

The Influence of Mobile Money Transfer in Sustaining Customer Loyalty at Safaricom Limited

JOSHUA MALUKI MUTUNGA

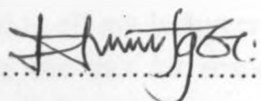
**A research project submitted in partial fulfillment of the requirements
for the award of the degree of Master of Business Administration,
School of Business, University of Nairobi.**

October, 2012

DECLARATION

This research project is my original work and has not been presented for an examination in any other university.

Signed



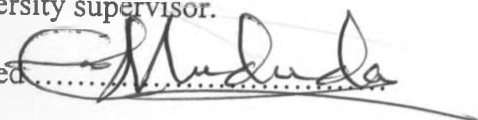
Joshua Maluki Mutunga

Date

08.11.2012

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

Signed



E. O Mududa

Lecturer

School of Business

University of Nairobi

Date

8-11-12

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Above all, I give my honest thanks to God for gift of life and knowledge.

DEDICATION

To my wife Winnie, my dad Humphrey Mutunga and my mum Anna Nduku Mutunga.

ABSTRACT

This research examines the influence of mobile money transfer in sustaining customer loyalty at Safaricom limited. The study looks at the background of Safaricom limited, currently the market leader in telecommunications in Kenya. Safaricom is also the provider of the most successful mobile money transfer globally branded, M-PESA. Despite of the many strategies to grow and retain their customer base, Safaricom has consistently maintained a market lead over the years. .

The telecoms industry in Kenya has witnessed bitter rivalry between the four main players. Safaricom rivals have invested in a number of strategies to attract Safaricom customers to their networks. However, majority of Safaricom customers have remained loyal. This has been attributed to Safaricom's mobile money transfer service, M-PESA.

The study focused on M-PESA and was carried out from across Kenya. Demographic data as well as other data was collected from customers using researcher administered questionnaires. The study examined five constructs of customer loyalty; quality and availability of service, price, innovation, trust and switching costs. The reliability test was conducted for the items designed for the same construct. Cronbach's Alpha which is a measure of reliability or internal consistency was used and found the data reliable and consistent. The relationship between the customer's loyalty and other variables was measured using Pearson coefficient and t-value. Other measures used are statistical measures of mean, frequency and standard deviation.

The results obtained in this research indicated that 86% of the respondents were loyal customers to Safaricom due to influence of its mobile money transfer service, M-PESA. The combination of quality and availability of service, price, innovation, trust and switching costs showed strong relationship with customer loyalty while demographic variables of gender, age, location and income levels also showed strong relationship.

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LIST OF ABBREVIATIONS

ATM	Automated Teller Machine
CCK	Communication Commission of Kenya
EBITDA	Earnings before Interest, Tax, Depreciation & Amortization
VAS	Value Adding Services

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The telecommunications industry in Kenya has undergone revolutionary changes since the liberalization of the industry in the last decade. There has been technological and regulatory advancements that resulted in new players, products and customers.

Currently, there are four major players in the market- Safaricom limited, Airtel Kenya, Orange Kenya and YU Mobile. By end of 2011, Kenya had 25.3M mobile subscribers (CCK, 2011).Safaricom leads with market share of 67% followed by Airtel 15%, Orange 10% and YU Mobile 8%(CCK, 2011).

With the competition becoming tough, service providers realized that retaining one's existing customer base is important as much as the acquiring of a new customer (Coyles & Gokey, 2005).Despite of the many strategies to grow and retain their customer base, Safaricom has consistently maintained a market lead over the years. This study attempts to find out, from Safaricom customers why they have remained loyal to the mobile service provider.

1.1.1 Money Transfer Services

Currently there are a variety of ways to send and receive money. These methods include; mobile money transfer, bank transfers, Western Union, Money Gram, by bus or sending someone else. Since 2007, there has drastic take up in the new technology of mobile money transfer as preferred method of money transfer. In Kenya, the four main mobile money transfer services by telecommunication companies are; M-PESA by Safaricom, Airtel Money, Yu Cash by Essar and Orange Money from Orange Telecoms.

The most popular means of money transfer is M-PESA, now used by 39.9% of all adults. M-PESA is perceived as the least risky by 26.2% of respondents, least expensive(31.7%), fastest (64.3%), easiest to get (47.8%) means of money transfer (FinAccess, 2009).

The Safaricom mobile money transfer was launched in 2007 and is called M-PESA. M-PESA (M for mobile, *pesa* is Swahili for money) is a mobile-phone based money transfer service for Safaricom, Kenya's largest mobile network operator (CCK, 2012). Currently the most developed mobile payment system in the developing world, M-PESA allows users to deposit, withdraw, transfer money, pay bills and receive money easily with a mobile device. Registration requires a national identity card or passport (Saylor, 2012).

Customers can deposit or withdraw money from the agent network spread throughout the country or through selected ATMs. Customers are also able to withdraw money directly from bank accounts or deposit money to bank accounts through their phones. The service currently has 15 million registered customers. This represents over 80% of Safaricom subscribers and 60% of total mobile phone subscribers in Kenya (Safaricom Limited, 2012).

Safaricom current strategy includes enabling driving financial inclusion in Kenya through M-PESA. This will involve increasing access to basic financial services, increasing agent outlet footprint and increase utility of M-PESA value adds (Safaricom Limited, 2012).

1.1.2 The Concept of Customer Loyalty

Business success depends on the ability of the firm to compete effectively in a given market. This will further be a result of attracting and retaining customers that are willing to purchase goods and services at prices that are profitable to the company. Customer loyalty is viewed as the strength of the relationship between an individual's relative attitude and repeat patronage. The relationship is seen as mediated by social norms and situational factors. Cognitive, affective, and conative antecedents of relative attitude are identified as contributing to loyalty, along with motivational, perceptual, and behavioural consequences (Dick & Basu, 1994).

Customer loyalty comes with various business benefits of lower costs, higher revenue and good reputation. Loyal subscribers will continue to use the products and services of the provider and willing to pay the higher prices for the quality products and are most

likely to try new services. Research has shown that typical company gets 65% of its business from its existing customers, it costs 5 times more to find a new customer than to keep an existing customer happy, it takes 12 good service experiences to overcome a single bad one and 7 out of 10 customers who switch to the competition do so because of poor service. 91% of unhappy customers will not switch back again to the company that displeased them and unhappy customers will not only defect, they will grumble to 9 of their friends (Rosenberg & Czepiel, 1984) . Customer loyalty is one of the most dominated factors which drive the profits incoming of the operators in the telecom industry (Ramneck & Preety, 2008).

Customer loyalty can be classified into proactive loyalty and situational loyalty. Proactive loyalty occurs when a consumer frequently buys a brand and settles for no other substitute while situational loyalty exists when the buyer purchases a brand for a special occasion(Oliver, 1999). We can also classify customer loyalty into the behavior loyalty and the attitude loyalty. Behavior, customer loyalty focuses on the long-term choice probability for a brand, for example, repeat purchase probability, while, attitudinal loyalty focuses on brand recommendations, resistance to superior products, repurchase intention, and so on(Xiaoli, Yinghong, Zhijian, & Hui, 2006).

1.1.3 Safaricom Limited

Safaricom is the leading integrated communications company in Kenya with over 19 million subscribers. Safaricom is listed on the Nairobi Stock Exchange and trades on the telecommunications and technology segment. It provides a comprehensive range of mobile telecommunication services; voice, messaging, data and fixed broadband services on a variety of platforms.

For the financial year ending March 2012, the company reported revenues of Kshs.107 billion, with earnings before interest, tax, depreciation and amortization (EBITDA) of Kshs37.5 billion. The company shareholding is as follows, Government of Kenya 35%; Vodafone 40%; Free Float 25%. The company market capitalization as at March 31,

2012 was Kshs.128 Billion. Safaricom directly employs 2,725 staff (Safaricom Limited, 2012).

Safaricom boasts of sustained investment in network quality and modernization, continued momentum in customer growth, strong operational and financial performance. Voice, Mobile data and M-PESA remain key drivers of growth.

Over the last three years, the telecoms industry in Kenya has witnessed bitter rivalry between the four main players. Safaricom rivals have invested in a number of strategies to attract Safaricom customers to their networks. However, majority of Safaricom customers have remained loyal. This has been attributed to Safaricom's mobile money transfer service and customer service. Safaricom also applies M-PESA to showcase a superior customer care service. Services quality is considered as a major determinant in customer retention and building value relationship (Venetis & Ghauri, 2004).

Safaricom limited has positioned M-PESA as a financial inclusion product. Financial inclusion is the delivery of financial services at affordable costs to sections of disadvantaged and low income segments of society. M-PESA has also been integrated to the formal banking systems. This enables customers to perform bank transactions through their registered Safaricom mobile numbers. This contributes to ring fencing customers because changing mobile number means will involve changing bank details.

1.2 Research Problem

Primarily, this research focuses on the role of mobile money transfer in sustaining customer loyalty by Safaricom. M-PESA has been touted as one of the key retention strategies deployed by Safaricom. M-PESA has made money transfer affordable, safe and fast for the users (FinAccess, 2009).

Most of the existing research and literature of M-PESA has focused on how and why customers use the product, strategies used by M-PESA to remain the most successful mobile money transfer service globally and its impact on financial inclusion in Kenya.

Jack and Suri (2010) researched on use of M-PESA in Kenya. Their work demonstrated that the product has been adopted by an ever-broadening cross-section of the population.

While it has always been used by a non-negligible share of those with lower economic means, it has quickly expanded its reach into these groups, and is now used by households with a wide range of economic, demographic, and educational characteristics (Jack & Suri, 2010).

Mbiti and Weil (2011) examined how M-PESA is used as well as its economic impacts by analyzing data on financial access in Kenya. They found that M-PESA raised the probability of users being banked, causes decreases in the prices of competing money transfer services such as Western Union. The results suggest that M-PESA improves individual outcomes by promoting banking and increasing transfers (Mbiti & Weil, 2011).

Munyoki and Mutua (2010) sought to find out the M-PESA customers' perception of the service and the challenges they encounter in using the service. It focused on how M-PESA service customers from Athi River and Kitengela Townships perceive the quality, affordability, convenience and accessibility of the M-PESA service offered by Safaricom Limited. The study further looked at the challenges the afore-mentioned customers face while using the service. The study found out that M-PESA customers perceive the service as easily accessible, made bills payment easy, improved the living standards of people, has safe and secure transactions, are very fast in terms of transaction as compared to other forms of money transfer and are easily adaptable (Munyoki & Mutua, 2010).

This paper therefore opens another important facet of using a product as a strategy of customer loyalty. It will examine the influence of mobile money transfer on customer loyalty from the perspectives of gender, income levels and geographical location of the respondents across Kenya. The study seeks to answer the question: what is the influence of mobile money transfer in sustaining customer loyalty at Safaricom limited.

1.3 Research objectives

The objective of this research is to determine the influence of mobile money transfer at Safaricom limited in sustaining customer loyalty.

1.4 Value of the Study

This study is of great importance and will help managers, researchers, regulators and analysts to understand issues such as the psychology of how mobile phone subscribers think, feel, reason, and select between different alternatives service providers. The study is also useful in helping to understand how consumer motivation and decision strategies differ between products that differ in their level of importance. This in turn is relevant to strategists to plan on how to formulate consumer retention, customer relationship management and personalization strategies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter highlights the major issues relating to customer loyalty and mobile money transfer. It covers the concept of customer loyalty and existing literature on M-PESA mobile money transfer service.

2.2 Customer Loyalty

Customer loyalty is defined as a “deeply held commitment to rebuy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver, 1997).

Customers are the driving force for profitable growth and customer loyalty can lead to profitability (Hayes, 2008). Customer loyalty is gained from competitive advantage. It allows an organization to outperform its competitors. The term competitive advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market (Porter, 1980).

The study of customer loyalty has attracted profound research interest due to contemporary issues regarding superior performance levels of firms in the present competitive market conditions. A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player (Barry, 2003).

From the foregoing discussion, competitive advantage enhances the ability of a firm to sustain customer loyalty. Competitive advantage can also be described as is the ability of a firm to create more economic value than its competitors; and this economic value can be simply defined as the difference between the perceived benefits gained by a customer who purchase a firm’s products or services and the full economic cost of these products or services (Barney, 2007).

Corporations naturally need to upgrade their capabilities in response to changes in their environment (Kodama, 2006). For high-tech firms like those in mobile telecommunication

industry, capability upgrading as their efforts to respond to changes in their environment, i.e. customer needs and advance in technology, is imperative; and as they seek future innovation, they also need strategies to follow up their upgrading process since they must continue to introduce new products and services for their customers (Kodama, 2006).

Loyal customers are less likely to switch to a competitor solely because of price, and they even make more purchases than non-loyal customers (Bowen & Shoemaker, 2003). These customers are most valuable assets of a company and contribute significantly to the long-term profitability an organization. It is thus essential for vendors to keep loyal customers who will contribute long-term profit to the business organizations (Tseng, 2007). Attempt to make existing customers increase their purchases is one way to strengthen the financial growth of a company (Hayes, 2008).

Customer loyalty has been generally divided into attitudinal loyalty and behavioral (Aydin & Özer, 2005). Attitudinal loyalty describes customer's attitude toward loyalty by measuring customer preference, buying intention, supplier prioritization and recommendation willingness; on the other hand, behavioral loyalty relates to shares of purchase, purchasing frequency (Ibid).

Customer loyalty is enhanced by customers perceived quality, exceeding customer expectation will still be required if the company seeks to delight customer. In the event of having low expectation of service quality and meeting it, researchers had found, had raised preference (Rust, Inman, Jia, & Zahorik, 1999). Given the option to general customer's two equally priced options, the customer will choose the one with higher expected quality, the research had established. They argued that a company should always focus on its most loyal customers. Retention point of view, less loyal customers' tendency to defection is greater hence that sector should be defended with force.

This research further suggested greater the experience a customer with a service provider greater the chances of meeting expectation in perceived value, hence retention.

Services Quality is considered as a major determinant in customer retention and building value relationship (Venetis & Ghauri, 2004).

This study is seeking to investigate the influence of mobile money transfer in sustaining customer loyalty due to various strategies deployed through the product.(Porter, 2004) identified three generic strategic approaches that a firm can use to outperform other firms in an industry; overall cost leadership, differentiation and focus. Focus strategy is focusing on a particular segment only and within that segment applies either cost leadership or differentiation (Porter, 2004). Safaricom has used M-PESA to focus on the bottom of the pyramid segment customer base and designed and price it products so as to achieve a goal of financial inclusion.

We draw a relatively good example from research on competitive behavior between pioneers and followers in the European mobile telecommunications industry. It found out that price reduction actions represent the best approach for followers, while differentiation actions (such as launching new products and services or enlarging and upgrading networks) are the most effective strategy for pioneers(Fernandez & Usero, 2009). This finding is actually the same as the recent situation in Kenya.

All of new comers who entered the market in the past several years such as Airtel, Yu Mobile and Orange offering very low tariff for voice and SMS, in order to gain new subscribers and market share. However, this action has been followed by Safaricom, because they do not want their customers to churn. As the result, there has been a price war over the last three years.

In Kenya 99% of mobile phone customers are on prepaid model. This means that these customers can easily churn and subscribe to the network offering the cheapest revenue. In such a situation, the operators must create products that add value to customers and drive retention. These value adding services must come with differentiated ad distinctive features in order to compete effectively. This is exactly what Safaricom has done with M-PESA.

Fierce competition has shaken the telecom industry in Kenya. It is worth noted that offering the cheapest price is not the key to be a market leader (Grant, 2008). Network quality,coverage andvalue adding service (VAS) are still the main factors that make

customers loyal to their operator. In Kenya, it has been proven by Safaricom. As the operator with the largest network coverage in the country, Safaricom does not offer the cheapest tariffs in the market but remain the operator with the highest number of new customers and the biggest revenues as well.

According to Safaricom, M-PESA broke even for the first time in the beginning of 2009 (Slavova, 2009) Hence M-PESA is not about generating revenue directly but instead it is part of a strategy to decrease churn and increase "stickiness" to customers. In short, part of M-PESAs aim is to make customers reluctant to switch to an upcoming competitor (Mas & Rosenberg, 2009).

M-PESA uses a branchless banking model (Ivatury & Mas, 2008) to enable the service to reach out to previously unbanked communities. Besides making cash withdrawals and deposits possible, the agents also plays an important role in registering users, handling the KYC and educating new users. This elaborate agent network has contributed to the success of M-PESA.

M-PESA stresses on the importance of keeping the value proposition simple and understandable (Rosenberg, 2008). M-PESA came up with the simple slogan of "Send money home" to better be associated with the existing social conditions. Since the service facilitates person-to-person money transfers and it is cheaper to send money to a registered customer, the sender has the motivation to introduce the recipient to the technology. This has played a part in spreading the service and helped include user groups who traditionally seldom embrace new technology(Osmotherly, 2009).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the proposed research design, the target population, sampling design, data collection instruments and procedures, and the techniques for data analysis.

3.2 Research design

In designing research, one attempts to understand and grasp the basic logic of a research project. Research design is a plan that will assist the researcher to conduct the research in order to solve the research problem (Babbie & Mouton, 1998).

A survey design was used for this study. The data was collected from across-section of Safaricom customers at one point in time. This was appropriate because it was allowing for comparative analysis. The analysis compared how the demographic factors influence the customer loyalty variables. Qualitative and quantitative data was collected. The cross-sectional design was used so as to obtain a representative sample of the population.

3.3 Target Population

Population is the full set from which a sample for research is taken (Babbie & Mouton, 1998). The population comprises Safaricom's mobile money transfer users currently reported as 15 million.

3.4 Sample design

Sampling refers to the procedure by which a given number of subjects from a population are selected to represent that population. According to Babbie et al (2001:104), sampling is taking from any portion of a population or universe as representative of that population or universe.

The sampling method used in this study was judgmental sampling. Research assistants were deployed and selected the respondents based on who they thought would be appropriate for the study. This was used primarily in order to focus on particular characteristics of the population that are of interest depending on age, gender, income levels and location.

3.5 Data collection

Planning and managing data collection systematically requires an understanding of the different types of data allied to the different approaches to, methods of and specific techniques of data collection (Lancaster, 2005).

This research project involved gathering of primary data because it enabled collection of precise information required. Limitation with secondary sources is that the information may not meet one's specific needs (Cooper & Emory, 1995). Primary was collected through the use of questionnaires and interviews. (see Appendix 2). In this study, researcher-administered questionnaires were completed by respondents from across the country. Due to the sample size, research assistants were utilized for data collection. The research assistants were stationed at M-PESA agent outlets to collect data from selected visiting or transacting customers.

Closed questions were used in the questionnaire. According to Bryman and Bell (2003), closed questions have some advantages: it is easy to process answers; it enhances the comparability of answers, and makes them easier to show the relationship between variables. It is better than open question for this research.

The questionnaire consisted of three parts and total 26 statements (see appendix). The first part is about demographics while the second part is on use of M-PESA and the last part contained variables related to customer loyalty i.e. quality and availability of service, price, innovation, trust and switching costs measured by using a five-point Likert-scale response, anchored at 5 strongly agree and 1 strongly disagree.

3.6 Data Analysis

An important process of qualitative research is to conduct statistical analysis of the data collected. Five hundred and eleven respondents were studied. The respondents were grouped and analyzed by gender, age group, location, income levels and length of time using M-PESA. Microsoft Excel was used as an analytic tool to store, produce tables, summaries from collected data. Descriptive statistics (such as mean, frequencies and reliability) analysis were done on the demographics data and loyalty variables.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.0 Introduction

This chapter will present the data collected from the research. It also provides the analysis of the data presented in tables using statistical analytical tools. The analytical techniques used in the chapter include mean and frequencies which are used to analyze how demographic variables and other attributes affect customer loyalty of the respondents.

4.1 Reliability Results

The result of reliability is as tabled below:

Table 1: Reliability Results

Variables	No. of Items	Alpha	Std. D	Mean
<u>Independent Variables</u>				
Service Quality and Availability	3	0.925	0.11	3.79
Price	2	0.759	0.09	3.81
Innovation and Financial Access	3	0.864	0.05	3.85
Trust	2	0.969	0.14	4.04
Switching costs	3	0.732	0.02	3.88
<u>Dependent Variable</u>				
Customer Loyalty	3	0.969	0.05	3.85

The reliability test was conducted for the items designed for the same construct. Cronbach's Alpha which is a measure of reliability or internal consistency was used. For the six constructs we have, all of them have Cronbach's alphas larger than 0.7a level considered acceptable in most social science research.

4.2 Regression Analysis

Table 2: Regression Matrix

Independent Variable	t-value	r-squared	Significance
Service Quality & Availability	2.91	0.02	0.002
Pricing	6.65	0.08	0
Innovation	7.44	0.10	0
Trust	8.03	0.11	0
Switching Costs	9.80	0.16	0

From the results all independent variables are positively correlated with customer loyalty. However, the t-value for availability and quality is moderately statistically significant. This implies that availability and quality and customer loyalty are moderately related. The relationship between the other variables has very strong and significant influence on customer loyalty. This is as follows: service quality (t-value=2.92 $p<0.002$), Pricing (t-value=6.65 $p<0.0001$), Innovation (t-value=7.44 $p<0.0001$), trust (t-value=8.03 $p<0.0001$) and switching costs (t-value=9.8 $p<0.0001$).

The overall Pearson coefficient for the relationship between customer loyalty and the independent variables is 0.48. This implies the mobile money transfer has positive influence in influencing sustainability of customer loyalty. This means that Safaricom must continue enhancing and supporting M-PESA for sustained customer loyalty.

4.3 Demographic Results

A total of 511 questionnaires were administered and collected from different parts of Kenya. Table 2 presents the descriptive statistics of the demographics.

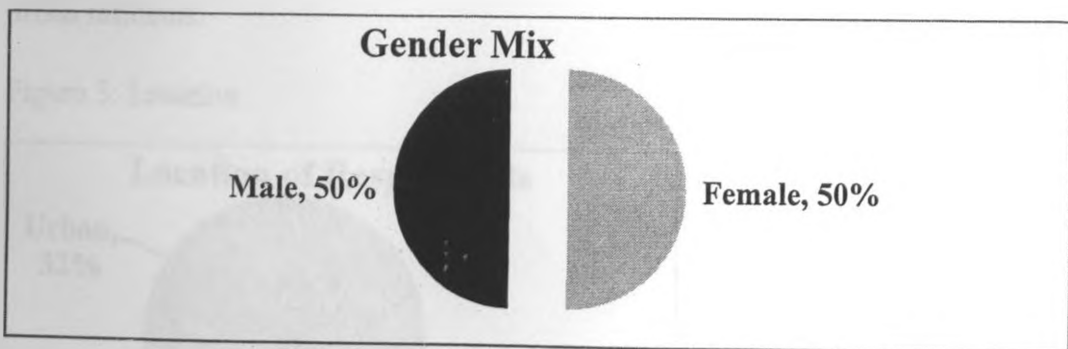
Table 3: Demographic Results

Variables	Attribute	Frequency	Percent
Gender	Male	256	50%
	Female	255	50%
Age	18-25 Years	60	12%
	25- 35 Years	211	41%
	36-45 Years	124	24%
	46-55 Years	68	13%
	Over 55	48	9%
Location	Urban	162	32%
	Rural	349	68%
Income	Low Income	231	45%
	Middle Income	169	33%
	High Income	111	22%
Service Usage	High	198	39%
	Low	313	61%

4.3.1 Gender

A total of 256 and 255 male and female respondents respectively were surveyed in this study. The study had deliberately intended to achieve this 50:50 mix in gender.

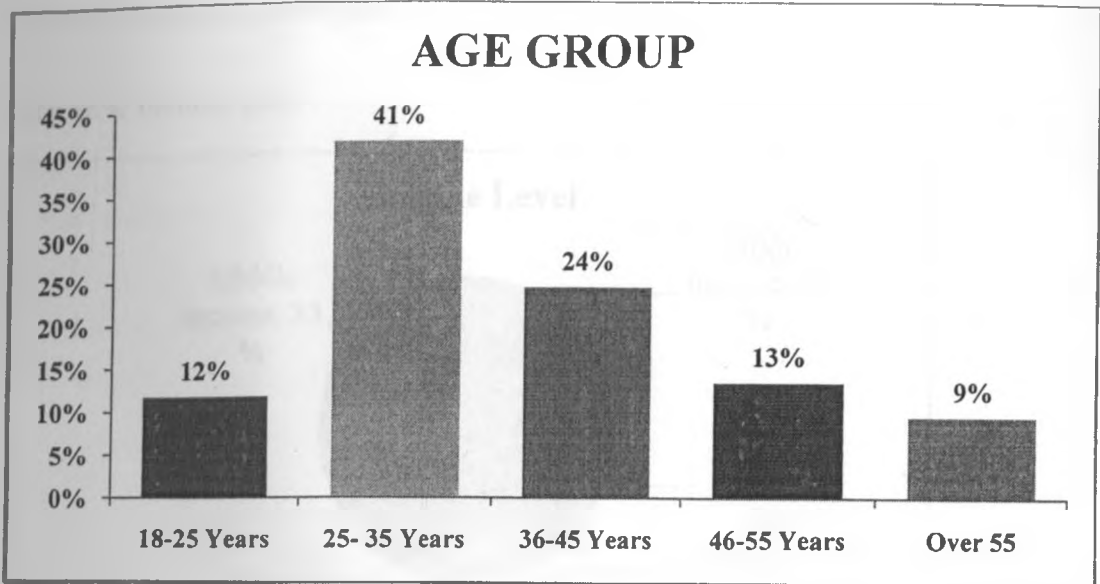
Figure 1: Gender



4.3.2 Age Groups

The respondents were grouped in five age sets. 12% were 18-25years, 41% were 25-35 years, 24% were 36-45%, 13% were 46-55years while those above 55years were 9%.

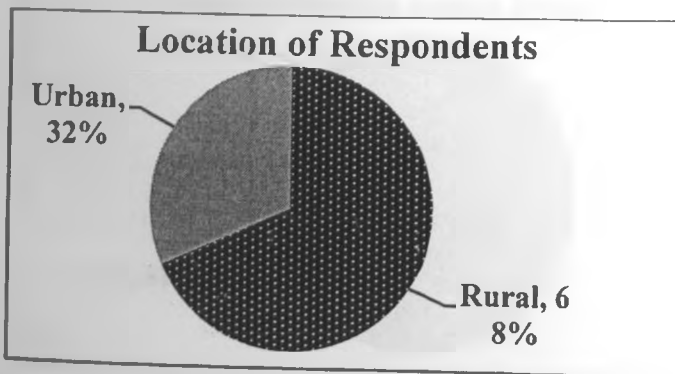
Figure 2: Age Groups



4.3.3 Location of respondents

The respondents were classified by location of residence. Urban resident were those living in Nairobi, Mombasa, Kisumu, Eldoret and Nakuru. The rest were classified as rural population. From the study, 32% of the respondents were rural while 68% were urban residents.

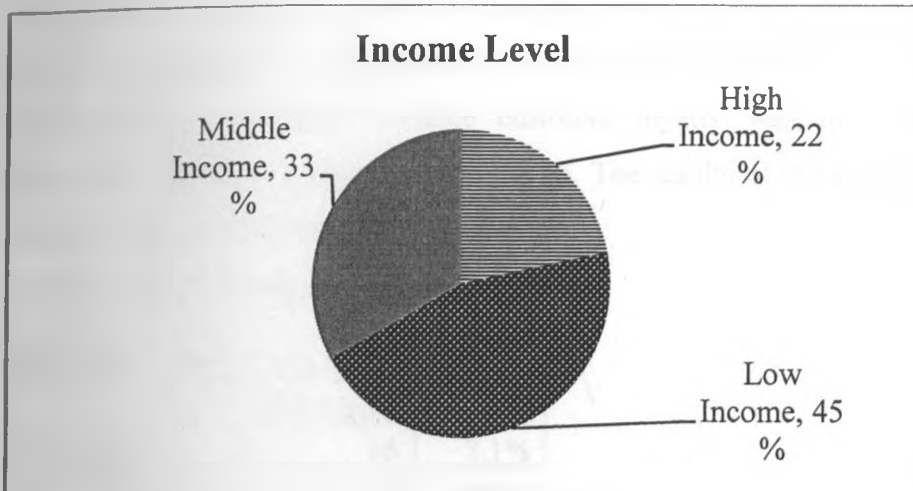
Figure 3: Location



4.3.4 Income Level

Low income were respondents who indicated earning less than Kshs 10,000 per month, Middle income are those earning between Kshs 10,001 and 50,000 while higher than 50,000 are classified as High income. There 111(22%) of high income respondents, 169(33%) middle income and 231(45%) of low income.

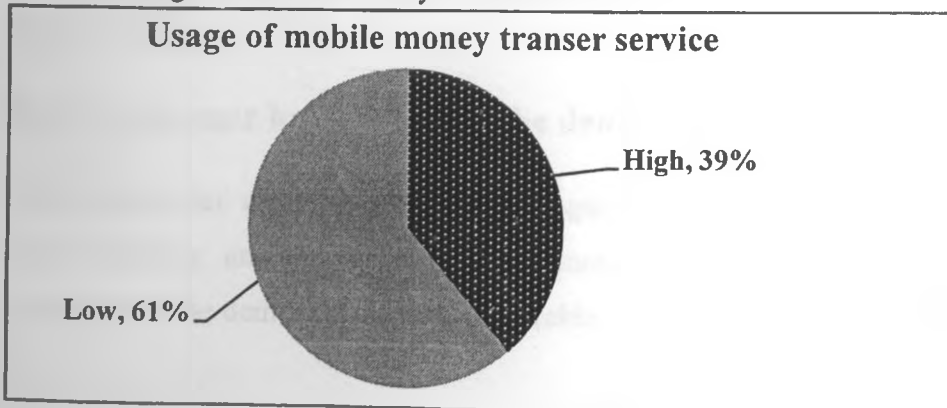
Figure 4: Income level



4.3.5 Usage of Mobile Money Services

The respondents were asked how often they were using mobile money transfer services. Those who were performing two or less M-PESA transactions per month were categorized as low users otherwise classified as high usage. 198(39%) of users had high usage compared to 313(61%) low users.

Table 5: Usage of Mobile Money Transfer Service



4.4 Results and Discussion

This section discusses the results of the research, focusing on the relationship of customer loyalty to demographic factors. It also examines how service availability, pricing, innovation, trust and switching costs affect customer loyalty.

4.4.1 Overall Customer Loyalty

The respondents interviewed were asked if they intended to continue being Safaricom loyal customers because of M-PESA despite lower prices of other operators and if they were to encourage friend and relatives to remain in Safaricom so as to use the services of M-PESA. The dependent variable customer loyalty was then analyzed with the descriptive statistics –frequency distribution. The results of the overall customer loyalty are shown in the table 4 below.

Table 4: Overall Customer Loyalty

Overall Customer Loyalty		
	Frequency	Percent
Disagree	16	3.1%
Not sure	54	10.6%
Agree	406	79.5%
Strongly Agree	35	6.8%
Grand Total	511	100.0%

This result demonstrates that 86% of the respondents are influenced by M-PESA to continue being loyal customers. This loyalty is driven by other variables like the quality and availability of the service, its pricing, innovation, trust and switching costs. These are discussed later.

4.4.2 Customer loyalty among the demographic groups

The demographic variables were analysed against customer loyalty using the cross tab of the descriptive analysis to show assessments of customer loyalty among various categories of the demographic variables. Table 5 presents the outcome of the analysis.

Table 5: Cross Tabulation of Customer loyalty among the demographic groups

Attribute	Descriptions	Loyalty				Total	% Loyalty
		Low	Not sure	High	Very High		
Gender	Female	11	21	206	18	256	87.5%
	Male	5	33	200	17	255	85.1%
	Total	16	54	406	35	511	86.3%
Age	18-25 Years	3	24	33		60	55.0%
	25- 35 Years	8	24	174	5	211	84.8%
	36-45 Years	2	2	103	17	124	96.8%
	46-55 Years	1	4	52	11	68	92.6%
	Over 55	2		44	2	48	95.8%
	Total	16	54	406	35	511	86.3%
Income	Low Income	10	21	200		231	86.6%
	Middle Income	5	14	145	5	169	88.8%
	High Income	1	19	61	30	111	82.0%
	Total	16	54	406	35	511	86.3%
Location	Rural	12	29	288	20	349	88.3%
	Urban	4	25	118	15	162	82.1%
	Total	16	54	406	35	511	86.3%
Length Using M-PESA	1 year or less		7	52	2	61	88.5%
	2-3 Years	14	34	247	11	306	84.3%
	Over 3 Years	2	13	107	22	144	89.6%
	Total	16	54	406	35	511	86.3%
Usage	High	5	27	139	27	198	83.8%
	Low	11	27	267	8	313	87.9%
	Total	16	54	406	35	511	86.3%

Note: Income: Low income are respondents who indicated earning less than Kshs 10,000 per month, Middle income are those earning between Kshs. 10,001 and 50,000 while higher than 50,000 are classified as High income. Location: Urban means those living in Nairobi, Mombasa, Kisumu, Eldoret and Nakuru. Usage: Low usage are user who perform two or less M-PESA transactions per month otherwise high usage.

This result demonstrates that customer loyalty level differs among the various demographic variables. Within the gender, women are more loyal at 87.7% than men at 85.1%. The higher loyalty reported by women could be because they depend on the M-PESA for financial inclusion especially receiving money from their spouses and women social groups. Considering the age groups, the youth within the 18-25 years group had the lowest loyalty at 55% followed by those in 25-35 year age group. The highest loyalty is was found in respondents who were over 55 years at 95.8%. The results indicate high loyalty among the middle income group at 88.8%. Loyalty is high among the rural respondents at 88.3%, those who have being using M-PESA for more than three years at 89.6%. The results also indicate that loyalty was high among users who transacted in M-PESA two or less times per month.

4.5 Factors Influencing Customer Loyalty

There were five determinants that respondents were interviewed on to establish what they considered important about M-PESA. Table 6 below indicates that trust was most important reason why they were using M-PESA. This was followed by switching costs. 98% respondents indicated that M-PESA was concerned with consumer interests and used the product because they trusted Safaricom. 85% respondents were concerned about switching costs in that to swich to any other operator, they were first to consider the other operators money transfer services. They also emphasised on churning from Safaricom would negatively affect their mobile money transfer activities.

Table 6: Factors Influencing Customer Loyalty

Overall	Mean	Standard Deviation
Service Quality & Availability	3.79	0.11
Pricing	3.81	0.09
Innovation	3.85	0.05
Trust	4.04	0.14
Switching Costs	3.88	0.02
Customer Loyalty	3.85	0.05

Table 7: Customer loyalty Influence

Attribute	Very Low	Low	Not sure	High	Very High	Total	% Loyalty Influence
Service Quality & Availability	4	24	49	380	54	511	84.9%
Price	3	47	41	405	15	511	82.2%
Innovation		14	37	450	10	511	90.0%
Switching Cost		20	59	369	63	511	84.5%
Trust		2	5	476	28	511	98.6%
Customer Loyalty		16	54	406	35	511	86.3%

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter analysis the findings of the study as discussed in chapter 4 in respect to the research objectives highlighted in chapter 1. The chapter provides a summary of the findings, overall conclusion of the research topic, specific recommendations, opportunities for further study and limitations of the study.

5.2 Summary of Findings

The objective of this research is to determine the influence of mobile money transfer at Safaricom limited in sustaining customer loyalty. This aim has been reached using the methods of statistical analysis applied to primary data. The data has been collected and analyzed during the months of September and October 2012.

From the study carried out, it was concluded that M-PESA has been a key influence in sustaining customer loyalty across the demographic divide. This result demonstrates that 86% of the respondents are influenced by M-PESA to continue being loyal customers of Safaricom. M-PESA is therefore a key influencer in sustaining customer loyalty at Safaricom limited. 85% of Safaricom customers valued M-PESA because it offered quality service across a wide available agent network across Kenya. Interestingly, 82% of the respondents were loyal because the M-PESA price was affordable. 90% of customers felt M-PESA was an innovative product while 85% did not consider moving to other network operators because their Safaricom number was their only primary contact number for voice and money transfer services. Overall, 98% of the respondents indicated that they trusted Safaricom Limited and that is the reason for continued use of the M-PESA. This poses the question whether the customers were loyal to Safaricom because of M-PESA or were using M-PESA because of they trusted Safaricom. It is however clear that M-PESA enhances the trust that customers have for Safaricom and this contributed to sustained customer loyalty. Essentially, in the competitive market with four key players in the telecommunications, The results of the study indicates Safaricom

has sustained customer loyalty due to its distinctive and widely available M-PESA services. The results also demonstrated that customer loyalty differs among demographic groups. Considering gender, female customers had higher loyalty than men due to influence of M-PESA. This could be explained by the reason that many women respondents were dependent on their spouses, children and other well-wishers for upkeep and so maintaining a known mobile M-PESA number was beneficial. Among the age groups, the middle age, 97% of 36-45 years had the highest loyalty. This is mainly because this group is mainly the working and middle class who rely on money transfer to remit funds to meet various needs. Loyalty was very high among the over 55 years at 96%. Again this is because the older members of the society rely on their mobile number to receive fund for upkeep from their children and other agencies. Loyalty was lowest among the youngest respondents (18-25 years) at 55%. The low loyalty among the young customers could be due to peer impact, influx double simcard phones and promotions that are targeted on young people by other mobile service providers. Among the income groups, the middle income earners were the most loyal at 89%. The middle income group largely trust M-PESA for daily financial transactions. 88% respondents residing in rural areas were loyal compared to those in urban at 82% due to M-PESA. This is explained by the fact that M-PESA is predominantly available in rural areas than any other money transfer service. Loyalty was also highest among those who had used the service for more than three years and those who were most frequent users at 89% and 88% respectively.

5.3 Conclusion

This study has positively identified mobile money transfer services by Safaricom as having been instrumental in sustaining customer loyalty. It has also demonstrated that the customer loyalty is multi-dimensional construct of service quality and availability, pricing, innovation, switching costs and trust. Again the study also shows demographic profile is very important in matters related to customer loyalty at Safaricom. The results show that evaluation of the factors identified as key drivers of customer loyalty will be

beneficial if considered alongside the customer demographic profile of gender, age, income, location, customer lifecycle and usage.

The study confirms the results of several studies on customer loyalty. Earlier studies show that loyal customers are less likely to switch to a competitor solely because of price, and they even make more purchases than non-loyal customers (Bowen & Shoemaker, 2003). It also confirms that, as companies seek future innovation, they also need strategies to follow up their upgrading process since they must continue to introduce new products and services for their customers (Kodama, 2006). It also confirms earlier studies that customer loyalty is enhanced by customer's perceived quality and given the option to general customers two equally priced options, the customer will choose the one with higher expected quality. This research further suggested greater the experience a customer with a service provider greater the chances of meeting expectation in perceived value, hence retention. Services Quality is considered as a major determinant in customer retention and building value relationship (Venetis & Ghauri, 2004). Lastly it also agrees with research that noted offering the cheapest price is not the key to be a market leader (Grant, 2008).

From the foregoing, this study reveals relevant evidence that the M-PESA has influenced sustain of customer loyalty due to the factors highlighted in the discussion. The study also reveals the impact of demographic profile on customer loyalty.

5.4 Recommendations

The results of this study have indicated that customer loyalty in Safaricom is influenced by M-PESA. It has also shown the customer loyalty to M-PESA is influence by demographic factors and also customer facing issues like availability, innovation, price, trust and switching costs. Therefore, I would recommend the management of Safaricom to generally continue monitoring these variables and respond to each of them as is necessary in order to sustain customer loyalty.

In particular, the Safaricom management needs to urgently address the issues related to youth and focus in acquiring and sustaining this age group as it grows to be the future loyal and valuable customer. The issue of innovation came out strongly as a key driver of

loyalty. The management should continue to invest on innovation on products that will be relevant and address the customer needs. Trust also came out as an important for customers. This should be addressed by a protecting company reputation and maintaining a strong balance sheet. Availability of the service will need to be addressed by ensuring M-PESA system is stable and outages are minimized. Channel development will also ensure more channels from which transactions can be done and availability of float to meet customer demands. Safaricom should profile M-PESA customers. This will help to understand customer needs, perceptions and identify opportunities for improvement.

5.5 Recommendations for further study

The study focused on the influence of M-PESA in sustaining customer loyalty at Safaricom. This research could be extended to study influence of other products and factors by Safaricom on loyalty e.g. Emergency credit, Loyalty points, Premium rate services, Call-back services and Call Ring Back service, network coverage and quality among others. Further studies should be extended to determine what influences customer loyalty in other mobile service providers in Kenya.

5.6 Limitations of the study

Despite the potential contribution of this study to the existing body of knowledge, there were a few limitations faced. First, some respondents raised concern on personal information from questionnaire due to increasing M-PESA fraud issues. This was sorted out with proper explanation but impacted on the time taken to complete the questionnaire. Secondly the sample data was obtained from across the country by use of research assistants and this meant very limited direct supervision as result this could have limited potential probe for useful and relevant information. The third limitation was the fact that the respondents were M-PESA customers visiting the agent shops and some of them did may not have sufficient time to respond with good thought to all questions. Lastly, the time and cost for this study was limited. This mainly affected the scope and sample size. All in all, with the limitation, this study achieved its objective.

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APPENDIX 1

Consent Letter

Joshua Mutunga

School of Business

P.O. Box 30197, Nairobi

July 2012

Dear Respondent,

I am a postgraduate student at the University of Nairobi, School of Business. I am conducting research on the role of mobile money transfer (M-PESA) by Safaricom Limited as sustaining customer loyalty.

The research is for academic purposes only. You are asked to complete a survey about this research. Your input to this research will be of great value. To complete the survey it should take no more than 15 minutes of your time. Your participation is voluntary.

Your answers will be kept confidential. The outcome of this research may be used for academic and general purposes such as research reports, conference papers or books. By completing the survey, you indicate that you voluntarily participate in this research.

Thank you for your participation.

Joshua M Mutunga

APPENDIX 2

SECTION A – Demographic Information

	User Demographics	Categories	Mark with cross (X)
Q1	What is your gender?	Male	
		Female	
Q2	Where do you stay?	Provide Name of your county	
Q3	Where do you live?	Town	
		Rural	
Q4	What is your age in years?	10 – 20 years	
		21 – 30 years	
		31 – 40 years	
		41 – 50 years	
		51– 60 years	
		Over 60years	
Q5	What is the level of education that you have completed?	No Formal or Primary school	
		Completed Secondary school	
		Some college or middle level	
		Completed diploma, degree or above	
Q6	How do you earn your living?	Employed/self employed	
		Student	
		Housewife	
		Retired	
		Job-seeker	
Q7	What is your average monthly income?	Below Kshs 5,000	
		Kshs 5,001 – 10,000	
		Kshs 10,001 – 25,000	
		Kshs 25,001 – 50,000	
		Kshs 50,001 – 100,000	
		Over Kshs 100,000	
Q8	Do you use mobile money transfer service?	M-PESA	
		Other	
Q9	How long have you been registered?	With Safaricom –Indicate years	
		With M-PESA –Indicate years	

SECTION B –The Use of M-PESA

		Categories	Fill
Q1	On average how many times do use the following M-PESA Services	P2P Sending Money	
		Withdrawal from agent outlet	
		Withdrawal from ATM	
		Paybill	
		Receive Payment from business	
		Access banking services	
		Buy airtime	

SECTION C: Five-point Likert Scale Questionnaire

Please complete the following questionnaire on a scale of 1 to 5. 1-strongly disagree and 5-strongly agree

	CLUSTER	Strongly Disagree	Disagree	Not sure	Agree	Strongly Agree
	Service Quality and Availability					
C1	M-PESA follows up customer requests timely.	1	2	3	4	5
C2	Am still with Safaricom because M-PESA is more accessible through an elaborate agent network.	1	2	3	4	5
C3	Safaricom is consistent in providing good quality service.	1	2	3	4	5
	Price					
C4	M-PESA is cheaper than other services hence this operator are attractive.	1	2	3	4	5
C5	I will continue to stay with Safaricom even though its expensive operator for voice calls because of M-PESA.	1	2	3	4	5
	Innovation and Financial Access					
C6	I consider Safaricom to be innovative through M-PESA	1	2	3	4	5
C7	I will stick with Safaricom because M-PESA offers meunparalleled access to financial services.	1	2	3	4	5

	CLUSTER	Strongly Disagree	Disagree	Not sure	Agree	Strongly Agree
C8	M-PESA is easily to operate and understand than other providers that's why I remain with Safaricom	1	2	3	4	5
	Trust					
C9	M-PESA is reliable because it is mainly concerned with the consumers' interests.	1	2	3	4	5
C10	I trust Safaricom because of M-PESA	1	2	3	4	5
	Switching costs:					
C11	To switch to a new operator; I should compare all operators money transfer services.	1	2	3	4	5
C12	If I change my phone number, I would be concerned if people send me money, I will not receive it	1	2	3	4	5
C13	If I switch to a new operator, I am not able to use some services M-PESA	1	2	3	4	5
	Customer loyalty					
C14	I intend to continue using mobile services from this operator for a long time because of M-PESA	1	2	3	4	5
C15	Even if another operator' price is lower, I will go on using this provider because of M-PESA	1	2	3	4	5
C16	I will encourage friends and relatives to remain in Safaricom so as to use the services of M-PESA.	1	2	3	4	5