CUSTOMER CHURN AND GROWTH OF MULTICHOICE KENYA LIMITED

BY

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DECLARATION

This research project is my original work and has not been presented for academic purposes in the University of Nairobi or any other University.

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This research project has been submitted for presentation with my approval as the university supervisor.

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DEDICATION

I dedicate this work to my beloved family and all those who supported me in the completion of this project.

ACKNOWLEDGEMENTS

I take this opportunity thank the Almighty God for seeing me through the completion of this project.

The work of carrying out this study needed adequate preparation and therefore called for collective responsibility of many personalities. While it is not possible to name all of them, recognition has been given to a few. I am greatly indebted to my supervisor Dr. Brigitte Wabuyabo for her professional guidance, advice and unlimited patience in reading through my drafts and suggesting workable alternatives, my profound appreciation to her.

A special feeling of gratitude to my loving wife: Electrin Maswari and our children, Bevan Ongwae and Shaliwa Akello for their words of encouragement and daily prayers.

Thank you all. May the Almighty God bless you abundantly.

ABSTRACT

The present competitive world market where the customer is the main reason for selling has created high level of competition among firms to win clients over their competitors.The pay TV market in Kenya was long monopolized by MCK. However, the market has since changed as more and more pay TV companies launched their services in Kenya. The purpose of this study was to establish the effects of customer churn on growth of Multichoice Kenya Limited.The objective of this study is to:establishing the extent of customer churn at MCK Limited and determining the effect of customer churn on growth at MCK Limited.The study adopted a case study design because the unit of analysis is on organization (MCK).The target population was the management team which had 8 members.The study used both primary and secondary data.Primary data was collected using an interview guide while secondary data was collected from operation department churn reports and other publications at MCK.The secondary data covered a period of five years starting 2009 to 2014.Content analysis was used to analyze the data collected from the respondents since it was qualitative in nature.After analysis, a report was then generated to show the competitive strategies adapted by MCK Limited to serve the Kenyan pay TV market.On causes of customer disconnections, various reasons were identified; Lack of funds in customer accounts, system error where by the system automatically disconnect the account, billing issues were also identified as cause of disconnection and also customer paying in wrong accounts and leaving their own account with no funds. On the strategies that MCK has used to reduce the number of customers terminating their services,out bound calls and SMS have been used to remind customers of their subscription due date. On the mechanisms that MCK has put in place to deal with dissatisfied customers, the company has established call centers that specifically deals with dissatisfied customers. Customer disconnection affected MCK growth in a negative way. The disconnections of accounts due to no renewal of subscription resulted to loss of revenue.MCK main souce of revenue is on subscription.Disconnection of a customer account therefore drastically reduces MCK revenue.The following conclusions were made from the study.Lack of funds in customer accounts, system error where by the system automatically disconnects a customer account, billing issues and paying in wrong accounts and leaving their own account with no funds are the causes of disconnection.Strategies that MCK had used to reduce the number of customers terminating their services are out bound calls and SMS to remind customers of their subscription due date. MCK had put mechanisms in place to deal with dissatisfied customers, the company has established call centers that specifically deals with dissatisfied customers. Trained staff are placed strategically in these centers so as to deal with and resolve issues that arise from the products and services offered by MCK Limited. The study recommends that the company should continue to address the issue of customer churn. This is because customers are key in the continuity and performance of the organization. It was noted that customer defection and disconnections have increased drastically over the past five years and that profitability has been growing at a declining rate. The study further recommends that the management avails necessary and adequate resources to manage the issue of customer churn. This encompassed training of all staff both front and back office on customer service so as to achieve harmony in service delivery.

ABBREVIATION AND ACRONYMS

ARPU- Average Monthly Revenue Per User

CAC- Customer Acquisition Cost

LVT- Lifetime Value

CSR- Customer Service Representative

DSD – Dstv Standard Decoder

Dstv- Digital Satellite Television

Gtv – Gateway Communication Television

KBC- Kenya Broadcasting Corporation

MCA- Multichoice Africa

MCK- Multichoice Kenya

M-net- Media network

RBV- Resource Based View

NN- Neural Network

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CHAPTER ONE:INTRODUCTION

1.1 Background of the Study

Acquisition and retention of customers is one of the main concerns of organization because of its impact on organizational performance. While new companies concentrate their efforts on acquiring new customers, mature ones try to focus on retention of the existing ones in order to provide themselves with the opportunity of cross-selling (Verbeke, Martens, Mues and Baesens, 2011). Retention of old customers is always a preferable option to the company because attracting new customers costs almost five to six times more than retaining the old customers. This in turn reduces the profitability of an organization because attracting a new customer includes new recruits of manpower, cost of publicity and discounts among other considerations. A loyal customer, who has been with a business for quite a long time, tends to generate higher revenues and is less sensitive to competitor prices (Balle, Casas, Catarineu, Gavaldà and Manzano-Macho, 2013). Such customers also cost less to keep and in addition, provide valuable word-of-mouth marketing to the business by referring their relatives, friends, and other acquaintances. In telecom Industry, the system is built to provide service to some average number of customers, when the customer number falls below the calculated number.

This study was founded on two theories including the Resource dependence theory and the Resource Based View theory. Resource dependency theory is based on the principle that an organization must engage in transactions with other actors and organizations in its environment in order to acquire resources. It holds that since no one organization exists in a vacuum, all organizations have to consider other stakeholders in their decision making process. This is largely because despite the fact that transactions between organizational and environmental actors are advantageous, they also create dependencies. The resource based view theory on the other hand argues that in order for organizations to attain competitive advantage in their industry, they need to have adequate resources to deploy. The resources could take the form of human capital, skills, experience and finances.

Multichoice Kenya Limited (MCK) is a pay Television company that provides a wide selection of digital satellite Video and Audio channels.MCK Limited has two products: DStv and GOtv. GOtv is a digital terrestrial TV service while Dstv on the other hand uses satellite technology for transmission. GOtv service is deployed through TV masts and accessible only in locations with GOtv transmitter coverage. Even though MCK is the market leader in Pay TV industry in Kenya, customer churn has proved to be one of its major impediments on its growth (Multichoice Website, 2013).

1.1.1 Customer Churn

Customer churn refers to the tendency of customer to cease contact with a company (Yang, and Chiu, 2006). It is a process in which customers switch their purchases to another market causing loss of revenue, financial and social problems for company. Customer churn is a popular measure of lost customers. Retaining customers with high churn risk has become one of the toughest challenges in telecommunication industry due to increasing number of service providers as well as more intense competition introducing a variety for customers to choose from (Verbeke et al., 2011).

There are several factors that influence a customer to churn. Unlike post-paid customers, prepaid customers are not bound by service contracts and they often churn for simplest reasons (Balle et al., 2013). Thus, it is quite difficult to predict their churn rate. Another factor is customer loyalty that may be determined by customer service and product quality offered by the service providers. Issues like network coverage issues and reception quality may influence customers to move to the competitor with broader reach and better reception quality (Larivière, 2004). Other factors that increase probability of customers defecting to the competition include slow or inadequate response to complaints and billing errors. Factors such as packaging prices, inadequate features, and older technology may also cause customers to defect to the competition. Customers often compare their providers with others and churn to whoever they feel provides better overall value

1.1.2 Business Growth

Growth is often closely associated with firm overall success and survival. It is used as a simple measure of success in business and forms the most appropriate indicator of the performance. Growth is economic expansion as measured by various indicators. Business growth should also include expanding products and services or expanding target markets, or some combination of each. Growth is the single top strategic priority for many firms (The Economist Intelligence Unit, 2000). In addition, growth is an important precondition for the achievement of other financial goals of business. When a business begins to sell more products or generate more service income, the business brings in more money and is considered to be growing. When a business is able to cut costs and net more money from raising profitability, it also grows. Really successful businesses have success in both areas, and success in one area often leads to another.

The growth can be measured in terms of increases in any one or more of the following variables: turnover, incomes, profits, the number of employees, capital investment and an increase in the overall worth of the enterprise. Growth in this study was measured in terms of number of account holders. This is because customer churn has a direct impact on the profitability of an organization.

1.1.3Multichoice Kenya Limited

The joint venture between Multichoice Africa (MCA) and Kenya Broadcasting Corporation (KBC) in February 1995 saw the birth of Multichoice Kenya Limited (MCK) as the first pay TV operator in Kenya. Currently Kenya has four major pay TV operators namely MCK Limited, Wanainchi online (operators of Zuku) StartimesTV and Azam TV. The pay TV business in Kenya has however proved to be a tricky affair for most companies that have dared to try it. Two companies that ventured into this business after MCK limited that is GTV and Smart TV did not survive the tide. They both went under within two years of their launch in Kenya. Although there has been a slightly steady growth in this industry due to the analogue technology switch off to digital that happened recently, customer retention has remained the greatest challenge among the four major players (Deloitte, 2012).

Multichoice Kenya Limited is a pay Television company that provides a wide selection of digital satellite Video and Audio channels. MCK Limited has two products: DStv and GOtv. GOtv is a digital terrestrial TV service while Dstv on the other hand uses satellite technology for transmission. GOtv service is deployed through TV masts and accessible only in locations with GOtv transmitter coverage (Multichoice Website, 2013).In the year 2010 during the FIFA world cup in South Africa, MCK embarked on ambitious campaign to recruit 20,000 subscribers within one month of the greatest football extravaganza. The overall sales target for the year 2010/2011 for DSD decoder was 30,000 pieces. In order to achieve this target MCK lowered her equipment price (DSD decoder plus Dish) by70% on the initial price. By the end of the FIFA world cup which lasted for 30 days, the total DSD sales stood at 30,000.This was a big achievement for MCK Limited in the sense that it did not only achieved the set world cup target but also the annual target.

However, celebrations for this big achievement was short lived. Out of the 30,000 new subscribers netted during the world cup, only 5,000 renewed their subscription six months after their due date. A survey carried out by MCK between May 12th to May 18th 2012 on their GOtv brand discovered that a total of 1,115 accounts had been disconnected due to lack of payment. The total number of attempted calls between May12th to May 18th 2012 was 208 with only 48 accounts being reactivated within the same period. It is from these experiences that that the researcher seeks to establish the relationship between customer churn and growth of MCK Limited.

1.2 Research Problem

The present competitive world market where the customer is the main reason for selling has created high level of competition among firms to win clients over their competitors. This cut throat competition has caused fruits to devised strategies of working with their customers. However customer churn remains the order of the day. Identifying customer needs in order to understand their behaviour had been identified as key ingredient in the minimization of customer churn. Customer churn can have an adverse effect on the growth of a business if not well checked. Costs associated with customer churn include loss of revenue, advertisement costs and cost of customer retention and reacquisition (Zhang et al, 2006).According to Hoekstra and Huizinga (1999), it costs an organization five times more to get a new client as compared to maintaining one.

The pay TV market in Kenya was long monopolized by MCK. However, the market has since changed as more and more pay TV companies launched their services in Kenya. The considerable increase of business competition in Kenya Pay TV industry over the last decade has given rise to the phenomenon of customer switching behavior, hence high customer churn rates, which is a major setback to the growth in the industry. MCK Limited being the market leader has not been spared either. High customer churn rate experienced lately has raised major concerns in the company. A customer churn survey carried out by MCK Limited in the month of May 12th to May 18th 2012 on their GOtv brand discovered that a total of 1,115 accounts had been disconnected due to lack of payment. The total number of attempted calls between May12th to May 18th 2012 was 208 with only 48 accounts being reactivated within the same period. Similarly, the 2010 FIFA world cup experience that left MCK Limited with up to 83.3% customer churn within six months is a clear indication of just why churn management should be taken seriously at MCK limited.

Several studies have been done on customer churn. For instance, Rodpysh (2013) did a study on providing a method for determining the index of customer churn in industry and established that formula index churn has outperformed each index. Sharma and Panigrahi (2011) studied a neural network based approach for predicting customer churn in cellular network services. The results of experiments indicated that neural network based approach can predict customer churn with accuracy more than 92%.Hejazinia and Kazemi (2014) sought to present a new model of Telecom companies' customer churn based on literature review and established that service quality is the most significant factor followed by customer, satisfaction, competitors with superior technology, cost of change, and advertising respectively. Ndung'u (2013) examined modeling of churn behaviour of bank customers using logistic regression. The study established that the factors affecting customer switching varied. Auka, Bosire and Matern (2013) studied perceived service quality and customer loyalty in retail banking in Kenya. The results indicate that all the dimensions of service quality have a positive and significant influence on customer loyalty in retail banking. This finding reinforces the need for bank managers to place an emphasis on the underlying dimensions of service quality in order to create and maintain customer loyalty. From the analysis of previous studies above, there is no study that has been conducted on the effect of customer churn on growth of Multichoice Kenya Limited. This study therefore seeks to achieve the objective of this study by answering one research question: what is the relationship of customer churn and growth of Multichoice Kenya Limited?

1.3 Research Objectives

The objective of this study is to:

i) Establish the extent of customer churn at MCK Limited.

ii) Determine the effect of customer churn on growth at MCK Limited.

1.4 Value of the Study

The findings of this study would be important to the management and administration at the MCK in development of future strategies on how to manage customer churn for improved growth. Through the findings of this study, the management would learn the effects of customer churn and ways of reducing it for optimal organizational performance.

The findings of this study would also be important to future researchers and academicians in that it would act as a source of reference besides suggesting areas for further studies. Future scholars can get more literature on customer churn and organizational growth from this study hence informs their future studies.

The findings of this study would be important to the Government of Kenya especially the Ministry of Information and communication technology in formulation and implementation of policies on pay TV industry in Kenya. The findings of this study will inform Government officials at the Ministry on the effects of customer churn on organizational growth.

1.5 Chapter Summary

This chapter has provided background information of the study relating to customer churn and growth from global, regional and local perspectives. It has highlighted the problem of the statement clearly bringing out the research gap to be filled by the study. The chapter has also presented the research objective and the value of the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the existing literature on the topic of customer churn and organizational growth. It first presents the theories on which the study is anchored before proceeding to analyze the effects of customer churn on organizational growth.

2.2 Theoretical Foundation

This study is founded on two theories: the Resource dependence theory and the Resource Based View theory. These theories are explained in details below.

2.2.1 Resource Dependence Theory

This theory was developed by Emerson (1962) to help explain the notion that environments are the source of scarce resources and organizations are dependent on these finite resources for survival. It is concerned with how organizational behaviour is affected by external resources the organization utilizes, such as raw materials. Organizations must develop ways to exploit these resources, which are also being sought by other firms, in order to ensure their own survival. According to Pfeffer and Salancik (1978) the elemental structural characteristics of environments are concentration, the extent to which power and authority in the environment are widely dispersed; munificence, or the availability or scarcity of critical resources; and interconnectedness, the number and pattern of linkages, or connections, among organizations. These structural characteristics, in turn, determine the relationships among social actors – specifically, the degree of conflict and interdependence present in the social system.

Conflict and interdependence, in turn, determine the uncertainty the organization confronts (Pfeffer and Salancik, 1978).

Resource dependence theory also inferred that a firm's strategic options were determined to a great extent by the environment. Since firms were dependent on the environment for resources, they needed to enact strategies that would allow them to acquire these resources. Therefore, the external environment had already been determined for these firms, and they experienced little strategic choice (Yuchtman, and Seashore, 1967). Accordingly, resource dependence theorists argued that in order to reduce the impact of this environmental uncertainty on organizational performance, it was necessary for organizations to develop and sustain effective relationships with their external environment (Pfeffer and Salancik, 1978). In the same manner, for organizations to reduce customer churn and grow, they need to observe the resources they have and how the environment in which they operate favors them.

2.2.2 Resource Based View Theory

The resource-based perspective has an intra-organizational focus and argues that performance is a result of firm-specific resources and capabilities (Barney, 1991). The resource-based view (RBV) is a basis for the competitive advantage of a firm that lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Prahalad, 1996). The RBV isolates unique resources that are complex, intangible, and dynamic within a particular firm which can be utilized by the firm to gain and sustain competitive advantage (Barney, 1991). The bundles of resources that are distinctive to a firm give it an edge which other firms may not easily copy hence providing sustainability of the competitiveness (Wernerfelt, 1984).

The basis of the RBV is that successful firms will find their future competitiveness on the development of distinctive and unique capabilities, which may often be implicit or intangible in nature (Wernerfelt, 1984). The firm's unique resources and capabilities provide the essence of strategy. Barney (1991) argues that if all the firms were equal in terms of resources, there would be no profitability differences among them because any strategy could be implemented by any firm in the same industry. The RBV suggests that competitive advantage and performance results are a consequence of firm-specific resources and capabilities that are costly to copy by other competitors. Therefore, in an organization's effort to gain competitive advantage, it is important to establish the resources owned by the company and how such resources can be tapped for the given organization's competitive advantage.

2.3 Effects of Customer Churn on Business Growth

Customer churn can have adverse effects on growth of a business. Markmanand Gartner (2002) in the context of a firm define business growth as a gradual process that involves an increase in the sales of company, expansion of business through acquisition or merger, growth of the profits, product development, and diversification and also an increase in the number of employees of the firm. The Costs associated with customer churn that affect growth of a business by negatively affecting revenue, advertisement costs and cost of customer retention and re-acquisition. Reichheld (1996) argues that 5% retention of customers will translate to 35% to 95% growth of the organization. He further asserts that it is five times cheaper to market to retain customer than to acquire new ones.

Customer churn is often used as an indicator of customer satisfaction. Customer satisfaction holds the potential for increasing the organizations customer base, increase the use of more volatile customer mix and increase the firm's reputation, (Fornell 1992, Levesque and McDaugall, 1999).According to Maslow (1954) hierarchy of needs theory, human beings first focus on satisfying needs low in the hierarchy. Once these are satisfied, they move to more complex needs, which are also more social and psychological in nature. Failure to satisfy the higher needs in the hierarchy will lead to churn of a service that is considered to be less important and has low emotional bond with the customer.

Sharma and Patterson (1999) developed Relationship Commitment Model that shows determinants of relationship commitment. The model consist of three factors such as communication effectiveness, functional quality and technical quality, all affected by trust in the relationship which in turn affects relationship commitment. Trust is defined by Sharma and Patterson (1999) as the belief that the service provider can be relied upon and that the provider will deliver the promise effectively, that they will meet their needs.

The service loyalty model developed by Powers (2012) studied customer loyalty in many different industries. In their findings, customer churn is attributed to shortcomings in delivering certain benefit types: implicit, where the customer learns the service is missing a basic feature or lacks performance they normally take for granted. Explicit, when the customer realizes a specific promise made in the sales process regarding features, performance, or cost is not being kept and experiential, where the customer discovers a mediocre ongoing relationship with the supplier.

Following the old marketing axiom that it's usually more profitable to retain a current customer than to acquire a new one, many companies deploy specialized customer care representatives to handle churn calls. Globally, it has been found that managing customer churn is of great concern and is becoming a more serious problem as the market matures. The major effect of customer churn is loss of revenue which in turn slows business growth. What is far more stunning is just how little churn you need to reduce growth significantly over an extended time period. For example a 10% churn with 100 customers means that 10 customers left in a month. If a firm somehow manages to get to 100,000 customers without addressing churn issue, the number of customers lost in a month would stand at10, 000. Before a firm can think about its growth, it first needs to get its customers churn to acceptable levels (Kouser et al., 2012).

In a highly competitive and maturing mobile telecommunications service market, a defensive marketing strategy is becoming more important. Instead of attempting to entice new customers or lure subscribers away from competitors, defensive marketing is concerned with reducing customer exit and brand switching. In order to better manage customer churn, companies need to fully understand a customer's behavioral churn path and the factors pertaining to the customer churn.

Satisfaction is an overall customer attitude or behavior towards a service provider, or an emotional reaction towards the difference between what customers expect and what they receive, regarding the fulfillment of some desire, need or goal (Hansemark & Albinsson, 2004). Less satisfied customers will speak negatively about the organization and its products as they switch their loyalty to other brands. This will negatively affect the performance of organizations involved and thus limit their growth. Dissatisfied customers are more likely to tell another ten people about their unfortunate experiences with a particular organization hence lead to mass exodus in an organization stifling its growth. In order to achieve customer satisfaction, organizations must be able to build and maintain long lasting relationships with customers through satisfying various customer needs and demands which resultantly motivates them to continue to do business with the organization on on-going basis.

2.4 Empirical Review

Several studies have been conducted on customer churn and organization performance giving different conflicting findings. Ahn, Hana and Lee (2006) conducted a customer churn analysis by looking at churn determinants and mediation effects of partial defection in the Korean mobile telecommunications service industry. Results indicate that call quality-related factors influence customer churn; however, customers participating in membership card programs are also more likely to churn, which raises questions about program effectiveness. Furthermore, heavy users also tend to churn. In order to analyze partial and total defection, this study defined changes in a customer's status from active use (using the service on a regular basis) to non-use (deciding not to use it temporarily without having churned yet) or suspended (being suspended by the service provider) as partial defection and from active use to churn as total defection. Thus, mediating effects of a customer's partial defection on the relationship between the churn determinants and total defection are analyzed and their implications are discussed. Results indicate that some churn determinants influence customer churn, either directly or indirectly through a customer's status change, or both; therefore, a customer's status change explains the relationship between churn determinants and the probability of churn.

Gursoy (2010) conducted an analysis of customer churn in telecommunication sector. The aim of the study was to determine customers who want to churn, and to create specific campaigns to them by using a customer data of a major telecommunication firm in Turkey. To determine the reasons of the customer churn, logistic regression and decision trees analysis, which is one of the classification techniques, were applied. The analysis shows that subscribers, who do not have a discounted package, have very high tendency to churn. So, various attractive packages should be created to fulfill different calling behaviors. Also, subscribers who don't belong to any discount plan should be informed about various plans. Thus, creating different marketing strategies and different plans that fulfill various customers' profiles can help firms to keep customers happy thereby reducing churn rate. Ndung'u (2013) examined modeling of churn behaviour of bank customers using logistic regression. The study established that the factors affecting customer switching varied.

Auka, Bosire and Matern (2013) studied perceived service quality and customer loyalty in retail banking in Kenya. The results indicate that all the dimensions of service quality have a positive and significant influence on customer loyalty in retail banking. It investigates the relationship between service quality dimensions and customer loyalty. To achieve this purpose, data was collected from a sample of 384 current customers of commercial banks on the five dimensions of service delivery: tangibility, reliability, responsiveness, assurance and empathy. The results indicate that all the dimensions of service quality have a positive and significant influence on customer loyalty in retail banking .This finding reinforces the need for bank managers to place an emphasis on the underlying dimensions of service quality in order to create and maintain customer loyalty.

Sharma and Panigrahi (2012) examined a neural network based approach for predicting customer churn in cellular network services. Churn prediction models were developed by academics and practitioners to effectively manage and control customer churn in order to retain existing customers. As churn management is an important activity for companies to retain loyal customers, the ability to correctly predict customer churn is necessary. As the cellular network services market becoming more competitive, customer churn management has become a crucial task for mobile communication operators. This paper proposes a neural network (NN) based approach to predict customer churn in subscription of cellular wireless services. The results of experiments indicate that neural network based approach can predict customer churn with accuracy more than 92%. Further, it was observed that medium sized NNs perform best for the customer churn prediction when different neural network's topologies were experimented.

Bolton (1998) investigated the role of customer satisfaction in a dynamic model estimating the customer's duration with the service carrier. Bolton, Kannan, and Bramlett (2000) found that members in loyalty reward programs overlook a negative evaluation of the company vis-a-vis its competitors in their repatronage decisions. GerpottRams and Schindler (2001) analyzed a two-stage model where overall customer satisfaction has a significant impact on customer loyalty, which in turn influences customers' intentions to terminate their contractual relationship.

According to Powers (2001), Cloud computing firms often suffer significant customer turnover. Churn rates of 1% to 2% per month are common, some as high as 10%. Defecting customers cost millions of dollars in lost revenue. Accordingly, decreasing customer churn isn't about forming new departments, implementing loyalty incentives, or buying trendy technologies. It requires decisions and actions in many areas, including strategic planning, finance, development, marketing, sales, operations, and customer care. Surprisingly, there is no standard calculation for customer churn. People use different measurement windows, include or exclude customers that join or leave during the period, separate the data by type of churn (voluntary or involuntary), use recurring revenue instead of subscriber numbers, prefer weighted factors, or choose denominators with either the beginning, ending, or average customer count over the term. For purposes of this paper, simplicity is preferred. Churn will therefore be defined as follows:

$$\textit{Annual Churn Rate} = \frac{\textit{Numbers of Customers Who left by year End}}{\textit{Number of customer at beginning of Year}}$$

This definition excludes any customers added during the year. For example, company X has 1,000 customers on January 1, and of these, 200 canceled their subscriptions as of December 31, making the annual churn 20% (200/1,000). The average monthly churn is then roughly 1.7% (20%/12). Once again, companies may favor other calculations for other purposes, but gross, relative performance is sufficient for the analysis that follows.

Churn has a significant impact on revenue and profitability. Customer Lifetime Value (LTV) can be defined accordingly:

LTV = Average Lifetime of a Customer X (ARPU − Monthly Cost to Serve Customer)

Where: ARPU = Average monthly Revenue per User

Company profitability is closely tied to per-customer profitability when sales and marketing costs are included: Customer profitability = LTV − CAC or Customer Acquisition Costs. Obviously, if LTV is equal to or less than CAC, the company has a problem. The Average Lifetime of a Customer is equal to 1/Churn, so cutting churn rate in half doubles LTV and per-customer profitability. Recognizing this leads to a powerful conclusion: even small reductions in churn can make a big difference. The service excellence study also argues that not all churn is bad. Some customers buy a product or service even though it is a poor fit for their needs. Some consume a disproportionate share of support resources and are too costly to serve. Some demand unrealistic performance, are abusive or difficult, or conduct illegal activities. Consequently, a small churn percentage will always be present. A 2% average monthly churn means that a company retains 76% of customers annually.

In the telecommunications setting, churning is usually referred to as changing phone operator. Most telecommunications service providers are deploying retention strategies; harmonized in programs and processes to keep customers by providing them with tailored products and services. Subsequently, many companies have started to include churn reduction as one of their business goals. All service providers lose customers to some other competing companies due to various reasons but it should be clear that the survival of any business is dependent on its capability to maintain and retain customers. This is predominantly factual for the service providers, hence the need for churn reduction.

However, two critical issues facing service providers as the market grows are market share and competitive advantage. Obviously, the prospects associated with market expansion will certainly result in a greater number of providers thus, gaining or maintaining market share through a means that provides an unparalleled competitive advantage will strongly figure into a provider's business plan (Chen and Ching, 2007). Though as noted by Chen and Ching (2007), technology can provide a competitive advantage for service provider, however this advantage is only provisional as it disappears once the technology becomes readily available to everyone. Therefore a better approach lies in adopting technology to leverage a customer-centric approach that focuses the business on retaining existing customer and seeking their loyalty (Chen and Ching, 2007).

Keeping in view the fact that cost of obtaining new customer is five times higher than maintaining an existing customer and that service providers spend huge amount on advertisement to gain a customer (Khan, Jamwal and Sepehri, 2010), service providers need not to lose their existing customers and hence must fight customer churn. In particular, Khan et al (2010) identified two basic approaches to fight customer churn. The first is untargeted approach which relies basically on superior product and mass advertising to increase brand loyalty and customers' retention. The second which could either be reactive or proactive is targeted approach which relies on identifying customers who are likely to churn, and then either provide them with a direct incentive or customize service plan to make them stay.

In adopting a reactive approach, a company waits until customers informs them of their intention to cancel their (service) relationship before offering the customer incentives, for example a rebate, to stay while in adopting a proactive approach, a company tries to identify customers who are likely to churn at some later date in advance. The company then targets these customers with special programme or incentive to keep the customers from churning. Targeted proactive programs have potential advantages of having lower incentive costs and because customers are not trained to negotiate for better deals under the threat of churning. However these systems could be very wasteful if churn predictions are erroneous, because the companies would be wasting incentive money on customers who would have stayed anyway. That is why the customers churn prediction processes needed to be as accurate as possible (Burez and Van den Poel, 2006).

Keaveney (1995) conducted an investigation of how certain critical incidents caused customers to switch from one service provider to another. She surveyed more than 500 service customers, producing a list of more than 800 critical behaviors on the part of the firm. These behaviors were classified into eight categories of critical incidents, including pricing, core service failures, service encounter failures, employee responses to service failures, and competition. Each of these is a potential cause of churn that the firm can potentially influence, at least to some extent. Though most of the reasons for which customers churn can be influenced by the firm, as Keaveney (1995) points out, there are some reasons for churn which they cannot control.

Hughes (2008) enumerated various measures of reducing customer churn. Some of which are offering better products, better delivery methods, lowering prices, building satisfactory customer relationships, better marketing and, above all, successful customer communications. Studies have shown that good service quality leads to the retention of existing customers and the attraction of new ones (Kotler and Keller, 2006), just as

(Reichheld and Sasser, 1990; Yoon and Suh, 2004) reiterated that reduction in costs, enhanced corporate image and positive word-of-mouth recommendation also enhance customer loyalty. Omotayo and Joachim (2008) in their study of relationship between customer service and customer retention in telecoms industry identified choices, conveniences, prices, and income as key factors to be considered if subscribers must be retained. They noted that customer service enhance customer retention. Khan, Jamwal and Sepehri (2010) agreed with previous studies of (Cronin and Taylor, 1992; Zeithaml, Berry and Parasuraman, 1996; Lee and Murphy 2008) that Service quality, consumers' appraisal of overall quality or service excellence, may influence customers' decisions to remain with or churn current service providers. They emphasized that favorable service quality would increase loyalty, retention and reduce churn. Al-Rousan, Ramzi and Mohamed (2010) in their study concluded that service quality significantly influenced customers' loyalty.

A study by Zeithaml, Berry, and Parasuraman (1996), in Yi and Alison (2001) and Wong and Sohal (2003) identify factors that discriminate among subscribers exhibiting willingness to churn their current service provider and those willing to stay. The study also examines the effect of socio-economic and demographic factors associated with the identified discriminant. According to Reichheld (1996), customer churn rate decrease of as little as a 5% can boost net profits by as much as 20%. He further estimated that, with an increase in customer retention rates of just 5%, the average net present value of a customer increases by 35% for software companies and 95% for advertising agencies.

In banking, a similar reduction in customer turnover can increase net profits by as much as 80%. How do these numbers impact actual bank revenues? The following calculation shows how a bank can determine its potential revenue gain by reducing customer churn for a typical commercial client:

Average Annual Revenue Stream Generated x Estimated Life Span of the Relationship =Life Time Value (LTV) of a Client

By calculating a customer's Life Time Value (LTV), Banks can see how even the smallest decrease in customer churn can improve their bottom line significantly. Mutanen (2006) in his paper titled 'Customer churn analysis in retail Banking', says that personal retail banking sector is a typical market sector where a customer is not regularly switching from one company to another. This makes customer churn a priority for most companies in the banking sector. Therefore as the customer relationships last, the company must address the value of a potential loss of a customer.

2.5 Conceptual framework

The researcher used a conceptual framework to show the relationship between the dependent and the independent variable. For this study, account disconnections, customer dissatisfaction, and customer motivation were identified as the independent variables. Growth was identified as the dependent variable.

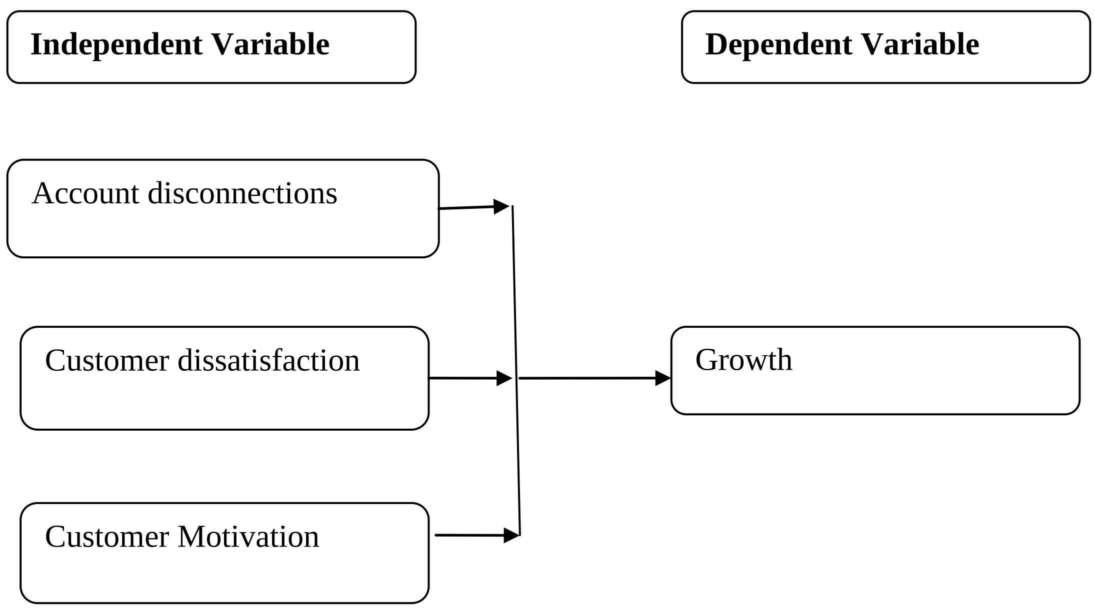

Figure 1.1 Conceptual Framework, Author (2015)

2.6 Chapter Summary

This chapter has reviewed the literature that informs the formation of study variables. In particular, it reviewed the theoretical foundation where the resource dependence and resource based view theory were reviewed. The study then presented effects of customer churn on business growth and empirical studies. Of the studies reviewed (Ahn, Hana and Lee (2006); Gursoy (2010); Ndung'u (2013) and Auka, Bosire and Matern (2013 none of these studies has concentrated on customer churn and growth. This study would therefore be the pioneer in building knowledge on the concept of customer churn and growth of Multichoice Kenya limited.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section deals with the methodology to be used in carrying out the study. It is sub divided into research design, data collection and data analysis. These sections are discussed in details below.

3.2 Research Design

The study adopted a case study design because the unit of analysis is on organization (MCK). Case study research provides a systematic way of looking at events, collecting data, analyzing information, and reporting the results. As a result the researcher is able to gain a sharpened understanding of why the instance happened as it did, and what might become important to look at more extensively in future research (Yin, 2002). Other studies such as (Kasyoka, 2011; Ngethe, 2011; and Musyoka, 2011) successfully adopted this research design.

The target population for the study was the management team that had eight members. The interview guide enabled the researcher to collect in-depth qualitative data. This was used in order to gain a better understanding and a more insightful interpretation of the results from the study.

3.3 Data Collection

The study used both primary and secondary data. Primary data was collected using an interview guide while secondary data was collected from audited churn reports and other publications at MCK. The secondary data covered a period of five years starting 2009 to 2014. Data on growth included the changes witnessed in customer numbers on record.

The researcher interviewed senior and middle level management team because of their involvement in competitive strategy formulation issues from an operational point of view in the Company.

3.4 Data Analysis

Content analysis was used to analyze the data collected from the respondents since it was qualitative in nature. Kothari (2004) define content analysis as any technique used to make inferences through systematic and objective identification of specified characteristics of messages. Kothari (2004) also explains content analysis as the analysis of the contents of documentary and verbal material, and describes it as a qualitative analysis concerning the general import of message of the existing documents and measure pervasiveness.

Data collected was organized into various thematic areas so as to build a profile about the competitive strategies adopted by the pay TV operators in Kenya. A report was then generated based on the themes that emerge, the report also helped to show the competitive strategies adapted by MCK Limited to serve the Kenyan pay TV market.

CHAPTER FOUR: DATA ANALYSIS FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research objective which included: establishing the extent of customer churn and determining the effect of customer churn on growth at MCK Limited. The study targeted a total of 8 interviewees comprising of senior and middle level management team because of their involvement in strategy formulation issues from an operational point of view in the Company. Out of the target 8 respondents, 6 managers availed themselves for an interview with the researcher thus giving a response rate of 75%. This response rate was excellent, representative and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. This response rate was achieved after the researcher made extra efforts to contact the target interviewees via personal calls and visits to book appointments and informing them of the importance of this research.

4.2 Background Information

The study collected some background information about the interviewees so as to determine their suitability in providing the information sought by the study. The interviewees were requested to indicate the position they held in the organization**.** From the responses, four of the interviewees were middle level managers while two were senior managers. The interviewees were from different departments which includesales and distribution, customer service, finance and administration, key accounts channel development and marketing development. These findings show that the interviewees were distributed across the whole business service lines hence the information collected best illustrated customer churn and its effects of the business growth of MCK.

The interviewees further were required to indicate the period they had served in the organization so as to determine how well they understood the operations of the organization in terms of customer service and growth of MCK. From the responses, the interviewees had worked with the organization for a long period ranging from 4 to more than15 years indicating that they had worked in the organization long enough to understand the level of customer churn and how it affected the growth of MCK. Therefore the information provided was highly reliable.

4.3 Extent of Customer Churn

The interviewees were requested to indicate the extent to which customer churn had been experienced at MCK. From the responses, the interviewees indicated that when accounts run out of paid up subscriptions they automatically disconnected. The system had been set up in such a way that if the payments were not made and updated in the system in good time, the subscribers were switched off automatically. They also indicated that since migration from analog to digital broad casting was implemented by the Government, the growth in customer numbers disconnections increased owing to the fact that many people moved to the pay TV option but were unable to keep up with the monthly subscription.

The interviewees noted that accounts that ended up being disconnected normally had billing issues that had not been resolved by the time of disconnection. They further noted that the closure of the account mostly happened due to the seasonal nature of their customers. The interviewees indicated that some customers did not renew their subscriptions after their paid up period for reasons only known to them. The interviewees indicated that there were a number of pay TV service providers and that customer continued to have disconnections. The disconnections did not improve much even after going through digital migration as the level of competition for pay TV went up.

4.4 The Causes of Customer Disconnections

The study sought to establish the causes of customer disconnections .From the interviews various reasons were identified; Lack of funds in customer accounts, system error where by the system automatically closes the account. Billing issues were also identified as cause of disconnection and also customer paying in wrong accounts and leaving their own account with no funds. There had also been competitions from other pay TV companies that have attracted a share of customers and some of them are formerly MCK customers.

One of the reasons why the customers move to other providers is due to high subscription rate and lack of after sale service. The seasonality nature of customers was also identified as a cause where customers pay for the TV to enable them access some programs like sports and whenever that particular sport season is over then they stop paying. Lastly the interviewees indicated that lack of knowledge on the part of customers on how pay TV works and dissatisfaction with service was also another cause of disconnection.

4.5 Number of accounts disconnected over the past one year

The study further sought to establish the number of accounts that have been disconnected over the last one year. The interviewee gave a range of between 30% and 50% which was quite high indicating that customer churn at MCK was a real issue. This negatively affected the performance of the company as depicted in the recorded decreases in the financial performance.

4.6 Strategies in reducing the number of customers terminating their services

The interviewees were asked to provide some of the strategies that MCK has used to reduce the number of customers terminating their services. Strategies employed were out bound calls and SMS to remind customers of their subscription due date. Another strategy identified was putting customers on campaign through customer engagement, coming up with promotions that motivate their customers and improving content of interest of their customers.

The interviewees noted that MCK has a closed loop customer lifecycle management system from acquisition to maturity to make sure that customers stay with them for long period. The company has also introduced customer loyalty management systems which include sending reminders to customers about dues dates, revamping the system now and then and improving content. The system give rating according to the number of days the account has been off and hence the company is able to follow up on the accounts that have been inactive.

4.7 Mechanisms put in place to deal with Dissatisfied Customers

The interviewees were further asked to identify mechanisms that MCK has put in place to deal with dissatisfied customers. One of the mechanisms identified was the use of call centers that specifically deals with dissatisfied customers. Trained staff are placed strategically in these centers so as to deal with and resolve issues that arise from the products and services offered by Multichoice Kenya Limited.

MCK has also established service department that comprises of churn and operations department, investing in more touch points and retail shops. The departments have been decentralized and currently the retail shops are found most of the major towns in Kenya. This has eased access by the locals.

Customer facing/front office staff receive training on customer service through modules that enable them to gain an understanding of world class customer service. Knowledge gained from these training is meant to help them serve customers better through value adding services and professionalism. Another strategy that has been employed is the use of collection agents and installers across the country to offer customer care, improving hardware and offering free decoders in exchange of faulty ones.

4.8 Motivators for choosing MCK over other pay TV operators in Kenya

The interviewees were asked to identify the factors that motivate customers to choose MCK over other pay TV operators in Kenya. They identifies that MCK had the best content compared to other pay TV companies in the country. This is attributed to the fact that Multichoice Kenya has been in operation in the country longer than other pay TV companies and therefore they understand the market dynamic better than their competitors.

The interviewees further noted that excellent customer service was a motivator. Customer care staff who are knowledgeable and friendly to the customers attract customers to the company. Additionally, being a big brand across Africa, MCK has attracted a number of clients due to its international outlook. Expatriates who move from one country to another would prefer a pay TV that would also serve them wherever they are. The interviewees noted that the European premier leagues are also a motivator for customers to choose MCK over other pay TV operators. This is because of the exclusive sports coverage that MCK offers to its subscribers.

4.9 Effect of Customer Churn on Growth

The study further sought to establish the effect of customer churn MCK's growth rate over the last five years .It was noted that growth has been slow and MCK has reported a drastic decline in growth for the last five years compared to the former years when there was overwhelming increase in sales . The interviewees indicated that the reported growth rate over the last five years was between 10-25 %.They indicated that the growth was compromised due to the migration from analog to digital broadcasting. The migration brought in many players in the industry and therefore the company has since faced a lot of competition from the other players leading to slow growth.

On the other had the interviewees indicated that MCK has experienced significant growth in the premium subscribers which targets the upper and middle class customers and also with the GOTV that was targeted towards the mass market. Overall the interviewees stated that there has been slow growth at MCK.

4.10 Effects of customer account disconnection on MCK growth

The interviewees were asked to identify how customer account disconnection affected MCK growth. They indicated that disconnection results to loss of revenue, accrued, subscriptions hence reduction in revenue. When a customer's account is disconnected it means MCK has not receive subscription from that customer .This therefore leads to decrease of revenue for MCK since the company's main source of revenue is on subscription. Reduction/loss in revenues would ultimately affect profit margins of MCK Limited.

The interviewees indicated that more resources would be allocated to disconnections hence leaving other profitable priority areas like sales growth promotion activities. This leads to slow growth in terms of customer base and also slow or no expansion in terms of the company's infrastructure. There is loss of customer advocacy because the focus is on disconnections and not customer. Money that should have been used to improve the service is used to win new if not old customers because the rate of customer churn is quite high.

4.11 Effects of Customer Defections on the Growth of the Company

Asked how customer defection from MCK has affected the growth of the company, the interviewees said that it has led to loss of Revenue, decreased profit, loss of brand equity. These two are the greatest customer advocate and this affects the company's operations due to reduction in revenue collection as a result the company cannot be able to support intended growth projects

Negative publicity was also identified; this has negative effect on the existing customers and prospective ones. Existing customer may opt to leave and the prospective ones may not subscribe to be MCK customer due to the negative publicity.

4.12 Regression Analysis

The study conducted a cross-sectional multiple regression on Customer Churn at MCK.

The findings are shown in table 4.1below:

Table4.1Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.848	0.718	0.673	0.21663

Table 4.1 above shows a model summary of regression analysis between the various variables that contribute to customer churn. The value of R was 0.848; the value of R square was 0.718 and the value of adjusted R square was 0.673.Positivity and significance of all values of R shows that model summary is significant and therefore gives a logical support to the study model.

Table4.2: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	2.993	2	.748	15.947	.000b
Residual	1.173	6	.047		
Total	4.167	8			

ANOVA statistics of the processed data at 5% level of significance shows that the value of calculated F is 15.947 and the value of F critical at 5% level of significance With numerator degrees of freedom 2 and denominator degrees of freedom 6 was 2.76 .Since F calculated is greater than the F critical (15.947>2.76), this shows that the overall model was significant.

4.11 Chapter Summary

This chapter has provided the analysis of the backgrounds of the respondents in the study and the analysis and findings of the extent of customer churns, causes of customer disconnections, strategies in reducing the number of customers terminating and effect of customer churn on growth, customer account disconnections and customer defections. Regression analysis was conducted between the various variables that contribute to customer churn.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study sought to investigate customer churn and growth of Multichoice Kenya Limited. The summary of findings, discussions, conclusion and recommendations are presented below.

5.2 Summary of Findings

On the extent to which customer churn has been experienced at MCK. It was noted that when accounts run out of paid up subscriptions they automatically disconnect. Since migration from analog to digital broad casting and the growth in customer numbers disconnections have gone up owing to the fact that many people moved to the pay TV option but were unable to keep up with the monthly subscription. It was also noted that customers with billing issues are likely to move to other providers

On causes of customer disconnections, various reasons were identified; Lack of funds in customer accounts, system error where by the system automatically closes the account ,billing issues were also identified as cause of disconnection and also customer paying in wrong accounts and leaving their own account with no funds. There has also been competitions from other pay TV stations who have attracted a share of customers and some of them are formerly MCK customers. Another reason why the customers move to other providers is due to high subscription rate, lack of after sale service and the seasonality nature of customers.

The interviewees were asked to provide some of the strategies that MCK has used to reduce the number of customers terminating their services. Strategies employed were out bound calls and SMS to remind customers of their subscription due date. Another strategy identified was putting customers on campaign through customer engagement, coming up with promotions that motivate their customers and improving content of interest of their customers.

The interviewees noted that MCK has a closed loop customer lifecycle management system from acquisition to maturity to make sure that customers stay with them for long period. The company has also introduced customer loyalty management systems which include sending reminders to customers about dues dates, revamping the system now and then and improving content. The system give rating according to the number of days the account has been off and hence the company is able to follow up on the accounts that have been inactive.

On the mechanisms that MCK has put in place to deal with dissatisfied customers, the company has established call centers that specifically deals with dissatisfied customers. Trained staff are placed strategically in these centers so as to deal with and resolve issues that arise from the products and services offered by MultichoiceKenya.MCK has also established service department that comprises of churn and operations department, investing in more touch points and retail shops. The departments have been decentralized and currently the retail shops are found most of the major towns in Kenya.

Factors that motivate customers to choose MCK over other pay TV operators in Kenya were; best content as compared with other pay TV stations operating in the country, excellent customer service was a motivator and customer care staff who are knowledgeable and friendly to the customers .Additionally, being a big brand across Africa, MCK has attracted a number of clients due to its international outlook.

It was noted that due to customer churn, growth has been slow and MCK has reported a drastic decline in growth for the last five years compared to the former years when there was overwhelming increase in sales. The interviewees indicated that the reported growth rate over the last five years was between 10- 25 %.They indicated that the growth was compromised due to the migration from analog to digital broadcasting. The migration brought in many players in the industry and therefore the company has since faced a lot of competition form the other players leading to slow growth.

Customer disconnection affected MCK growth in a negative way. The disconnections resulted to loss of revenue and subscriptions hence reduction in revenue When a customer's account is disconnected it means the revenue from the customer would not be received revenue would therefore be affected drastically since the main source of revenue of the company is from subscription. Reduction/loss in revenues affects the profit margins which in this case would go down hence affecting the profitability of the company.

5.3 Conclusion

The following conclusions were made from the study.

MCK has faced the challenge of customer churn and this has been greatly accelerated by the migration from analogue to digital platform which saw many service providers enter the industry giving customers choices. This is evidenced by the number of disconnections that were experienced immediately after the migration.

Lack of funds in customer accounts, system error where by the system automatically closes the account, billing issues and paying in wrong accounts and leaving their own account with no funds are the causes of disconnection.

Strategies that MCK has used to reduce the number of customers terminating their services are out bound calls and SMS to remind customers of their subscription due date. Another strategy is putting customers on campaign through customer engagement, coming up with promotions that motivate their customers and improving content of interest of their customers.

MCK has put mechanisms in place to deal with dissatisfied customers, the company has established call centers that specifically deals with dissatisfied customers. Trained staff are placed strategically in these centers so as to deal with and resolve issues that arise from the products and services offered by Multichoice Kenya. MCK has also established service department that comprises of churn and operations department, investing in more touch points and retail shops.

Finally, the study concludes that due to customer churn, growth has been slow and MCK has reported a drastic decline in growth for the last five years compared to the former years when there was overwhelming increase in sales. This is because growth was compromised due to the migration from analog to digital broadcasting. The migration brought in many players in the industry and therefore the company has since faced a lot of competition from the other players leading to slow growth

5.4 Limitations of the Study

This study considered limitation as any factor that was present during the study and affected the achievement of the objective of the study. The study faced a limitation as regards respondents confidence that the information provided would not be misused but used for the purpose for which it was meant. To overcome this challenge, the researcher assured the respondents that the information they provided would be treated with confidentiality and used for academic purposes only.

The study was a case study of one organization and therefore it may not be expanded to include more organization. Therefore the application of the study findings is limited to one organization.

5.5 Recommendations

From the data findings, the study recommends that the company should continue to address the issue of customer churn. This is because customers are key in the continuity and performance of the organization, it was noted that customer defection and disconnections have increased drastically over the past five years and that profitability has been growing at a declining rate. If the issue is not addressed, it might push the company to losses which have a negative implication on the company's survival.

The study further recommends that the management avails necessary and adequate resources to manage the issue of customer churn. This encompassed training of all staff both front and back office on customer service so as to achieve harmony in service delivery. This created a sense of team work amongst all staff members hence enhanced customer service which in turn brings in more service and growth in market share of the company

5.5.1 Recommendations for further Studies

This study concentrated on customer churn and growth of Multichoice Kenya limited. This study therefore recommends that a detailed study be done on strategies adopted by pay TV providers in Kenya in dealing with customer churn.

Further, this study recommends that future studies be conducted on the factors that contribute to customer churn in Kenya in regard to pay TV service providers. As noted above, there was a high level of disconnections and defections of customers from MCK. Therefore studies to ascertain the factors that contribute to customer churn would improve managements' decision on how to handle customers and hence improve customer retention.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Kennedy Owuor

101784-00101

Nairobi.

Dear Respondents,

<u>REF: REQUEST TO FILL IN THE RESEARCH INTERVIEW QUESTIONS</u>

My name is Kennedy Owuor. I am studying Master Program at the University of Nairobi. I have designed the following interview questions for the study of customer churn and growth of Multichoice Kenya Limited. This work is an integral part of my study. A copy of the findings would be sent to you on request.

I would highly appreciate if you fill in these interview questions. It would take a few minutes of your time. I expect your kind cooperation. Thank you in advance.

Yours Faithfully,

Kennedy Owuor.

APPENDIX II: INTERVIEW GUIDE QUESTIONS

SECTION A: GENERAL QUESTIONS

1. What is your position at MCK?
2. In what department are you in MCK?
3. For how long have you worked at MCK?

SECTION B: THE EXTENT OF CUSTOMER CHURN AT MCK LIMITED

4. Have there been customer account disconnections at MCK? Please explain.
5. What are some of the causes of customer disconnections at MCK?
6. On average, what proportions of accounts have been disconnected over the past one year?
7. What strategies is MCK using to reduce the number of customers terminating their services?
8. How does MCK establish customers that have discontinued services with the Company?
9. What mechanisms have been put in place to deal with dissatisfied customers?
10. What are the key motivators for customers choosing MCK over other pay TV operators in Kenya?

SECTION C: EFFECT OF CUSTOMER CHURN ON GROWTH

11. How do customer account disconnections affect customer numbers at MCK?
12. How has customer disconnections affected subscription growth at MCK?
13. How has customer defections from the company affected the growth of the Company?
14. How has been MCK Limited growth rate over the last five years?

Data Capture Form

Year	Annual Customer disconnection Rate	Annual Total sales	Number of Employees	Products	Office Branches
2009					Nairobi HQ, and Mombasa
2010					Nairobi T-Mall ,Eldoret& Kisumu
2011					Nairobi Greenspan
2012					Nyeri
2013					Nakuru

Thank you for your cooperation