

**INFLUENCE OF ELECTRONIC MARKETING ON CUSTOMER  
RETENTION AT SAFARICOM LIMITED**

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## **DECLARATION**

This research project is my original work and has never been submitted for examination to any other University.

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This project has been submitted with my authority as the university supervisor.

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## **DEDICATION**

I wish to dedicate this project to my family, especially my husband who encouraged me when writing this project.

## **ABSTRACT**

The study sought to determine the influence of electronic marketing on customer retention at Safaricom limited. The objective of the study was to find out the electronic marketing practices adopted by Safaricom and whether these practices contribute to customer retention. The study used a case study research design. Primary data were collected by interviewing three Heads of Department in Marketing at Safaricom due to the fact that they were highly involved in implementation of marketing strategies. The interview was guided by an interview schedule prepared by the researcher. The interviewees were namely Head of department Consumer Sales, Head of department Mass Market and Head of department Enterprise Sales. A face to face interview was conducted with the three heads of marketing privately in different set ups. Inductive Content analysis was used to relate the findings of the study which involved a three step process analytical methodology namely; preparation stage, organizational and finally reporting stage. The findings revealed that the most commonly used electronic marketing practices by Safaricom Limited were as follows: social media marketing; audience participation, viral campaigns, customer feedback, offline communication; direct email, online partnership; widget marketing, affiliate marketing, online public relation; publisher outreach, brand protection, search engine optimization and paid search. One of the major limitations of this study is that the managers had a busy schedule and therefore the researcher had to interview them hurriedly therefore some answers were not in-depth. A similar study may be carried out but in a different context for example in the banking sector. This study will be important because it will give a comparison on the effectiveness of electronic marketing on customer retention. These findings will be used as a guide on areas of improvement to effectively realize the benefits of electronic marketing and its contribution to customer retention.

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## **ABBREVIATION AND ACRONYMS**

|                  |   |
|------------------|---|
| <b>CA</b>        | Communication Authority                     |
| <b>CEO</b>       | Chief Executive Officer                     |
| <b>UK</b>        | United Kingdom                              |
| <b>KP&amp;TC</b> | Kenya Post and Telecommunication            |
| <b>SBE</b>       | Small Business Enterprises                  |
| <b>EM</b>        | Electronic Marketing                        |
| <b>IPO</b>       | Initial public offering                     |
| <b>GSM</b>       | Global systems for Mobile                   |
| <b>ETACS</b>     | Extended Total Access Communication Systems |
| <b>R&amp;D</b>   | Research and development                    |
| <b>HOD</b>       | Head of department                          |
| <b>4GLTE</b>     | Fourth Generation Long Term Evolution       |



# CHAPTER ONE: INTRODUCTION

## 1.1. Background of the Study

The world is becoming competitive and most firms have devised new ways to cope with the changes in the external environment. Dobie, Grant and Read (2001) maintain that marketers are learning how regular contacting affects the building and sustaining of customer relationships. The dominant logic of marketing is shifting from the exchange of goods toward service interaction, connectivity and ongoing relationships (Vargo & Lusch, 2004). Technological developments, new channels, and changing media environments facilitate this shift, and the question of how firms should interact closely with their customers is gaining importance especially as firms consider the cost differences between traditional communication media for example television and sales force.

The cost efficiency and interactivity of digital channels facilitate ongoing dialogue between the enterprise and the customers (Peppers & Rogers, 2004). Marketers can now get in touch with their customers on a more frequent basis and increase the level of personalization and interactivity with low or non-excessive cost. Peppers and Rogers (2004) argue that frequent interaction with customers helps in enhancing customer loyalty. It is one of the central ideas of customer relationship management.

Kenyan market following the higher reception of electronic related services and products. This is enhanced by reduced costs, increased flexibility and reliability of services. Today, there are a variety of different networking tools that are used by consumers such as Linked-in, Facebook, and Twitter. Toili (2010) notes that many consumers and especially the youth spend most of their time on social media, sharing information with friends and relatives. Currently, Safaricom is mainstreaming a social

media website as a way of attracting and retaining customers by providing easy access to efficient customer service platforms that aid on improved response.

### **1.1.1. Concept of E-marketing**

Quelch and Klein (1996) define electronic marketing as the use of internet to assist in selling products and services. It involves the use a wide range of technologies like electronic media and applications in conducting marketing research and communication activities. In the past, marketing was conducted via telegraph a concept that has since expanded with the introduction of electronic media such as TV, radio, email and telephone. Internet marketing provides for direct communication and interaction between the marketer and his client prompting direct feedback through segments provided for commentaries by the client.

Doherty and Hart (2002) argue that electronic marketing offers business with an opportunity for mass marketing at a cost effective price while allowing them to undertake a personalized marketing approach which is flexible and cost effective in nature. In contrast to traditional channels of marketing, this kind of internet marketing is more effective especially for small scale business which may not afford large budgets for marketing. It is relatively cheaper than the traditional channels (Dobie, Grant & Ready, 2001).

Tiago (2012) contends that the cost of internet marketing decreases with the increase of audience as compared to TV. Through this form of marketing, it becomes increasingly easier to segment audience as desired based on customer geographical and demo-graphical positions. This is possible as consumers can easily click on links

that are directed to their personal interest and needs. This creates a direct contact between the marketer and his target customer.

### **1.1.2. Customer Retention**

Stone (2000) defines customer retention as customers' stated continuation of a business relationship with an organization. Customer retention can be looked at from various dimensions depending on the nature of the business activities in the organization. For example, for discount retailers, it is the continued repeat shopping from the retailer.

It involves making customers to feel important while regularly communicating to them in the right manner to keep them coming back. Customer retention is a practice whereby a selling organization maintains its customers by creating a need and satisfying them consistently. According to Bitner (2002) being successful in retaining customers, starts with the first contact between the organization and the customer and it continues throughout the entire lifetime. An organization's ability to attract and retain new customers is not only related to its products or services but it is also the way it serves its existing customers and the reputation it creates within the market place.

Bluel (2000) posits that customer retention is more than providing the customers with what they expect; it involves exceeding their expectations such that the customers' become loyal advocates of the brand. Creating customer loyalty involves putting customer value first rather than maximizing profits and shareholder value. The key differentiator in a competitive environment is often the delivery of consistent and high standards of customer service (Bitner, 2002).

### **1.1.3. Telecommunication Industry in Kenya**

The Kenya Gazette Supplement (1998) indicates that until 1977, all telecommunications services were manned by the East African community. This ceased when the Kenya Posts and Telecommunications Corporation (KPTC) was introduced bringing about a challenge of moving from the monopolized structure to a more liberal market structure of communication. Later in 1999, KP&TC was disbanded and the telecommunication sector reforms were undertaken by the government allowing for competition in the sector.

According to Odeon and Aligula (2006), the liberalization of telecommunication sector has attracted more interest and scrutiny by the public and Communications Authority (CA) with the later rooting for performance and progress being made in the sector. Although the sector has so far indicated positive progression, it is not entirely satisfactory considering the vision of liberalization therein the statute and policy statement.

Esselaar, Gillwald and Stork (2007) note that even though the policy statement does not give the time frame for which the changes are expected to occur, it does give the promise of increased progression towards privatization of the sector. So far the country has experienced major expansion of the sector with players such as Safaricom, Airtel Kenya and Orange.

#### **1.1.4. Safaricom Kenya**

Safaricom Kenya Limited Company started its global systems for mobile communications (GSM) operations on 16<sup>th</sup> May of 2002 when it actually became a public company with limited liabilities and ceased being a private company under the companies Act. Safaricom is partly owned by the Government of Kenya (35%), Vodafone (40%) and 25% in the hands of a multitude of independent investors (Safaricom, 2015).

Safaricom is a leading provider of converged communication solutions that also operates on voice, video and data requests. The company provides broadband high-speed data to its clientele through its 3G network. It is also involved in community services such as health, education, sports, culture and environment related projects as a way to give back to society (Ong'a ng'a, 2014). Mobile service providers like Safaricom have come up with new products like Mpesa, and Mkesho in partnership with Equity bank, because of changes in the environment that companies had not anticipated. Safaricom aims to continuously provide quality services that meet customer needs in order to attract new customers and retain existing ones (Akinyi, 2006).

## **1.2. Research Problem**

The business environment is ever changing; due to macroeconomic variables like technology. This has forced firms in the telecommunication industry to adjust themselves and accommodate changes in the external environment in order to meet the growing needs of customers. In Kenya, Safaricom is one of the firms in the telecommunication industry that implements electronic marketing practices to enable customers to easily interact with the organization. This helps in improving response to problems and management of service quality.

Marketing communication has been a subject for conceptual discussion and empirical investigation for decades. Although several studies have attempted to examine the relationship between marketing practices and retention, Rogers & Dorf (1999) looked at the impact of integrated internet marketing on customer retention. Customer retention is a product of several variables like quality services and brand loyalty. A study by Machtynger (2000) explored the relationship between communication and customer retention. The findings indicated that electronic marketing enhanced communication through information sharing. This led to customer retention.

Studies have been done in relation to electronic marketing and customer retention. Globally, Eid and El-Gohary (2013) investigated the impact of e-marketing use on small business enterprises' marketing success in U.K. It was revealed that the use of EM tools have a positive influence on Small Business Enterprises (SBEs) pre-sales activities, after sales activities, marketing performance and marketing effectiveness. Tiago (2012) sought to find out how integrated internet marketing contributed to customer retention of European firms. The findings revealed that most customers enjoyed accessing electronic services through their mobile phones which enabled

them to be up to date with any innovations on the products and services ultimately leading to customer retention. Avlonitis and Karayanni (2000) found a substantial positive effect of marketing strategies on customer retention of German service firms. These results yield a positive relationship between EM and performance as well as customer retention.

Locally, Ngugi (2012) carried out a study on the influence of electronic marketing strategies on the performance of commercial banks in Kenya. It was established that some commercial banks adopted electronic marketing to reduce costs and improve efficiency. Wanjuki (2014) conducted a study on the growth of digital marketing and its impact on customer service at Barclays bank of Kenya, Meru branch. It was established that digital marketing was used as a strategy to improve customer service. Studies by Ngugi (2012) and Wanjuki (2014) do not show how electronic marketing influences customer retention. They have zeroed in on performance and customer service to demonstrate how electronic marketing influenced them. At the time of this study, there was no study known to the researcher done at Safaricom Kenya Limited on the influence of electronic marketing on customer retention yet Safaricom Kenya limited has adopted more often electronic marketing as a means of customer attraction and retention in the Kenyan market. Hence this left a research gap that needed to be filled. Given the novelty of electronic marketing in the mobile industry, this study, therefore sought to address this gap by addressing the research question: What is the relationship between electronic marketing practices and customer retention at Safaricom Limited?

### **1.3. Research Objectives**

- i. To determine the electronic marketing practices adopted by Safaricom Limited
- ii. To establish whether electronic marketing practices used by Safaricom Limited improves customer retention

### **1.4. Value of Study**

Policy industry, Communications Authority (CA) is a key partner in policy setting and the government. The findings of this study will be useful to the government in policy setting and regulation. The study will provide more insight on electronic marketing practices embraced by various organizations and how they have impacted to them both positively and negatively.

Firms in the telecommunications industry will benefit from this study since they will understand how electronic marketing influences retention of customers in the telecommunication industry. In addition, it will provide more knowledge on challenges faced while implementing these practices.

Researchers will also benefit from the findings of the study. It will provide more knowledge on the contribution of electronic marketing to customer retention. In addition, future researchers will learn more about the theories that support the study, their relevance and application in the field of marketing. The findings of this study may be used as a platform for further research.



## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1. Introduction**

This chapter covers the theoretical foundation, electronic marketing practices, the relationship between electronic marketing practices and customer retention and the summary of the literature review.

### **2.2. Theoretical Foundation**

This section provides a discussion of the theories that support the study. These include Commitment-Trust Theory and Contingency Theory.

#### **2.2.1. Commitment Trust Theory**

The commitment-trust theory of relationship marketing posits that two fundamental factors, trust and commitment, must exist for a relationship to be successful (Cook, Karen & Richard, 1978). Day (1970) put forth that relationship marketing involves forming bonds with customers by meeting their needs and honoring commitments. Rather than chasing short-term profits goal, businesses following the principles of relationship marketing forge long-lasting bonds with their customers. As a result, customers trust these businesses, and the mutual loyalty helps both parties fulfill their needs (Meyer & Natalie, 1984).

Trust is confidence between parties in a relationship. In most cases, businesses develop trust by building confidence with their customers. Commitment entails a long-term desire to maintain a valued partnership. That kind of desire causes the business to continually invest in developing and maintaining relationships with its customers. For instance, a business might follow up after a purchase to ensure that a

customer is satisfied with his or her experience. Through a series of relationship-building, the business shows its commitment to the customer (Hunt, 1990).

Moorman, Rohit and Gerald (1993) posit that electronic marketing practices are based on trust between customers and the firm. Electronic marketing allows the organization and the customer to interact directly through direct communication. According to Stone and Woodcock (2000) the theory assumes that the customers should be treated in a manner that makes them feel valued so that they can retain existing customers and attract prospective customers. This is achieved by considering the customer need when designing products and services. This improves the level of satisfaction and enhances customer retention.

### **2.2.2. Contingency Theory**

Contingency theory is an approach to the study of organizational behavior in which explanations are given as to how contingent factors such as technology, culture and the external environment influence the design and function of organizations. Organizational effectiveness is therefore not necessarily dependent on a fit or match between the type of technology, environmental volatility, the size of the organization, the features of the structure and its information system (Hersey & Blanchard, 1973).

Hersey and Blanchard (1974) posit that contingency theory provides that there is no one best way of leading and that a leadership style that is effective in some situations may not be successful in others. Fiedler and Garcia (1987) note that the success of the leader is a function of various contingencies in the form of subordinate, task, and group variables. The effectiveness of a given pattern of leader behavior is contingent upon the demands imposed by the situation.

Fiedler and Garcia (1987) argue that if the leader doesn't adapt or change his style, he might never be productive at the higher levels of the organization. This is one of the most common problems in large organizations; where promotion of managers on the basis of current achievements without considering their capabilities for future achievements often lead to overall ineffectiveness of the organization.

The assumption underlying contingency theory is that no single type of organizational structure is equally applicable to all organizations at all times (Smith, 1984). Rather, organizational effectiveness is dependent on a fit or match between the type of technology, environmental volatility, the size of the organization, the features of the organizational structure and its information system (Vroom & Jago, 1988). This theory assumes that no single structure is equally applicable to all organizations. This might not hold because most organizations today adopt flexible organizational structures to cope with the changes in the external environment.

The importance of the theory is that organizations that use electronic marketing practices invest in modern technologies like information communication technologies to improve efficiency in giving feedback and handling customer queries. This makes the organization reliable and consistent in providing customer needs as and when the customer is in need. This creates a good relationship with the customer as a result of trust, loyalty and confidence (Buttle, 1996).

### **2.3. Electronic Marketing Practices**

Electronic marketing is part of integrated marketing practice that includes: online marketing, social media and email marketing.

#### **2.3.1. Online Marketing**

Online marketing is referred to as internet marketing. The term internet marketing refers to the marketing of products and services using World Wide Web (Johns, 1999). Although definition of online marketing is marred by diverse perspectives, several scholars conquer that the term online marketing is a set of approaches employed by organizations to market products and services online.

In the recent past, electronic marketing has been vibrant and marketers have been actively engaged in developing various approaches to marketing online in a bid to attract visitors to their sites in the hope of translating them to increased sales. Such advances include blogging and homepage designing (Chaffey, Mayer, Johnston & Ellis, 2000). According to Chaffey, Mayer, Johnston & Ellis (2000) marketers constantly develop various online marketing tools aimed at improving sales performance and customer loyalty.

Online marketing has taken center stage as a cost effective approach for businesses to access their clients as well as their potential markets. The objective of internet marketing for many organizations is to inform audience about an organization's products and services, to carry out research and target markets as well as to market products and services. Online marketing has gained tremendous adoption in the developed countries. In contrast, developing countries are still lagging behind partly due to fraudulent customers (Kelly, 2000).

While online marketing is very key in customer retention, constant communication with clients will keep them at par with the company's product offerings. This in turn enables an organization to achieve customer retention which is consistent with commitment trust theory that seeks to establish better customer relationship management services for improved customer retention. Rohit and Gerald (1993) argue that online marketing enables the customers to easily get access to information about the products and services through a cost effective means.

The theory notes that the organization should adapt to changes in the external environment in order to achieve its goals and objectives (Fielder & Garcia, 1987).The organization needs to adopt and implement contemporary marketing strategies. Online marketing is one of the competitive marketing strategies that seek to improve cost reductions, accessibility and market share. It influences purchase decision and enhances consistent sales since customers will prefer to buy goods and services repeatedly.

### **2.3.2. Social Media**

The term Social Media can be defined as a social instrument for communication. Social media helps an organization to elevate its base of audience and clients in a major way. There are principles that apply in effective application of social media as a marketing platform which include; the law of listening, the law of focus, the law of quality, the law of patience, the law of compounding and the law of influence among others (Palmer, 1997). One of the disadvantages of social media is that it is difficult to quantify the return on investment and the value of one channel over another (Mulki & Stock, 2003).

In the social media marketing strategy, the idea is to develop information and content whose intention is to capture the interest of the audience and bid them to share the information with other users in the social site (Moller & Halinen, 2000). Within this platform, there is often word of mouth expected between the readers about products, services or even brands that is useful to the organization is often more credible than messages the organization gives about itself on any media platform. There are a number of social media platforms that can be employed by marketers. These include: Face book, Twitter and Linked-In (Duck, 1991).

Linked-In is an online social network for business professionals. It's different from other social networking sites like MySpace and Facebook because it's designed specifically for professional networking, finding a job, connecting with potential business partners rather than simply making friends. On the other hand, Twitter is an online social networking service that enables users to send and read short 140-character messages called tweets. Lastly, Facebook is a popular free social networking website that allows registered users to create profiles, upload photos and video, send messages and keep in touch with friends, family and colleagues (Evans, Wedande & Ralson, 2001).

Facebook and twitter are the two social media platforms used mainly for interaction and communication. Face book has quite a huge number of users who are potentially a market for any organization's products or services. For this reason, marketers are turning to Facebook more and more each day while trying to establish other better approaches to communicate with their target market (Duck, 1991). Some of the ways that they are using to reach clients includes; providing offers for potential consumers on Face book (Cowles, 1997).

Other than giving promotional deals that are existent, marketers use a more effective strategy of rewarding Face book users with discount deals. Facebook has a platform that allows marketers to give coupons that are electronic in nature as well as loyalty points when customers log in and this enhances traffic. Marketers have also learnt to merge entertainment and selling as a powerful tool for marketing. For this reason, Facebook has been well equipped with games and other entertainment for users (Reichheld, 1993).

Social media provides an organization with the opportunity to develop information that attract interest of the audience and pass information to customers. As such, organizations build corporate reputation through increasing the confidence level of customers ultimately leading to increased sales and hence customer retention. This is line with commitment trust theory which maintains that developing trust between parties in a business is a key driver towards enhancing organizational sales (Cook, Karen & Richard, 1978).

### **2.3.3. Email Marketing**

Halinen (2000) defines email marketing as the process of directly marketing a commercial message to a group of people using email. Organizations use email as one of their most powerful marketing channels. Christopher and MClark (1999) argue that e-marketing is used as a tool to educate customers about their organization. This enables the customer to understand the products and services offered by an organization.

Email marketing is meant to build loyalty, trust or brand awareness (Conway & Swift, 2000). Same time, commitment trust theory provides that trust and confidence

are the key pillars of building a strong foundation with customers. This increases chances for consistent sales which eventually lead to customer retention. This therefore shows that any organization that hopes to succeed in customer retention should build confidence and trust in the products and services offered to win the hearts of customers and retain them.

Hart (2002) posit that organizations send email messages with the objective of enhancing the relationship with their customer to encourage loyalty and repeat business. E-mail marketing is primarily a way to enhance a long lasting relationship between the customers and the organization. To start this process, customers are required sign up for an E-mail publication so that they can be repeatedly reminded about their product or service in order to attract repeat business.

Email marketing provides information in the form of emails to prospective customers who subscribe to their emails. Existing customers also learn about the new products and services. This keeps them up-dated about the products and services offered and thus influence their purchase decision. Customers prefer to buy products that they have information about since they understand the product. This influences constant buying and customer loyalty. While commitment trust theory maintains that trust and confidence are the key pillars for a successful relationship, this practice provides information that is important in helping customers to make purchase decisions (Buttle, 1996).



#### **2.4. Electronic Marketing Practices and Customer Retention**

Electronic marketing is related to customer retention in a number of ways namely: customer loyalty, trust, quality services and brand commitment (Woodcock and Stone, 2000). Martin and Merisavo (2003) carried out a study on the relationship between email marketing and customer loyalty in the cosmetics industry. The findings of the study showed that most customers purchased products consistently since they were reminded repeatedly through emails by the organization. Johnston and Ellis (2000) argue that email marketing is used by organizations as a tool to improve customer loyalty continuously reminding customers about products and service to enhance continuous sales. Consequently, Commitment trust theory insists that the organization should maintain a good relationship with its customers. According to Hunt (1990) a business should do follow ups to ensure that the customer is satisfied with experience with the organization through building relationships based on commitment and trust.

A study by Kwak and Richard (2002) surveyed internet users and explored their demographics and personality traits that potentially influence customers' online purchasing and their loyalty to the products. The findings showed that the level of income led to online purchasing. This shows that the amount of income by a customer influences loyalty to the products. These findings support contingency theory which provides that there is no one best way of leading and that a leadership style that is effective in some situations may not be successful in others. Effective leadership plays an important role in ensuring that the organization focuses on providing quality goods and services. This increases consumption of the products due to improved satisfaction and thus customer retention (Hersey and Blanchard, 1974).

Brookes & Little (1997) investigated the relationship between online marketing and customer loyalty. They concluded that online marketing provides a platform to market goods and services to a wide range of customers. It also enables easy and convenient access to an organization's products and services in an efficient manner. This assists in building corporate reputation and thus improves customer loyalty.

Halinen (2000) argues that customer churn is linked to service quality for instance poor service quality can affect customer service. Most organizations that have succeeded in customer retention offer quality goods and services that serve to meet the growing needs of customers. Poor quality services discourage customers from buying goods in an organization since they lack the confidence and trust about the quality of goods and services offered. It is imperative for organizations to strive in order to deliver quality goods and services that add value to the needs of the customers hence customer retention.

Rohit and John (2000) pointed out that most organizations that have succeeded in customer retention, implement customer retention strategies in order to attract and retain their customers. For example, online loyalty programs, appreciation awards and customer referral rewards. This helps in creating a strong bond between the customers and the organization through improved relationship, confidence and trust. One of the strategies for retention used by Safaricom is the use of *bonga points*. This strategy is used to retain existing customers and to ensure that they continue using Safaricom services to boost sales of the firm. Customers who use more airtime accumulate a high number of *bonga points* and vice versa. This makes it difficult for customers to switch to other service providers since they risk losing accumulated points which could be worth much more had they continued in the relationship. In so doing,

customers opt to remain loyal and avoid risk of loss. Similarly, commitment trust theory explains that customers are very important to the business. They should be treated in a manner that makes them feel valued. This attracts prospective customer and retains existing ones. An example is integration through the use of modern technologies to achieve improved customer service and reduced costs.

Fullerton (2002) explored the effect of social media advertising on brand commitment and loyalty. The findings show that through social media, customers easily share information with their friends. Electronic marketing led to improved sharing of information, brand commitment and loyalty leading to customer retention. It was further revealed that customers trusted information from their fellow customers than the organization. This finding is consistent with commitment trust theory which according to Cook, Karen & Richard (1978) trust and commitment, must exist for a relationship between customer and the organization to be successful.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1. Introduction**

The chapter provides the research methodology that was used to carry out the study. It consists of the research design, data collection tools and data analysis techniques.

### **3.2. Research Designs**

Kothari (2005) postulates that a research design is a detailed outline of how an investigation will take place which includes the method of collecting data, the instruments that were employed, the manner in which the instruments are used and the means for analyzing the data collected. The study used a case study research design.

Creswell (2009) explains that a case study is an in-depth investigation of an individual, institution or phenomenon whose key goal is to determine the factors and relationships that led to the behavior under investigation. A case study is most appropriate when the study is focusing on a single organization. This is because it analyzes information in a systematic way to arrive at logical and plausible conclusions.

### **3.3. Data Collection**

Primary data was collected by interviewing three (3) heads of marketing at Safaricom, Kenya, namely Head of department Consumer Sales, Head of department Mass Market and Head of department Enterprise Sales. This is due to the fact that they are highly involved in the implementation of electronic marketing practices and thus understand their impact on customer retention. The HoD consumer sales is in charge of segmentation of consumers, HoD mass market deals with promotions, while the

territory manager activates usage by finding out why consumers behave in a certain manner.

The interview guide contained three sections: section A contained questions on the general information about the company and the respondents. Section B contained questions on electronic marketing practices used by Safaricom, Kenya to market its products and services. Section C contained questions on how electronic marketing practices influence customer retention.

A face to face interview was conducted with the three (3) heads of marketing that are responsible for the implementation of marketing practices in the company and how these practices lead to customer retention. Appointments were sought from the departmental heads to ensure that the interview sessions were conducted at their convenient time to ensure that they adequately responded to the questions. The interviews were conducted at the Safaricom headquarters on different days and time schedules.

The interview guide was used to guide the interviewer during the sessions and all the questions were open ended with an objective of getting multiple responses from the interviewees.

#### **3.4. Data Analysis**

Information obtained was cleaned up, ordered and appropriately categorized. The responses were then analyzed through content analysis using the induction method.

Qualitative inductive content analysis pays attention to unique themes that illustrate the range of the meanings as opposed to deductive content data analysis which relies on benchmarks from previous similar studies Hoskins & Mariano, (2004).

According to Creswell, (2009) qualitative content analysis involves a process designed to condense raw data into categories or themes based on valid inference and interpretation.

The study chose this form of technique because qualitative content analysis pays attention to unique themes that illustrate the range of the meanings of the phenomenon rather than the statistical significance of the occurrence of particular texts or concepts. According to Maxwell (2005) it enables the researcher to obtain detailed information about the organization especially on the variables under study.

According to Lauri & Kyngas, (2005); Chin & Kramer, (1999) an inductive approach content data analysis is a function of three main stages listed herein;

The preparation stage involves selecting the unit of analysis for each question. The unit should incorporate the manifest variable under investigation. It should be noted that selecting the unit for analysis helps the researcher to deduce sense out of the data collected and observed during the interview session.

In the organization stage, the researcher coded the data collected and grouped them into coding data sheets which reduced the number of categories by collapsing collected data which were similar and those which were not similar or incongruent. This was done with the aim of forming broader data categories which were easier to draw inferences from in light of the phenomena under study.

The data was then categorized to provide a means of describing the phenomenon into details to increase the analytical understanding of underlying trends revealed by the study. This was in compliance with the assertions of Cavanagh, (1997) on induction content data analysis. Still on organization phase, the researcher proceeded to abstract the data collected that is, data abstraction phase where the study formulated a general

description of the research objectives in light of the research outcomes emanating from the analyzed data. To achieve the said scenarios, word text analysis was done by the researcher to ascertain word correlations through appearance frequencies and repetitive associations (Guthrie et al. 2004).

In the reporting stage which was the last phase in an inductive content data analysis, the researcher managed to establish the data relationships which enhanced the insights regarding the objectives of the study. Related word text associations were reported based on frequencies of appearance. The grouped data was then analyzed and reported.

## **CHAPTER FOUR: DATA ANALYSIS, DISCUSSION AND RESULTS**

### **4.1. Introduction**

The study sought to obtain information on the electronic marketing practices adopted by Safaricom and establishing whether the electronic marketing practices improve customer retention. To achieve the intended objectives, three (3) heads of departments namely; Head of department Consumer Sales, Head of department Mass Market and Head of department Enterprise Sales/territory management were interviewed.

The interviews took place at Safaricom Headquarters located in Westlands, Nairobi, Kenya. Two of the interviewees took an approximate time of fifteen minutes while one interviewee took twenty-one minutes. They were conducted separately in different days based on the availability of the interviewees.

The interviewer used the interview guide that contained the questions that would enable her meet the specific objectives of the study.

### **4.2. Demographic Information**

Demographic information covered issues relating to the respondents work station in terms of division, current position in the division and the number of years worked in Safaricom. Length of service in the organization determined the reliability of the information given by the respondents. The respondents were asked to state the length of service and their position in the organization.

It was established that two of the interviewees had a master's degree while only one was pursuing a doctoral degree. When asked about the length of the service that the respondents had served and the positions that they held, it was found that two of the



respondents had served for five years in the categories of enterprise sales and territory management. One of the interviewees had served for seven years as a head of department in consumer sales. This shows that the information obtained from the respondents would be relied on since the respondents had served a reasonable amount of time with the organization. Therefore, the information contained herein is accurate and reliable.

When asked about the biggest developments in their department, it was established that the head of department in the territory management indicated that there was creation of new information technology systems for example the pay bill till number that enabled their customers to pay bill using electronic devices. Furthermore, the enterprise sales HoD indicated that the biggest developments were as follows; delivery of a strategy and roadmap for category products, the creation and management of winning partnerships with key stakeholders and coordinating with marketing, business planning and sales teams to achieve products take-up in the market through attractive packaging, pricing and positioning. The head of consumer sales pointed out that creation of the 4G LTE network and the innovation of new data plans were the new developments meant to improve customer service management at Safaricom.

Furthermore, it was established that the respondents had diverse opinions regarding the major alterations technology had brought on board in relation to product and service delivery to the customers. The head of territory management argued that there was a new range of products and services targeting the market for example *mshwari*, the mobile platform *stori ibambe*. The head of consumer sales indicated that there was diversity as a result of technology.

The findings revealed that new products have been developed which have brought about new market niche for example the *Lipa na Mpesa, kopa credo and mshwari*. The enterprise sales manager explained that technology had enabled new product development and improved product enhancements. Moreover technology had brought about ease with which customers could obtain the information, for instance customers were able to access blogs, Facebook pages, emails, online campaigns which at the same time had been cost effective for the company.

In relation to the challenges in product and service delivery, the interview established that the ever changing tastes and preferences among consumers was one of the challenges facing Safaricom. Consumers were keen to experience a new feel from the range of products and services and as such a large amount of funds had to be channeled to R&D. The other challenge was coping with the ever-changing needs of the customers which meant that the company had to be innovative in order to cater for these changing needs. The interviewees also agreed that stiff competition in the telecommunications industry was also a challenge in service and product delivery by Safaricom. One of the interviewees pointed out that policy changes by telecommunication industry affected service and product delivery, which negatively affected consumption of goods and services. The findings further revealed that disruptions in the delivery of service related products especially voice calls and internet services were a major challenge.

For the strategies employed, it was established that the electronic marketing practices used by the organization were; interactive advertisements, sponsorship, site specific media buys, opt-in-email, house list e-mails, co-branded and ads in 3<sup>rd</sup> party e-newsletters.

### **4.3. Electronic Marketing Practices Used by Safaricom Limited**

The interviewees identified various electronic marketing practices that were actively used by Safaricom Limited. One of the electronic marketing practices that was identified was social media marketing which is a process of gaining traffic through the social media sites for example the number of likes on the Safaricom Facebook page. Secondly, was audience participation which involves engaging the consumers in the evolution of a brand. Viral marketing campaign was also identified and it is as a marketing strategy that focuses on spreading information and opinions about a product or service from person to person, especially by using unconventional means such as the internet or email. Customer feedback was also mentioned which refers to information coming directly from customers about the satisfaction or dissatisfaction they have with a product or a service.

The interviewees further identified offline marketing which refers to other media channels that are not connected to the World Wide Web that are meant to create awareness about a company's products and services. For example, campaigns that use radio and print advertising, billboards, signs and pamphlets, telemarketing and television advertisements. The interviewees mentioned widget marketing. This is a form of viral marketing that uses widgets to divert traffic to a company's properties, affiliate marketing which refers to a performance based marketing in which a business rewards one or more affiliates for each visitor or customer brought by the affiliate's own marketing efforts. Online public relations was also mentioned and it is closely associated with improving results from many the other digital marketing communications techniques in particular social media, link building, partnership marketing and viral marketing/word-of-mouth marketing.

The interviewees also identified publisher outreach marketing which is an electronic marketing practice that aims at taking marketing back to its roots and focuses on a human to human connection and the basics of consumer psychology. It aims at fixing the damage and confusion that all the buzzwords have caused and bring marketing back to a simple level. Brand protection was also mentioned and it involves protection of a brand by safeguarding intellectual property and identifying theft, counterfeiting and piracy. The interviewees further mentioned search marketing. Search marketing is defined as the process of gaining traffic and visibility from search engines through both paid and unpaid efforts.

Search engine optimization (SEO) was another electronic media practice that was mentioned. It is a methodology of strategies, techniques and tactics used to increase the amount of visitors to a website by obtaining a high ranking placement in the search results page of a search engine, for example, Google, Bing, Yahoo. Lastly, was Paid search marketing which involves advertising within the sponsored listings of a search engine or a partner site by paying either each time your advertisement is clicked or less commonly when your advert is displayed.

#### **4.4. Electronic Marketing Practices and Customer Retention**

The findings revealed that the use of electronic marketing practices led to minimized communication costs due to the fact that the customers are now able to make good use of customer websites, blogs and Facebook pages to access information which in turn has led to customer satisfaction and retention. Furthermore, the findings revealed that Safaricom Limited was able to communicate with its customers directly through email and the social media thus reducing the number of advertisements that the company places in newspapers and television which is cheaper.

On whether electronic marketing practices had reduced the number of complaints from customers, the interviewees indicated that all complaints were dealt with on real time basis due to improved access to customer service. As a result, the response rate was faster. Further, it was observed that through internal research, complaints from customers were related and therefore with electronic marketing, Safaricom Limited was able to collect the complaints, relate them and provide solutions to other customers who could be experiencing the same problem.

On whether electronic marketing practices had improved efficiency in decision making processes and procedures; the findings revealed that the adoption of electronic marketing practices propelled the senior management to engage in constant research and development which eased the rate at which decisions were made. It was also observed that search engines gave a lot of information to enhance efficiency in decision making. The interviewees agreed that there was online communication through various channels like the email and teleconferencing to improve the speed of decision making.

The study sought to determine whether electronic marketing practices have improved interaction between the customers and the organization. The respondents agreed that customers had a closer relationship with the company since they could access information about products and services with ease. Two of the interviewees agreed that all complaints and suggestions were handled immediately. This improved interaction with customers. One of the interviewee's indicated that the adoption of electronic marketing had improved personalized interaction between the organization and the customer since it was one-on-one communication between the organization and the customers.

The interviewee determined the influence of electronic marketing practices on customer loyalty, the findings revealed that the company had a direct interaction with the customer and this created strong bonds between the customer and the organization in terms of trust and confidence.

The findings depicted that through electronic practices, customers were able to access a wide range of products with ease, which improved customer satisfaction resulting to customer loyalty and subsequently customer retention. With interactive electronic marketing for example use of social media sites, the customers felt closer to the organization due to the interpersonal nature of using real time electronic marketing practices.

On whether the use of electronic marketing practices contributed to improved response management between the organization and the customers, the findings confirmed that through real time responses or online calls and emails, the organization was able to respond to customer needs efficiently. This led to improved response and customer service management by Safaricom limited.

With regard to the question on the use of electronic marketing practices and their contribution to enhanced convenience and access to products and services to its customers, the interviewees were of the opinion that the customers were able to access the products and services by logging on to their phones or computers at a time of their convenience.

The study also established that the distance did not matter provided the customers had access to information technology which made it easy for them to access and select a product that suited their needs. This was convenient to most consumers. It was also observed that when a potential customer views a product advertisement; he or she could proceed and purchase the same. This acted like a one stop shop for sales and marketing.

The findings revealed that electronic marketing practices led to improved commitment and trust by customers on the products and services with regard to their buying habit. The interviewees concurred that through electronic marketing practices for example social media, the company was able to know their customer's perception about their products and service which reinforced the buying habits. Two of the interviewees asserted that the electronic marketing practices used by Safaricom Limited were interlinked, for example the Safaricom Facebook account was linked to the Safaricom website. The findings revealed that most customers trusted social media platforms which increased customer loyalty.

The study found out that implementation of electronic marketing practices led to increased sales that is, the interviewees confirmed that the market share for Safaricom had significantly improved over the years. This result showed that increase in sales was a key contributor towards growth of market share. Furthermore, the findings revealed the sales turnover had tremendously increased over the years, for example

Safaricom Limited made a profit of Kshs 31.8 billion for the year ending 31<sup>st</sup> March 2015. Sales revenue increase was attributed to the aggressive use of electronic marketing practices based on the information contained in the Safaricom Limited's annual reports and secondary data collected.

The findings revealed that the use of electronic marketing practices contributed to improved customer retention in the organization. The interviewees pointed out that wider penetration of marketing and sales promotions contributed to customer retention hence increased sales. It was also observed that through electronic marketing practices, Safaricom Limited was able to interact with a wider audience and as a result it led to increased customer loyalty and retention. The interviewees explained that the organization was able to reach more people through a number of electronic marketing practices that the organization reinforced in a number of products resulting in improved customer retention.



#### **4.5. Discussion of the Results**

The study sought to ascertain the electronic marketing practices practiced at Safaricom Limited. The study established that social media, was the most commonly used electronic practice. The electronic marketing practices adopted enabled Safaricom Limited have a wider reach for their audience. As a result, customers with access to information technology were able to access the information they required instantly and their queries were answered in real time. This had resulted in improved service delivery hence achieving customer retention. These findings augment the findings of Duck (1991) who indicated that Facebook and twitter were the most commonly used social media platforms for interaction and communication.

The study established electronic marketing services adopted by Safaricom Limited enhanced customer retention. This was evident in its sales and marketing activities the company engaged in using the e-marketing practices that provided a platform for the customers to give feedback for improvement and enhancement of products and services. It also enabled customers to evaluate and compare Safaricom Limited's products with those of the competitor, gather market intelligence and perform a quick review of promotions impact. This is in line with Stone and Woodcock (2000) who noted that customers should be treated in a manner that makes them feel valued in order to retain them as well as attract prospective customers.

The study also established that electronic marketing practices improved the commitment and trust between Safaricom and its customers leading to increased sales. These practices have brought about easy access to products and services which has improved customer satisfaction resulting to loyalty and subsequently customer retention. According to Chaffey, Mayer, Johnston & Ellis (2000), marketers

constantly develop various marketing tools aimed at improving sales performance and customer loyalty.

The study also established that the electronic marketing practices had improved the overall efficiency in decision making processes and procedures. A lot of information was now available and decisions could be made within a very short time. This was in line with the contingency theory that posits that there wasn't a best way of leading since a leadership style that is effective in some situations may not be successful in others.

It was also established that electronic marketing practices had resulted to brand loyalty as many consumers were now aware of the Safaricom Limited's products through the adoption of these practices. They were able to access blogs, Facebook pages, emails, online campaigns, for example the likes in twitter and Facebook reinforce the positive attitude associated with the consumers in regards to the brand.

The study also revealed that the telecommunication industry was very competitive and for the company to remain a float, it had to seek new frontiers of implementing competitive advantage such as sustainability of online innovations from duplication by other industry players. The study also confirmed that the adoption of these practices and continuous research and development was the reason behind the company's implicit penetration in the Kenyan telecommunication market.

## **CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION**

### **5.1. Introduction**

The objectives of the study were to determine the electronic marketing practices adopted by Safaricom Limited and to establish whether electronic marketing practices used by Safaricom Limited influenced customer retention. The study used an interview guide to collect primary data from four interviewees who were three heads of marketing at Safaricom Limited, Head of department Consumer Sales, Head of department Mass Market, and Head of department Enterprise Sales. The interviewer managed to interview all of them with regard to the objectives of this study.

### **5.2. Summary of Findings**

The study was carried out to determine the electronic marketing practices that Safaricom Limited has adopted as well as whether these practices contribute to customer retention.

The study shows that electronic marketing had proved to be very cost effective in terms of the day to day operations of Safaricom Ltd. Information was spread over a very short period to millions of customers. Electronic marketing had also led to enhanced products and product diversification through innovation. There was a rise of new market niche which had increased the Company's business and greatly contributed to customer retention.

The study also illustrated that social media marketing was ideal for marketing activations, feedback collection, product development, product launches and customer education.

The social media reach which enables a company's product to stand out by reaching to a large number of people interested in the company's brand message and value proposition made all this possible.

### **5.3. Conclusion**

The following conclusions were made based on the summary of the findings.

According to the study, electronic marketing had been widely embraced in the recent past. Companies were able to create opportunities in different areas from interacting with their customers, targeting, product differentiation and product feedback. As such, businesses could not afford to miss out on the current trend. The study concludes that for companies to achieve customer retention strategies in the digital era, it was necessary to embrace electronic marketing models to fulfill the objective. However, companies must invest in sustainable online based security constructs in order to prevent competitors from duplicating achieved milestones.

The study concludes that Safaricom Ltd had adopted electronic marketing practices with Facebook and Twitter being the most commonly used. These can be attributed to the changing needs of the customers; need to communicate faster and effectively; increased use of social media by the public; internet penetration and its growth, penetration of the smart phones in the market and the continued decline in data costs which has made internet access easy.

Safaricom has highly adopted electronic marketing tools which have enhanced sharing of information leading to reduced communication costs.

#### **5.4. Recommendations**

The study recommends more research on customer retention strategies by Safaricom Kenya limited if they were to remain relevant in the vibrant telecommunication industry and compete effectively.

Regarding the sustainability of Safaricom's online innovations, the study ascertained that they are very competitive. The company therefore must invest in online security to protect cyber hackers from duplicating the technologies gained. The researcher believed this would help in sustaining achieved milestones and reduce expenditure on research leading to prolonged product life cycles.

The study recommends establishment of vibrant virtual online shops to increase market penetration rather than forming physical shops which are more expensive to run. This was supported by the fact that more customers are now familiar with information technology.

The study recommends that Safaricom should continually embrace the electronic marketing practices in order for them to remain competitive in the market. The world has become a global village and as a result, adopting these practices would enhance customer loyalty due to effective service delivery therein customer retention would be achieved.

### **5.5. Limitations of the Study**

Despite the researcher being more astute and proactive by employing qualitative technique to achieve the research objectives, the major limitation was on the interview session set up while carrying out the interviews. Due to myriad activities at the head office and a busy schedule for the target population, interviews could not go beyond the set time. As such, due to time constraint the researcher could not adequately identify and analyze the salient results from the respondents. Therefore, the research relied on data collected from managers who were busy and were not readily available to give provide detailed information. Two of them specifically asked about the intentions of the research even though it was clearly stated.

### **5.4 Suggestions for Further Research**

The recommendation for further research is on effects of electronic marketing models on the rate of customer churn and profitability ratios as well as sustainability of performance within the public sector through use of electronic marketing models in Kenya. Public institutions in Kenya are characterized by low productivity levels and scholarly studies on ways of addressing the issue with a view of coming up with sustainable performance standards in the public sector were necessary. This would help the government save more resources of the tax payers and channel them into more productive areas than investing on a much less productive work force.

The study recommends that a similar study should be conducted to investigate the influence of electronic marketing on customer retention in all the telecommunication firms in Kenya to compare the findings after which conclusions can be made based on concrete facts.

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# APPENDIX I: INTERVIEW GUIDE

## Goal of the interview Process

The broad objective of the study is to determine the influence of electronic marketing practices on customer retention at Safaricom, Kenya.

## Interview Questions

The following sections provide sample questions to be used in evaluating the influence of electronic marketing practices and customer retention.

### A. Respondent Background interview

1. Briefly share with me your education background?
2. For how long have you been in this organization and which position are you holding currently?
3. What are some of the biggest developments in your department?
4. What are some of the major alterations technology has brought on board in terms product and service delivery to your customers?
5. Please comment on your target audience in relation to your competitors?
6. Please share with me some of the challenges you face in service and product delivery?

### B. What are some of the electronic marketing practices used by your organization?

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**C. Electronic Marketing Practices and Customer Retention**

1. Kindly share with me how electronic marketing practices minimize your communication costs?
  
2. How has the use of electronic marketing practices reduced the number of complaints from customers? Please expound on your answer.
  
3. Please share with me how the adoption of electronic marketing practices has improved efficiency in decision making processes and procedures?
  
4. How has the use of electronic marketing practices has improved interaction between the customers and the organization? Kindly explain
  
5. Please share with me how the use of electronic marketing practices enhances loyalty in your organization?
  
6. Kindly share with me how electronic marketing practices minimize your communication costs?



7. How has the use of electronic marketing practices reduced the number of complaints from customers? Please expound on your answer.
  
8. Please share with me how the use of electronic marketing practices have enhanced convenience and access to products and services to its customers?