4.21, the staff of the company have commitment towards customers' needs with a mean score of 4.18, problem solving by the company staff is excellent/adequate with a mean score of 4.01, staff in the company strongly value customers and processes that create useful change with a mean score of 3.94, the company makes adjustments to meet customers' needs with a mean score of 3.86 and the staff of the company believes in betterment of their customers with a mean score of 3.75. This implies that a company will prevent its customers from switching to competitors' market offering if it implements good relationship marketing strategies in its customer service operation. Additionally if a firm is committed to a relationship with its customers, the customers are also likely to be committed to maintaining the relationship with that organisation, thereby becoming loyal to it. Low values of standard deviation indicated a consensus on statements regarding Commitment and customer loyalty.

### 4.5.3 Communication and customer loyalty

The depth or value of communication is likely to influence the customers' perceptions of the firm and the relationships they build with this firm, which will subsequently determine the extent of loyalty of the customers. A number of firms are increasingly encouraging their customers by communicating with them and receiving feedback as a means of maintaining regular contact and encouraging dialogue. The respondents were asked to describe their level of agreement with the following communication statements in relation to Relationship Marketing and Customer Loyalty in mobile telecommunication industry in Nairobi. Mean scores and standard deviation were computed for each statement and illustrated in table 4.13.

**Table 4.13: Communication and customer loyalty**

| **Communication and customer loyalty** | **Mean** | **Std** |
|---|---|---|
| The customers show discontent towards the staff in the company through communication | **3.74** | **0.162** |
| The staff in the company frequently communicates to customers | **3.96** | **0.365** |
| The customers freely express opinions to the staff of the company | **4.02** | **0.269** |
| When there is a change in the policy, or any other relevant issue, the staff in the company communicates to customers in time | **4.17** | **0.215** |

As per the findings, the respondents agreed that; when there is a change in the policy or any other relevant issue, the staff in the company communicates to customers in time with a mean score of 4.17, the customers freely express opinions to the staff of the company with a mean score of 4.02, the staff in the company frequently communicates to customers with a mean score of 3.9 and the customers show discontent towards the staff in the company through communication with a mean score of 3.74. This demonstrates that communication can be helpful not only to retain, improve and establish a relation to in higher levels but also to beget amicable and warm forms from it. Therefore, the effectiveness of communication between the service provider and the consumer is very essential in influencing the trust that customers develop in the firm, their satisfaction with that firm and subsequently their loyalty to the firm. Low values of standard deviation indicated a consensus on statements regarding Communication and customer loyalty.

### 4.5.4 Reciprocity and customer loyalty

Reciprocity is positioned as an important interpersonal norm of stable marketing relationships given recent findings that relationships develop most strongly at the individual level. It is suggested that reciprocity leads to personal well-being; thus providing an additional motivation, over and above economic incentives, to develop and maintain relationships. The respondents were asked to describe their level of agreement with the following reciprocity statements in relation to Relationship Marketing and Customer Loyalty in mobile telecommunication industry in Nairobi. Mean scores and standard deviation were computed for each statement and the findings discussed below.

**Table 4.14: Reciprocity and customer loyalty**

| **Reciprocity and customer loyalty** | **Mean** | **Std** |
| --- | --- | --- |
| When customers give assistance to the company during times of difficulty, the staffs often returns their kindness | **3.75** | **0.25** |
| The staff in the company keep their promises to their customers | **3.82** | **0.41** |
| The company often gives a good turn to their customers | **3.86** | **0.38** |

With regard to the level of agreement with the reciprocity and customer loyalty statements, the respondents agreed that; the company often gives a good turn to their customers with a mean score of 3.86, the staff in the company keep their promises to their customers with a mean score of 3.82, and when customers give assistance to the company during times of difficulty, the staffs often returns their kindness with a mean score of 3.75. This points out that a gift given to customers will result into customers returning the gift in form of loyalty to the organisation. An organisation that reciprocates to its customers is also likely to make them loyal. Low values of standard deviation indicated a consensus on statements regarding Reciprocity and customer loyalty.

### 4.5.5 Satisfaction and customer loyalty

The focal point of marketing revolves around satisfying customer needs in a dynamic environment. The respondents were asked to describe their level of agreement with the following satisfaction statements in relation to Relationship Marketing and Customer Loyalty in mobile telecommunication industry in Nairobi. Mean scores and standard deviation were computed for each statement and the findings presented in the table below.

**Table 4.15: Satisfaction and customer loyalty**

| Satisfaction and customer loyalty | Mean | Std |
|---|---|---|
| The company employees make sure that problems do not rise in business relationship | **3.87** | **0.274** |
| The company consistently meets customers' expectations | **3.95** | **0.213** |
| The company emphasizes customer satisfaction as opposed to rules and procedures | **4.03** | **0.354** |
| Customers are satisfied with the products/services from the company | **4.21** | **0.258** |
| The company has always responded to customers' needs | **4.24** | **0.268** |
| The company and all its service centres are easily accessible | **4.36** | **0.364** |

From table 4.15 above, the findings depict that the respondents further agreed that; the company and all its service centres are easily accessible with a mean score of 4.36, the company has always responded to customers' needs with a mean score of 4.24, customers are satisfied with the products/services from the company with a mean score of 4.21, the company emphasizes customer satisfaction as opposed to rules and procedures with a mean score of 4.03, the company consistently meets customers' expectations with a mean score of 3.95, and the company employees make sure that problems do not rise in business relationship with a mean score of 3.87. This confirms that satisfaction will influence the relative attitude of customers, their repurchase intentions and willingness to recommend the customer to other customers. Hence, customer satisfaction could be taken as a good predictor of future purchase behaviour, an indication of behavioural loyalty of the customer. Satisfied loyal customers generate profits because they are responsible for a large percentage of sales and are less costly to develop than new customers. The low values of standard deviation indicated a consensus on statements regarding Satisfaction and customer loyalty.

### 4.6: Regression of customer loyalty

The study applied inferential statistics (regression analysis). The application of regression analysis identifies the relationship between the quantitative variables; that is the dependent variable, whose value is to be predicted, and the independent or explanatory variables about which knowledge is available. The technique can show what proportion of variance between variables is due to the dependent variable, and what proportion is due to the independent variables. The relation between the variables can be illustrated graphically, or more usually using an equation. The study adopted multiple regression guided by the following model:

Regression model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5$$

Where; Y= Customer loyalty, $\beta_0$ = Constant Term (when $\beta_1 \ldots \beta_5 = 0$), $\beta_1 \ldots\ldots \beta_5$ (Beta coefficients), $X_1$- trust, $X_2$- commitment, $X_3$- communication, $X_4$ – reciprocity, $X_5$ - satisfaction

### 4.6.1 Regression Results

In this part, customer loyalty variable was regressed against the five variables (Trust, commitment, communication, satisfaction, and reciprocity). The results are presented in Table 4.16 below.

**Table 4.16: Regression Coefficients Results**

| | Unstandardized | | Standardized | T | Sig. | Collinearity | |
|---|---|---|---|---|---|---|---|
| Mode | B | Std | Beta | | | Tolerance | VIF |
| (Constant) | 1.388 | 0.260 | | 5.347 | 0.000 | | |
| Trust | 0.138 | 0.058 | 0.116 | 2.363 | 0.019 | .896 | 1.117 |
| Commitment | 0.150 | 0.056 | 0.096 | 2.016 | 0.045 | .949 | 1.054 |
| Communication | 0.203 | 0.074 | 0.244 | 4.655 | 0.000 | .781 | 1.280 |
| Reciprocity | 0.184 | 0.044 | 0.199 | 3.728 | 0.000 | .754 | 1.327 |
| Satisfaction | 0.333 | 0.049 | 0.387 | 7.219 | 0.000 | 0.750 | 1.333 |
| Word of mouth | 0.162 | 0.056 | 0.143 | 2.896 | 0.004 | .879 | 1.137 |

a Dependent Variable: Customer Loyalty
R Square = 0.525 F Statistic= 21.707
Adjusted R Square = 0.515 Sig F Square= 0.000
***Predictors in the Model: (Constant), Reciprocity, Trust, Communication, Commitment, Satisfaction***

The effects of the study variables on customer loyalty are shown as follows. As shown in the table, the R-square 52.5% is adjusted for potential errors in row data to51.5%. This means that the combination of trust, commitment, communication, Reciprocity, and Satisfaction, predict 51.5% of the variance in customer loyalty. However, the greatest predictor of the variation in relation to the magnitude of the Beta Coefficient is satisfaction (Beta =0.333, t = 7.219, sig = 0.000), followed by communication (Beta = 0.203, t = 4.655, sig = 0.000), reciprocity (Beta = 0.184, t = 3.728, sig = 0.000 and While trust takes the lowest (Beta =0.138, t = 2.363, sig = 0.000).

The F-Statistic (21.707, sig = 0.000) also shows that these variables are statistically significant predictors. This implies that all the variables were important in determining customer loyalty. A variable with very high tolerance contributes a lot of information to a model. In the regression output above all variables had very high tolerance. Trust, commitment, communication, satisfaction, and reciprocity are relatively important in creating customer loyalty, hence telecom companies must focus their attention on building, developing and sustaining long term relationship with their customers.

### 4.7 Relationship marketing contribution to consumer loyalty in the mobile telecommunication sector

Asked whether they think relationship marketing contributes to consumer loyalty in the mobile telecommunication sector, the respondents said it did because a customer is someone who has done business with the company only once or occasionally. When customers start to acknowledge a product's benefits and do business on a repetitive basis, they become “clients”. At this stage, RM is crucial in transforming clients into “supporters” At the “supporter” stage, a special relationship between the firm and the person becomes apparent. Supporters enjoy being associated with the company and they may even be persuaded to become “advocates”. At the “advocate” stage, positive word-of-mouth about the organisation will occur. Finally, at the top level, the customer becomes a “partner” and will find ways in which both parties can gain mutual benefit from the relationship. This model demonstrates that RM is based upon finding the appropriate means to move target customers up the extended loyalty ladder and to keep them there. Relationships between companies and their key stakeholders are not static. They are time sensitive, driven by current circumstances. In today's marketplace to expect a customer to be totally committed to one supplier of a product or service is unreasonable and unrealistic. The challenge for any organization is to reduce the number of times one of their key stakeholders tries the products or services offered by the competition.

## 4.8 Recommendations for mobile telecommunication companies to strengthen its relationship with the customers

The respondents were also asked to give their views on what the mobile telecommunication companies should do to strengthen its relationship with the customers. The respondents proposed that;

Rapid improvements in information technology allow telecom companies and their frontline staff to track customer characteristics more easily and respond with appropriate marketing offers. Businesses are no longer restricted to marketing at segment level, but can now tailor offers to individual customers.

Mobile Telecom companies can also benefit from new information technologies to develop an image of each customer behaviour and responding with the marketing offer that correlates with the consumers preference.

Mobile operators should endeavour to improve the quality of mobile services offered to clients if they are interested in achieving brand loyalty. This is because, service quality has been found to impact positively on Customer Loyalty.

Mobile telecommunication operators should also adopt appropriate strategies such as relationship marketing in order to promote customer satisfaction, thereby achieving customer loyalty.

Mobile operators should invest more funds into network expansion and maintenance in order to ensure reliable mobile telecommunication services at all times instead of spending too much funds on advertisement and promotions. The National Communications Authority must convert the rhetoric to action by imposing penalties on mobile operators which fail to achieve a certain standard level of service quality. This is because customers in Nairobi are particularly concerned about the reliability of mobile services.

# CHAPTER FIVE: SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

This chapter presents the summary of the data findings on the relationship between customer relationship marketing and customer loyalty in the mobile telecommunication industry in Kenya, the conclusions and recommendations are drawn there to. The chapter is therefore structured into summary of findings, discussions, conclusions, recommendations, limitations and area for further research.

## 5.2 Summary of findings

The findings confirmed that, improvements in service quality may be beneficial to a firm as it helps to promote customer satisfaction, which eventually lead to customer loyalty. The quality of a service is subjectively perceived by customers during the interactions with a firm. What is perceived by customers in the interaction process will obviously have critical impact on customers' evaluation of service quality. The study also found out that effective communication of pricing policies as well as flexible pricing for various services offered play a great role in customer loyalty. Customers were found to often switch mainly due to some pricing issues, example, perceived high prices, unfair or deceptive pricing practices.

The findings further ascertained that a positive brand image makes it easier for a firm to convey its brand value to consumers and also generates favorable word of mouth among people. A neutral or unfamiliar image may not cause any damage, but it does not increase the effectiveness of communication and word of mouth. A negative image reduces sales, communication effectiveness, and trust and so on. The more customers consider a brand valuable, the more sales can be expected to be achieved. The findings additionally found that companies should concern about customer's value from customer's point of view and thoroughly understand customer's value chain and be able to reduce customer-perceived sacrifice.

The findings pointed to very high levels of customer loyalty in mobile telecommunication industry in Nairobi. The study found out that the level of relationship marketing strategies in customer service operation will determine how loyal customer will be. The study also found out that a company will prevent its customers from switching to competitors' market offering if it implements good relationship marketing strategies in its customer service operation. The findings established that communication can be helpful not only to retain, improve and establish a relation to in higher levels but also to beget amicable and warm forms from it.

The study pointed out that a gift given to customers will result into customers returning the gift in form of loyalty to the organisation. An organisation that reciprocates to its customers is also likely to make them loyal. The findings drew to attention that satisfaction will influence the relative attitude of customers, their repurchase intentions and willingness to recommend the customer to other customers. Hence, customer satisfaction could be taken as a good predictor of future purchase behavior, an indication of behavioural loyalty of the customer. Satisfied loyal customers generate profits because they are responsible for a large percentage of sales and are less costly to develop than new customers.

The study ascertained that relationship marketing contributes to consumer loyalty because a customer is someone who has done business with the company only once or occasionally. RM is based upon finding the appropriate means to move target customers up the extended loyalty ladder and to keep them there. Relationships between companies and their key stakeholders are not static. They are time sensitive, driven by current circumstances. In today's marketplace to expect a customer to be totally committed to one supplier of a product or service is unreasonable and unrealistic. The challenge for any organization is to reduce the number of times one of their key stakeholders tries the products or services offered by the competition.

### 5.3 Discussion of findings

The positive relationship between service quality and customer loyalty indicates that when service quality increases, customer loyalty increases and vice versa. This is consistent with the findings of Ruyter et al. (1998), Boulding et al. (1993) and Brady and Cronin (2001) who suggested that high degree of service quality translates into loyalty. Loyalty of customers is expected to increase when customers' service quality expectations are met.

The positive relationship between price perception and customer loyalty also suggests that, customers who are happy about price offers are likely to stay connected to respective mobile operators. Thus, when price plans are favorable to customers, they remain loyal. On the other hand, as concluded by Peng and Wang (2006), customers may switch or change service provider if price offers are perceived not to be reasonable.

Value offered found to be positively related to customer loyalty suggests that the promotional offers by service provides are worth the money and people wish to always participate in the promos offered by these operators. In other words, customers who are happy about value offered are likely to stay connected to respective mobile operators. As noted by Zeithaml (1988), customers will judge the value of consumption after contrasting benefits gained from products and services with their costs.

The positive relationship between brand image and customer loyalty implies that the two variables changes in the same direction. Increase in brand image may lead to increase in customer loyalty and vice versa. This consistent with Nguyen and Leblanc (2001) who demonstrated that corporate brand image relates positively with customer loyalty in three sectors (telecommunication, retailing and education). The study found out that companies must focus on those attributes of trust which consumers' base on to judge the trustworthiness of the services offered. This is concurrent with Fontenot et al (2004) who stated that, without serious trust from consumers, consumer loyalty will remain a myth than a reality amongst the business relationships.

The study also found out that if a firm is committed to a relationship with its customers, the customers are also likely to be committed to maintaining the relationship with that organisation, thereby becoming loyal to it. Relationship commitment is a key aspect in building and maintaining business relationships (Morgan and Hunt, 1994; Ndubisi

(2007). The findings established that effectiveness of communication between the service provider and the consumer is very essential in influencing the trust that customers develop in the firm, their satisfaction with that firm and subsequently their loyalty to the firm. According to Sin et al (2005), effective and timely communication helps in formation of cooperation and trust in relationships and glues the customers to an organisation.

The study pointed out that an organization that reciprocates to its customers is also likely to make them loyal. This in line with scholars like Hogan, (2004), Ndubisi (2007) who have indicated reciprocity as a pertinent component of relationship marketing.

The findings drew to attention that customer satisfaction could be taken as a good predictor of future purchase behaviour, an indication of behavioural loyalty of the customer. Satisfied loyal customers generate profits because they are responsible for a large percentage of sales and are less costly to develop than new customers. This further echoes Leenders and Wierenga, (2008), who believes that the ultimate goal of customer satisfaction should be customer loyalty.

## 5.4 Conclusion

In general, this study looked at between customer relationship marketing and customer loyalty in the mobile telecommunication industry in Kenya. In particular, the study examined the relationships between the study variables. All the relationships were strongly, moderately significant positive related. It is evident that from the study that relationship marketing when emphasized in the trading relationships, will lead to repeated purchases hence consumer loyalty.

This also enables telecommunication companies to ensure that the greater the relationship marketing, the higher the consumer loyalty levels. This research concluded that businesses operating in an intensily price based competitive environment, dependent on high economies of scale and with low levels of staff-customer interaction are bound to suffer shocks in their market positions and profitability unless huge investments are made in more relational strategies like building trust, commitment, communication, reciprocity and satisfaction.

The study concluded that, the quality of a service is subjectively perceived by customers during the interactions with a firm and has critical impact on customers' evaluation of service quality. Effective communication of pricing policies as well as flexible pricing for various services offered play a great role in customer loyalty. The study further concluded that a positive brand image makes it easier for a firm to convey its brand value to consumers and also generates favorable customer loyalty among people.

The study concluded that since highly satisfied customers are expected to make future purchases and recommend the source to other customers, high levels of customer satisfaction are likely to lead to customer loyalty. The study also concluded that there exist very high levels of customer loyalty in mobile telecommunication industry in Nairobi. Customer satisfaction was found to have a direct relationship with customer loyalty. Thus, when customers are satisfied with the services offered them by mobile network operators, they are likely to be loyal to them.

Finally, the study found that Reliability has a direct effect on customer loyalty without necessarily using customer satisfaction as a conduit. The implication of this finding is that customers place a high premium on reliable mobile telecommunications services in Nairobi.

## 5.5 Recommendations for Policy & Theory

This study recommends that businesses operating in an intensely price based competitive environment, dependent on high economies of scale and with low levels of staff-customer interaction are bound to suffer shocks in their market positions and profitability unless huge investments are made in more relational strategies like building trust, commitment, communication and satisfaction . The study also recommends that companies must focus on those attributes of trust which consumers' use to judge the trustworthiness of the services offered. The study further recommends that telecommunication companies emphasize on building a positive brand image to meet customer's expectation and offer more benefits to customer. The study recommends that mobile telecommunication operators who are interested in building brand loyalty should endeavor to satisfy their customer through the provision of enhanced mobile services. Additionally the study recommends that in order to increase customer loyalty, it is essential for service firms to actively manage their customers' price perceptions. The study recommends that operators offer something valuable to customers in service interaction process, such as reward and promotional offers, in order to gain customer satisfaction and trust, which are expected to enhance customer loyalty.

Moreover, the study recommends that companies must focus on those attributes of trust which consumers' base on to judge the trustworthiness of the services offered. Additionally the study recommends that firms commit to a relationship with its customers, the customers are also likely to be committed to maintaining the relationship with that organisation, thereby becoming loyal to it. The study further recommends effectiveness of communication between the service provider and the consumer as it is very essential in influencing the trust that customers develop in the firm, their satisfaction with that firm and subsequently their loyalty to the firm. The study also recommends that an organisation reciprocates to its customers as it is also likely to make them loyal. Finally the study recommends that firms ensure customer satisfaction as it is a good predictor of future purchase behaviour, an indication of behavioural loyalty of the customer. Satisfied loyal customers generate profits because they are responsible for a large percentage of sales and are less costly to develop than new customers. Rapid improvements in information technology allow telecom companies and their frontline staff to track customer characteristics more easily and respond with appropriate marketing offers.

## 5.6 Limitations of the study

The following limitations have been identified;

First, the researcher would have wanted to cover more mobile phone users for the study but due to the limited time frame available for the study, only 384 questionnaires were administered.

Secondly, convincing customers to answer the questionnaires was rather challenging as some of them claim they are busy and therefore do not have time. Besides, some people could not respond to all the items on the questionnaire which makes them invalid and therefore have to exclude from the data.

Despite these challenges, the findings from the study are valid and would be of great benefit to mobile operators, telecommunication experts and regulators.

## 5.7 Recommendations for further Research

In this research, the sample used was selected from Nairobi city due to resource constraints. Further research studies could expand the sample size by selecting sample units from all major cities across Kenya in order to have a better representation of Mobile phone users.

It is also suggested that future research should be conducted to examine the rate of implementation of relationship marketing by companies in Kenya. It is also suggested that future research replicates this study in other developing countries for better understanding of the implementation problems and current status.

# REFERENCES

Andaleeb, S. S. (1996). An Experimental Investigation of Satisfaction and Commitment in Marketing Channels: The Role of Trust and Dependence, *Journal of Retailing*, Vol.72, No.1, pp.77-93, ISSN 0022-4359.

Anderson, E.W., Fornell, C. and Lehmann, D.R. (1994), "Customer Satisfaction, Market and advertising effectiveness", Journal of Advertising Research, Vol. 44 No. 3, pp. 271-80.

Ariola K (2006). *Principles and Methods of Research*. Rex Bookstore, Inc., USA., pp: 78. Bakiner

Aydin, S. and Özer, G. (2005). The analysis of antecedents of customer loyalty in the Turkish mobile telecommunication Market, *European Journal of Marketing*, Vol.39, No.7/8, pp.910-925..

Bansal, H. S., Taylor, S.F. and St. James, Y. (2005). Migrating to New Service Providers: Toward a Unifying Framework of Consumers Switching Behaviors, *Journal of the Academy of Marketing Science*, Vol. 33, No. 1, pp. 96-115

Bejou, D., Ennuw, C. and Palmer, A., (1998), "Trust, ethics and relationship satisfaction", *Journal of Bank Marketing* 16(4), pp 170.

Bennett, R. (1996), "Relationship formation and governance in consumer markets: transactional analysis versus the behaviourist approach", *Journal of Marketing Management*, 12(12), pp. 417-436.

Berry, L (2010) ‘Relationship marketing of services – perspectives from 1983-2000’, Journal of relationship marketing, 1(1), pp. 59-77.

Body, L. and Limayem, M. (2004), *The Impact of Customer Relationship Management on Customer Loyalty*. NY. Awright

Boulding, W., A. Kalra, R. Staelin and V.A. Zeithaml, 1993. A dynamic process model of service quality from expectations to behavioral intentions.J. Marketing Res., 30: 7-27.

Bowen, J. T. and Shoemaker, S. (2003). Loyalty: A Strategic Commitment, *Cornell Hotel and Restaurant Administration Quarterly,* Oct-Dec 2003, 44, 5/6, pp.31-46.

Brady, M.K. and J.J. Cronin, 2001. Some new thoughts on conceptualizing perceived service quality: A hierarchical approach. J. Marketing, 65(3): 34-49

Bryman (2008) *Social Research Methods***.** 3rd ed. Oxford: Oxford University Press.

Buttle, F. (2004), *Customer Relationship Management: concepts and tools*, Oxford: Elsevier Butterworth-Heinemann

Chaudhuri, A. (2001) Brand Equity or double jeopardy. – *Journal of Product & Brand Management*, Vol. 4, No. 1, pp. 26–32.

Cheng, T. C. E.; Lai, L. C. F. and Yeung, A. C. L. (2008), “The Driving Forces of Customer Loyalty: A Study of Internet Service Providers in Hong Kong”, *International Journal of E-Business Research*, Vol. 4, No. 4, pp. 26-42.

Chow, S., & Holden, R.(1997). “Toward an understanding of loyalty: The moderating role of trust”, *Journal of Managerial Issues*, 9(3), 275-298

Chu, Kuo-Ming. (2009). The Construction Model of Customer Trust, Perceived Value and Customer Loyalty, *The Journal of American Academy of Business, Cambridge* Vol.14, No.2, pp.98-103.

Ciborra, C. , and Failla, A., "Infrastructure as a Process: The Case of CRM in IBM," In From Control to Drift: they Dynamics of Corporate Information Infrastructures, C. Ciborra (Ed.), Oxford University Press, Oxford, 2010, pp. 105-124.

Cohen et al (2007) Crises, scenarios and the strategic management process. *Journal of Management Decision*, 44 (6), 23-31.

Cooper and Schindler (2003) *Business Research Methods* (10th ed.). New York: McGraw- Hill Irwin

Doney, P.M., Cannon, J.P. (1997), "An examination of the nature of trust in buyer-seller relationships", *Journal of Marketing*, Vol. 61 No.April, pp.35-51.

Du Plessis, L. 2010. Customer relationship management and its influence on customer loyalty at Liberty Life in South Africa. University of Johannesburg

Edwards. J. 2007. “Get it together with collaborative CRM” [Online] Available at: http://www.insidecrm.com/features/collaborative-crm-112907/

Egan, J. (2001). *Relationship Marketing: Exploring Relational Strategies in Marketing*, *Pearson Education Limited*, ISBN 0273-64612-5.

Emmanuel Toili (2011). "Collymore Next Safaricom CEO". *Daily Nation*.

Evans, J. R., & Laskin, R. L. (2008), “The relationship marketing process: A conceptualization and application”, *Industrial Marketing Management,* 23(5), 439-452

Fontenot .J.Rence, Hymon. R .Michael. (2004). The antitrust implications of relationship Marketing. *Journal of BusinessResearch*, 57,121 -130.

Gefen, D. (2009), “Customer loyalty in e-commerce”, *Journal of the Association for Information Systems*, (3), 27-51.

Girishankar, S. "Companies Want CRM Tools to Manage Business Relationships," Information Week, 17 April 2009, pp. 65.

Gronroos, C. (1994), “From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing”, Management Decision, 32 (2), pp. 4-20

Grönroos, C. (2004). The Relationship Marketing Process: Communication, Interaction, Dialogue, Value, *the Journal of Business & Industrial Marketing*, 19 (2), 99-113.

Gummesson, E. (1994), “Broadening and Specifying Relationship Marketing”. Asia-*Australia Marketing Journal*, 2 (1), pp. 10-30.

Hayes, B. E. (2008). The True Test of Loyalty, *Quality Progress*, 41, 6, pp.20-26

Hogan, J.E., Lemon, K.N. and Libai, B. (2004), “Quantifying the ripple: word of mouth

Hougaard, S. and Bjerre, M. (2009). *Strategic Relationship Marketing*, Samfundslitteratur Press. ISBN 87-593-0840-0.

Ismail, I.; Haron, H.; Ibrahim, D. N.; and Isa, S. M. (2006), “Service quality, client satisfaction and loyalty towards audit firms: perceptions of Malaysian public listed companies”, Managerial Auditing Journal, Vol.21, No.7, pp.738-756.

Karimi, J., Somers, T., and Gupta, Y. (2001). Impact of Information Technology Management Practices on Customer Service”, *Journal of Management Information Systems*, 17 (4), 125 – 158

Keaveney, S.M. (2005). Customer switching behavior in service industries: an exploratory study, *Journal of Marketing*, Vol.59, No.2, pp.71-82.

Keller, K. (1993). Conceptualizing, measuring, managing customer-based brand equity, *J Mark*, Vol.57(1), pp 1-22.

Kenya Economic Report (2012). "Building a Globally Competitive Economy". The Kenya Institute for Public Policy Research and Analysis (KIPPRA), Nairobi, Kenya.

Kim, C. S.; Zhao, W. H. and Yang, K. H. (2008), “An Empirical Study on the Integrated Framework of e-CRM in Online Shopping: Evaluating the Relationships Among Perceived Value, Satisfaction, and Trust Based on Customers’ Perspectives”, *Journal of Electronic Commerce in Organizations*, Vol.6, No.3, pp.1-19.

Lam, Shankar, Erramilli, and Murthy, 2004, Consumers’ trust in a brand and link to brand loyalty. NY Springer

Lau, G. T., & Lee, S. H. (1999). Consumers' trust in a brand and the link to brand loyalty *Journal of Market Focused Management*, 4, 341–370.

Leenders, M.A.A.M., and Wierenga, B. (2008). The effect of the marketing–R&D interface on new product performance: The critical role of resources and scope. *International Journal of Research in Marketing*, 25 (1),56−68. doi:10.1016/j.ijresmar.2007.09.006, http://dx.doi.org/10.1016/j.ijresmar.2007.09.006

Li Liu (2008). Study of the relationship between customer satisfaction and loyalty in telecom enterprise, *2008 IEEE International Conference on Service Operations and logistics, and Informatics*, Vol. 1, pp. 896-901

McDonald, L. (2002), "Customer Relationship Management - An Overvie"w, Available at http://www.brillianceweb.com/betterwebdesign/tips_48.aspx, Accessed on July 30, 2006

Moorman, C., Deshpande, R., Zaltman, G. (2005), "Factors affecting trust in market research relationships", *Journal of Marketing*, Vol. 57 No.January, pp.81-101.

Morgan, R.M. and S. Hunt, 1994. The commitment-trust theory of relationship marketing. J. Marketing, 58(7): 20-38

Morgan, R.M. and Shelby D. H. (1994), "The Commitment-Trust Theory of Relationship Marketing", *Journal of Marketing*, 58, pp. 20-38

Morgan, R.M., Hunt, S.D. (2004), "The commitment-trust theory of relationship marketing", *Journal of Marketing*, Vol. 58 No. July, pp.20-38.

Mugenda and Mugenda (1999) *Research methods, Quantitative and Qualitative approach*. Nairobi: African Centre of Technology Studies Press.

Mungai E.M. (2008) factors that determine customer loyalty: a case of the part of Mombasa. *Unpublished MBA journal*. University of Nairobi.

Muturi P.W. (2004) factors that determine customer loyalty to a mobile phone service provider. A case of mobile phone users in Nairobi. Unpublished MBA journal. University of Nairobi.

Ndubisi, Nelson Oly, (2007). Relationship marketing and customer loyalty. *Marketing Intelligence and Planning,* 25(1),98-106. doi:10.1108/02634500710722425, http://dx.doi.org/10.1108/02634500710722425

Nelson Oly Ndubisi (2006) “Effect of gender on relationship marketing”, European journal of marketing, Vol 22 Nos 12/13.

Newell, F.,( 2009): Customer Relationship Management in the New Era of Internet Marketing, McGraw-Hill.

Nguyen, N. and G. Leblanc, 2001. Corporate image and corporate reputation in customers’ retention decisions in services. J. Retailing Consum. Serv., 8: 227-36.

Nokia, (2010 )Kenya Telecommunications Sector Performance Review: 1999 2003” *Research ICT Africa Report.*

O’Loughlin, D., Szmigin, I. and Turnbull, P.(2004). Branding and relationships: customer and supplier perspectives, *Journal of Financial Services Marketing,* Vol.8, No.3, pp.218-230

Oliver, R. L. (2007). *Satisfaction: A Behavioral Perspective on the Consumer,* New York: McGraw Hill.

Otim and Grover, 2006, "The structure of commitment in exchange", *Journal of Marketing,* Vol. 59 No. January, pp.78-92.

Peng, L.Y. and Q. Wang, 2006. Impact of relationship marketing tactics (RMTs) on switchers and Stayers in a competitive service industry. J. Marketing Manag., 22: 25-59

Peng, Leong Yow & Wang, Qing (2006). Impact of Relationship Marketing Tactics (RMTs) on Switchers and Stayers in a Competitive Service Industry, Journal of Marketing Management, V.22, pp.25-59.

Reichheld, F.F. (2003), "The one number you need to grow"', *Harvard Business Review*, Vol. 81 No.12, pp.46-55.

Reinartz, W. J.. & Kumar, V. (2003), “The impact of customer relationship characteristics on profitable lifetime duration”, Journal of Marketing, 67(1), 77-99.

Rigby, D. Reichheld, F. Dawson, C. 2003. “Winning customer loyalty is the key to a winning CRM strategy” Ebsco publishing. Ivey Business Journal; March/April

Ro King (2005 )The value concept and relationship marketing, European Journal of Marketing, Vol. 30, No.2, PP.19-30.

Robson (2002) *Business research methods*. Thomson.

Rowley, J., & Dawes, J. (2000), “ Disloyalty: A closer look at non-loyals”, Journal of Consumer Marketing. 17(6), 538-549.

Ruyter, K., M. Wetzels and J.M. Bloemer, 1998. On the relationship between perceived service qualities, service loyalty and switching costs. Int. J. Serv. Ind. Manage., 9(5): 436-453

Sarah Cook (2011) .Customer care excellence: How to create an effective customer focus, Kogan page.

Schneider, B., & Bowen, D. E. (1999), “Understanding customer delight and outrage”, Sloan Management Review, 41, pp. 35-46

Share, and Profitability: Findings from Sweden”, Journal of Marketing, Vol. 58 No. 3, pp. 53-66

Sheth, N. J., & Parvatiyar, A. (1995), “Relationships marketing in consumer markets: Antecedents and consequences”, Journal of Academy of Marketing Science, 23(4), 255-27

Sin et al., (2005) ‘CRM: conceptualisation and scale development’, European journal of marketing, 39(11/12), pp. 1264-90.

Sin et al., (2005) ‘CRM: conceptualization and scale development’, European journal of marketing, 39(11/12), pp. 1264-90.

Spekman (1988) Why Does “Brand Loyalty” Vary Over Products? – Journal of Marketing Research, Nov 1964, pp. 9–14

Sugandhi, R.K. (2002), “Customer Relationship Management”, New Delhi: New age International Publishers

Szming (2003) – Privcacy Marketing Review. London. Sage.

Tanui.P.K. (2007). a survey of customer loyalty programs applied by petrol stations in Nairobi. Unpublished MBA journal. University of Nairobi.

Trepper, C. "Match Your CRM Tool to Your Business Model," Information Week, 15 May 2011, pp. 74.

Tseng, Yi Ming (2007). The Impacts of Relationship Marketing Tactics on Relationship Quality in Service Industry, The Business Review, Cambridge; Summer 2007, 7 (2), pp.310-314.

Wailgum. T. (2007) “CRM Overview: London Sage.

Weiss (2001) Fuzzy modeling Enterprise Resource Planning tool selection, Computer Standards & Interfaces, Volume 30, Issue 3, Pages 137-147, 2008

Wilson, D.T. and S. Jantrania, 1995. Understanding the value of a relationship. Asia-Aust. Market.J., 2(1): 55-66

Wood, J. A. (2008). The Effect of Buyers' Perceptions of Environmental Uncertainty on Satisfaction and Loyatly, Journal of Marketing Theory and Practice, Vol.16, No.4, pp.309-320.

Wulf, K. D., Odekerken-schroder, G. and Iacobucci, D. (2008). Investments in consume relationships: a cross-country and cross-industry exploration, *Journal of Marketing*, Vol. 65, No.4, pp. 33-50

Xu, Y. Yen, D. Lin, B. Chou, D. 2002. "Adopting customer relationship management technology" MCB UP Ltd (p. 441-452)

Zeithaml, V. A. (2008). Consumer perceptions of price, quality and value: a means-end model and synthesis of evidence, *Journal of Marketing*, Vol.52 (July), pp. 2-22

Zeithaml,V.A., 1988. Consumer perceptions of price, quality and value: A means-end model and synthesis of evidence. J. Marketing, 52(7): 2-22

**APPENDICES**

# Appendix I: Questionnaire

**Section A: Background information (**Tick where appropriate)

a) Gender: Male [ ] Female [ ]

b) Age

Below 18 years [ ]

18 – 28 years [ ]

28 – 38 years [ ]

38– 48 years [ ]

48 and above [ ]

c) Which company have you been a customer to?

Airtel Kenya_ [ ]

Safaricom Ltd [ ]

Orange Telkom Kenya [ ]

Essar's yu [ ]

d) For how long have you been a customer of this company?
Less than 1 year
1-5 years [ ]
6-10 years [ ]
Over10 years [ ]

**Section B. Customer Relationship marketing practices in mobile telecommunication industry in Nairobi**

1. To what extent do you agree with the following Customer Relationship marketing practices in mobile telecommunication industry in Nairobi? Use a scale of 1 to 5 where 1 is strongly disagree and 5 is strongly agree.

**Service quality**

| Statement | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| The company follows up in a timely manner to customer requests | | | | | |
| The frontline employees of this operator are always willing to help customers | | | | | |
| The response to consumers' complaints are always taken quickly | | | | | |
| The company is consistent in providing good quality service | | | | | |
| The company offers personalized services to meet customers' needs | | | | | |
| The company provides timely information when there are new services | | | | | |
| **Price** | | | | | |
| The company took effective ways to help us know its pricing policies of products and services | | | | | |
| The pricing policies of products and services from the company are attractive to customers | | | | | |
| The calling rate/ internet rates offered by the company is reasonable | | | | | |
| The company is offering flexible pricing for various services that meet customers' needs | | | | | |
| **Brand Image** | | | | | |
| The customers consider that this company's reputation highly | | | | | |
| Customers have a good feeling about the company's social responsibility | | | | | |
| The company delivered a good brand image to its customers | | | | | |
| **Value Offers** | | | | | |
| The promotional offers from the company are worth client's money | | | | | |
| It is easy for customers to get benefits from the promotional offers | | | | | |
| The proposed rewards from the company are what | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| customers needs. | | | | | |
| It is highly likely that customers achieve the proposed reward from the company. | | | | | |

**Section C: Customer loyalty in mobile telecommunication industry in Nairobi**

| **customer loyalty** | | | | | |
|---|---|---|---|---|---|
| I really care about the fate of this telecom service provider | | | | | |
| I intend to continue using mobile services from this operator for a long time. | | | | | |
| If I want to change a new mobile telecom service, I am willing to continue selecting this operator | | | | | |
| Even if another operator' price is lower, I will go on using this provider | | | | | |
| I am willing to say positive things about this operator to other people | | | | | |
| I will encourage friends and relatives to use the services offered by this operator. | | | | | |
| To me, this operator clearly is able to provide the best service | | | | | |
| I get the services from this service provider on a regular basis | | | | | |
| This service provider stimulates me to buy repeatedly | | | | | |
| I have bought from this service provider for a number of years because they offer satisfactory services | | | | | |

**Section D: Relationship Marketing and Customer Loyalty**

| | | | | | |
|---|---|---|---|---|---|
| **Trust** | | | | | |
| Customers trust the company and its staff | | | | | |
| The staff of the company is quite knowledgeable about their products/Services | | | | | |
| The company is consistent in providing quality service. | | | | | |
| The company staffs in the company treat customers fairly. | | | | | |
| The company staffs are prepared to be asked questions of what is not being done right | | | | | |
| The company staffs respond to customers in constructive and caring manner | | | | | |
| The company staffs are friendly and approachable | | | | | |
| **Commitment** | | | | | |
| The company makes adjustments to meet customers' needs | | | | | |
| Staff in this company strongly value customers and processes that create useful change | | | | | |
| Problem solving by the company staff is excellent/adequate | | | | | |
| The staff of the company believes in betterment of their customers | | | | | |
| The company staff are always willing to help the customers | | | | | |
| The staff of this company have commitment towards customers' needs | | | | | |
| **Communication** | | | | | |
| The staff in the company frequently communicates to customers | | | | | |
| The customers freely express opinions to the staff of the company | | | | | |
| The customers show discontent towards the staff in the company through communication | | | | | |
| When there is a change in the policy, or any other relevant issue, the staff in the company communicates to customers in time | | | | | |
| **Reciprocity** | | | | | |
| The company often gives a good turn to their customers | | | | | |
| When customers give assistance to the company during times of difficulty, the staffs often returns their kindness | | | | | |
| The staff in the company keep their promises to their customers | | | | | |
| **Satisfaction** | | | | | |
| The company consistently meets customers' expectations | | | | | |
| Customers are satisfied with the products/services from the | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| company | | | | | |
| The company emphasizes customer satisfaction as opposed to rules and procedures | | | | | |
| The company has always responded to customers' needs | | | | | |
| The company and all its service centres are easily accessible | | | | | |
| The company employees make sure that problems do not rise in business relationship | | | | | |

**Section E: General Views:**

1. In your view, do you think relationship marketing contributes to consumer loyalty in the mobile telecommunication sector?

………………………………………………………………………………………………
………………………………………………………………

2. In your view, what should the mobile telecommunication companies do to strengthen its relationship with the customers?

………………………………………………………………………………………………
………………………………………………………………………………………………

## Appendix II: A list of Mobile telecommunication Companies

1. Airtel Kenya
2. Safaricom Ltd
3. Orange Telkom Kenya
4. Essar’s yu