

**FACTORS WHICH DETERMINE INDIVIDUAL  
CONSUMER CHOICE OF MOBILE TELEPHONE SERVICE  
PROVIDERS IN THE CITY OF NAIROBI**

**BY**

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**D61/P/7215/04**

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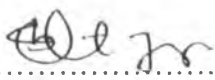
**A Research Project submitted for the partial fulfillment of the requirements of the  
degree of Master of Business Administration, School of Business, University of  
Nairobi -**

**September 2007**



## DECLARATION

This Research Project is my original work and has not been presented for a degree in any other University.

Signed.....

Date.....31st October 2007

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

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## **DEDICATION**

It is to my parents, the late Josephine and Mark Ofwona that I dedicate this research project. They taught me the important values of integrity, love and compassion that remain the guiding pillars of my life.

## ACKNOWLEDGEMENTS

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## ABSTRACT

The mobile platform has been heralded as the next frontier for modern business creating entirely new paradigms for interactive marketing initiatives. In a growth industry characterized by competition and alternative service providers, consumers have the freedom to choose from among the available alternatives. The research had two objectives. First, it sought to identify factors that influence individual consumer's choice of a mobile phone service provider in the mobile telephone industry. Secondly, it sought to assess the relative importance of the pertinent factors.

In undertaking the study, individual users of mobile telephone services within Nairobi were targeted. Primary data was collected using a semi – structured questionnaire. The survey instrument was administered directly to the respondents by the researcher within the selected areas. Out of the targeted 140 respondents, the researcher managed to obtain a response rate of 77.8%.

The results of the study showed that 59% of the respondents found costs of the services offered to be the most important factor while 30% stated that countrywide network coverage was the most important factor. Other factors were rated as most important in the following order; other people's (family members, workmates and friends) choice of service providers (3.7%), clarity in communication (2.8%) and courtesy of the customer care personnel (1%).

The study also revealed that the ability of a service provider to cover a wider geographical area is considered to a high extent by consumers when making a choice between the service providers. It was also found that the appeal of the company Chief executive officer was considered to a moderate extent by the consumers in their choice of mobile phone service providers.

Arising from the research findings, it was suggested that further study be conducted to establish the effect of subscriber demand on the price charged by service providers and to extend the study to other urban as well as rural areas.

## CHAPTER ONE: INTRODUCTION

### 1.1 Background

#### 1.1.1 Consumer Purchase Behaviour

The term consumer behaviour is defined as the characteristics that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs (Schiffman and Kanuk, 2007). Consumer behaviour focuses on how individuals make decisions to spend their available resources (time, money, effort) on consumption related items. Consumer behaviour is also defined as individuals or groups acquiring, using, and disposing of products, services, ideas, or experiences (Price *et al*, 2004). People make product choice based on the cues they receive from the environment and their accumulated experience about the product.

According to Schiffman and Kanuk (2007) consumer behaviour is rooted in the marketing concept, a business orientation that evolved in the 1950s through several alternative approaches toward doing business: the production concept, the product concept, and the selling concept. Consumers make three types of purchases: trial purchases, repeat purchases, and long term commitment purchases. A trial is the exploratory phase of purchase behaviour in which consumers attempt to evaluate a product through direct use. Repeat purchase is closely related to the concept of brand loyalty, which most firms try to encourage because it contributes to greater stability in the market place.

Purchase intentions and product choice are influenced by the behaviour displayed by consumers in their need recognition, search for and evaluation of alternatives available for satisfying needs. An understanding of consumer behaviour is a major milestone in developing marketing strategies, implementation and control. The company that really understands how consumers will respond to different product features, prices and advertising appeals has a great advantage over its competitors (Kotler and Armstrong, 2001). It is therefore important for every company to study consumers and establish what determines the choices of products they make.

#### 1.1.2 Consumer Decision-Making Process

Consumers make decisions every day concerning different aspect of their daily lives. In the most general terms, a decision is the selection of an option from two or more

alternative choices (Schiffman and Kanuk, 2007). Most marketers assume that customers know what they want. Unfortunately, customers may not know as much as the customers think they do. Newell and Simon (1972) argue that decision makers are not perfectly rational, but they are rationally bounded. That is, it is impossible for decision makers to evaluate all pieces of information available in the environment.

Not all consumer decision-making situations receive (or require) the same degree of information search. Decision-making is the product of information processing by consumers based on their personal factors such as attitudes, perceptions and motivation as well as external factors that include income, culture, and promotional efforts by firms. Decision-making is a stepwise process that begins with problem/need recognition and ends with post purchase evaluation. The amount of information search and time spent on each stage depends on complexity of the problem, cost of the product and consumers relative past experience. For complex products such as electronics, more time and information search may be required before purchase decisions are made.

Consumers seek information from personal sources, and non-personal sources. Once service has been consumed, customers perform post purchase evaluation. The results of post purchase evaluation if positive may lead to brand loyalty or fast diffusion of information about the service. According to Kotler and Armstrong (2001) the buying process starts long before actual purchase and continues long after. Marketers need to focus on the entire buying process rather than on just the purchase decision. A complete focus on the entire buying process provides greater insight in the development and execution of marketing strategies.

According to Cravens (2000), strategic marketing consists of analysis, strategy development, and implementation of activities in developing a vision about which markets to enter and in selecting which markets to target, setting objectives and finally developing, implementing and managing the marketing programmes. Strategic marketing seeks to deliver superior customer value through integrated marketing. Firms need to understand what motivates customers to prefer certain service providers against others. Such an understanding forms the bedrock of developing strategies to attract, satisfy and retain customers and to cut a competitive edge in the market.

## **1.2 The mobile phone industry in Kenya**

### **1.2.1 The structure of the mobile phone industry**

The telecommunication industry has undergone tremendous innovations with the proliferation of information and communication technology. At present, mobile telephones are an integral part of modern telecommunications. In many countries, more than half the population already uses mobile telephones and the market is still growing (see Towett, 2002 as reported in Muturi, 2004). For the last one decade, the marketing environment facing firms in Kenya has been dynamic. Generally, there has been a shift from a stable, predictable and uncompetitive environment to one that is volatile, unpredictable and competitive (Muturi, 2004).

Up to 1990's many firms in Kenya enjoyed unchallenged monopolies and government protection. Deregulation and globalization have however turned around the Kenyan marketing environment. Globalization has spearheaded the integration of the Kenyan economy with other world economies such that Kenya is now part of the global village. The power of information and technology, deregulation, globalization of markets and stiff competition has made customers better educated, more inquisitive, sophisticated and deciding. The marketing environment has tremendously changed thereby posing serious implications and challenges to the survival and profitability of firms. Following the liberalization of the telecommunications sector in Kenya in 1998, two mobile telephone service providers, Safaricom limited and Kencell (now Celtel) communications limited were licensed. In addition, a third mobile service provider involving Vtel Ltd. of Dubai won the bid to operate in Kenya in 2006. Their bid was however cancelled by Communications Commission of Kenya after they failed to apply for the license within the given deadline. The country still expects a third mobile service provider in the near future. This shows that the industry is still growing and there is potential of more entrants of new service providers in the industry.

In many countries, wireless subscribership now exceeds or soon will exceed wireline subscribership, fundamentally challenging market definitions that have been the basis for policy making. This is especially striking in developing countries where wireless may be primarily a complement to rather than a substitute for wireline telephony (Hamilton, 2003). The mobile phone industry is an emerging industry, which is growing at a high rate (Maina, 2001). The services were first offered in 1996 through Kenya Posts and Telecommunications (KPTC), which is now Telkom (K). Safaricom, which was wholly owned by KPTC, was created in 1997 and got the GSM license to

operate a GSM network in Kenya. The connection and utility tariffs were very high and growth was at a slow pace. By 1999 the mobile telephone subscription was at 15,000. In May 2000 Vodafone Group PLC acquired 40% stake with management control. Vodafone is the largest telecommunication company and fourth largest company in the world. The acquisition was intended to bring together Vodafone's vast international experience and Telkom Kenya's unique knowledge of Kenyan market conditions to enable Safaricom offer quality service that is customer focused. Following the liberalization of Kenyan telecommunications industry, Kencell Communications Ltd (now Celtel) was founded on 28<sup>th</sup> January 2000 as a fully private GSM mobile operator. It became the 2<sup>nd</sup> licensee to operate a GSM network in Kenya. Celtel communications is a partnership between the Sameer Group; one of Kenya's leading conglomerates, and Vivendi Telecom International.

The competitive edge in the mobile phones market is changing towards value added products. The two mobile service providers are engaged in a tight race to diversify their product range in a bid to rope in more subscribers and grow their revenue. Communications Commission of Kenya (CCK) Director-General, John Waweru argues that complaints over the quality of service on mobile phone networks have continued to mount with the rise in subscriber base (Financial Standard, Feb 21, 2006). The complaints are, however, not restricted to mobile phone services. They extend to fixed line provider, Telkom, which accounts for 45 per cent of the total number of complaints received at CCK. Given that fixed line subscribers account for approximately 7% of the total subscriber base, this level of complaints is too high.

According to CCK's annual report for mobile service providers, attempts by the commission between September 2004 and January 2005 to have players improve on service quality did not yield desired results. The communications sector has in the recent past seen rapid growth of mobile networks with the number of installed GSM transceivers rising from 6,428 to 10,674, a 65 per cent growth by the end of June last year. Subscriber base rose from 2.5 million to 4.6 million over the same period. The subscriber base, which had been growing at a diminishing rate since 2001/ 2002, registered exponential growth of about 81 per cent last year.



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### **1.2.2 Communications Commission of Kenya**

The Communications Commission of Kenya (CCK) was established in February 1999 by the Kenya Communications Act, 1998, to license and regulate telecommunications, radio communication and postal services in Kenya. The Commission is responsible for developing and coordinating the policies and strategies with respect to development and operation of telecommunication services in Kenya. CCK licenses telecommunications operators and service providers and monitors their performance on a continuous basis to ensure that they discharge the obligations as stipulated in their licenses, and in keeping with the provisions of the Kenya Communications Act 1998 and the Kenya Regulations 2001. The Commission's mandate in regard to the sector involves telecommunications licensing, telecommunication licensing enforcement, industry and consumer affairs, universal service obligations, tariff regulation and market analysis.

### **1.2.3 Safaricom**

Safaricom was formed in 1997 as a fully owned subsidiary of Telkom Kenya. Currently, the government owns 60 per cent of the company through Telkom Kenya with the remaining shares being held by Vodafone UK. Safaricom, with a subscriber base of 6 million (Business Daily, June 21, 2007) has derived most of its growth from airtime sales, especially the introduction of lower denomination top-up cards (The East African, Oct 30 – Nov 05, 2006). It has constantly expanded its network and presently has in excess of 880 live sites at any one time. The company has introduced new products, including a money transfer service which is known as M- Pesa with its market share estimated at between 65% and 70% according to June 2006 figures from the CCK.

Safaricom continues to consolidate its position by maintaining the largest number of base stations and constantly monitoring revenue and traffic volumes. The aim of Safaricom is to remain the leading mobile network operator in Kenya. In order to maintain the leading mobile service provider status, a strong focus has been placed on quality of service to its customers. The focus is to ensure superior quality of service that is customer focused to benefit every subscriber through implementing best practices based on Vodafone's vast international experience and Telkom Kenya's unique knowledge of the Kenyan market conditions. Safaricom has emerged as one of the most profitable Kenyan company with historic results that saw its pre-tax profits

hit Kshs 17 billion (Business Daily, June 21, 2007). The newly launched money transfer service, has opened a lucrative business line that has helped Safaricom to diversify its revenue base and transformed the company into a multi-service firm.

#### **1.2.4 Celtel**

Celtel (formerly Kencell) was awarded the license to operate mobile services in January 28, 2000. Celtel is the second and fully private mobile service provider company to be awarded a license to operate in Kenya. The company's shareholders are Sameer Group of companies and Vivendi Telkom International, which is part of the Vivendi universal. Celtel has been on an aggressive drive to increase its market share, introducing new products and improving the quality of its services (The East African, Oct 30 – Nov 05, 2006). It has launched a 'one East African tariff' plan, which enables its customers to cross from one country to another while retaining the same number and calling using local tariffs and top ups in the local currency.

The company has announced a new VoIP for both prepaid and postpaid subscribers. Its postpaid subscribers have a major advantage in that subscribers to the service need not have international dialing access. Celtel, which has been fighting to gain more share from its dominant rival, kicked off a pricing war by introducing flat rates for calling between networks last year (Business Daily, June 25, 2007). The move instigated a slight shift in customers who were able to enjoy cheaper rates to call the competitor network Safaricom, paying just Kshs 24 to call any other network. Consumer Insight, a research firm reckons that by April 2007, Celtel had 23% of the market share, an estimated 2.5 million subscribers, with mobile users ready to make the switch to the network because of the simple and non-discriminatory calling rates the company recently introduced.

#### **1.2.5 Telkom Wireless**

The national operators' new service, known as Telkom Wireless, was launched using a CDMA 2000 platform purchased from Chinese company Huawei at a cost of USD 22.6 million. The new investment is in a fiber and microwave backbone and has been rolled out across the country (Business Daily, June 25, 2007). Callers can call within the network for Kshs 7 and can communicate to other networks for just Kshs 24. The company launched its wireless technology in July 2007 and this is likely to drive competition in the industry to greater heights as each service provider competes to increase their share of the market.

### 1.3 Research Problem

The mobile platform has been heralded as the next frontier for modern business creating entirely new paradigms for interactive marketing initiatives (Kerckhove, 2002). In a growth industry characterized by competition and alternative service providers, consumers have the freedom to choose from among the available alternatives. Consumers undergo a decision making process to make purchase. It is important that service providers gain better understanding of factors that determine consumer choice of service provider if such firms expect to remain competitive and relevant in the market. Firms which have in-depth understanding of consumer decision-making process are better placed to develop and implement proactive strategies aimed at attracting and retaining customers. Decision making process varies from individual to individual and is influenced by several factors which need investigation in the mobile service industry.

The study of consumer knowledge is important to mobile service providers. First, a firm's sales and profits can be adversely influenced by consumers' misperception of which attributes are important (Riquelme, 2001). If consumer knowledge is not perfect, service may be overemphasizing wrong attributes to attract subscribers. Knowledge of factors which influence consumer's choice of service provider may assist marketers to differentiate their services from competition. Only by asking the customers, by watching them, by trying to understand their behaviour can one find out who they are, how they buy, what they expect, and what they value. (Drucker, 2002).

A review of literature shows that earlier studies in Kenya on the telephone industry did not adequately address consumer decision-making in the choice of service providers. A study by Mukiri (2001) titled "Perceived Service Quality. The case of mobile phone services", dwelt on customer perceptions and concluded that there is a significant perceived service quality gap in the mobile industry; Odhiambo (2003) was interested in satisfaction levels of consumers and differs from this study in its objectives and methodology; and Muturi (2004) focused on loyalty of customers and explored whether demographic differences affected loyalty. However none of these studies explored the consumer decision-making process and the relative importance of the inputs into the decision model. The proposed study sought to bridge the existing knowledge gap by finding responses to the following research question.

Which factors determine individual consumer's choice of mobile service provider and the level of importance attributed to the various factors?

#### **1.4 Research Objectives**

- I. To identify factors that influence individual consumer's choice of mobile service provider in the telephone industry.
- II. To assess the relative importance of the pertinent factors.

#### **1.5 Justification of the Study**

The mobile phone service sector was selected for the following reasons. First, consumers are highly familiar with the product which is of great interest and a significant proportion of their spend. Information and communication technology is among the fastest growing sectors in Kenya at the moment. Second, the mobile service providers advertise their products in the market, making consumers recall factors which may have influenced their decision-making. Finally, in understanding consumer behaviour and the factors affecting purchase decisions, mobile telephony firms can appropriately adjust their marketing strategies in alignment with consumer expectations, thereby growing the industry and the economy in general.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Factors Influencing Consumer Behaviour

A consumer's behaviour is influenced by cultural, social, and personal factors. Cultural factors exert the broadest and deepest influence (Kotler and Keller, 2006).

#### 2.1.1 Cultural factors

Culture, subculture and social class are particularly important influences on consumer buying behaviour. Culture consists primarily of values and norms (Price *et al*, 2004). Values are enduring beliefs about desirable outcomes that transcend specific situations and shape one's behaviour. Kotler and Keller (2006) observe that culture is the fundamental determinant of a person's wants and behaviour. Each culture consists of smaller subcultures that provide more specific identification and socialization for their members. Subcultures include nationalities, religions, racial groups, and geographic regions. When subcultures grow large and affluent enough, companies often design specialized marketing programmes to serve them (Dickman, 1999). In Kenya culture manifests itself in the form of tribe, religion and geographic regions such as Lake region, Rift Valley, Mountain region, Coastal and Pastoral regions. These factors in addition to marketing programmes influence the choice of products and services by individual consumers. Safaricom has been keen on using cultural factor to position itself as Kenyan in the market.

#### 2.1.2 Social Factors

In addition to cultural factors, a consumer's behaviour is influenced by such social factors as reference groups, family, and social roles and statuses. A person's reference groups consist of all the groups that have a direct (face-to-face) or indirect influence on his/ her attitudes or behaviour (Kotler and Keller, 2006). Manufacturers of products and brands where group influence is strong must determine how to reach and influence opinion leaders in these reference groups.

The family is the most important consumer buying organization in society, and family members constitute the most influential primary reference group. The family of

orientation consists of parents and siblings while the family of procreation consists of one's spouse and children. In Kenya, the family of procreation may have more influence on the choice of telephone service provider because children and spouses may reduce calling costs.

### **2.1.3 Personal Factors**

A buyer's decisions are also influenced by personal characteristics, which include the buyer's age and stage in the life cycle; occupation and economic circumstances; personality and self-concept; and lifestyles and values (Price *et al*, 2004). Each person has personality characteristics that influence his or her buying behaviour and individuals may choose service providers that reflect their personality. Consumers often choose and use brands that have a brand personality consistent with their own actual self-concept, although in some cases the match may be based on the consumer's ideal self-concept or even others' self concept rather than actual self image (Kotler and Keller, 2006). Riquelme (2001) found that consumers have a relatively good predictive power of mobile phone plans. However, this knowledge is not perfect.

## **2.2 Consumer Behaviour Models**

The starting point for understanding consumer behaviour is the stimulus – response model shown in the figure 1 in the following section. Marketing and environmental stimuli enter the consumer's consciousness. A set of psychological processes combines with certain consumer characteristics to result in decision processes and purchase decisions (Kotler and Keller, 2006). The process of consumer decision-making can be viewed as three distinct but interlocking stages: the input stage, the process stage and the output stage (Schiffman and Kanuk, 2007).

### **2.2.1 Input**

The input component of consumer decision-making model draws on external influences that serve as sources of information about a particular product and influence a consumer's product-related values, attitudes, and behaviour. Chief among these input factors are the marketing mix activities of organizations that attempt to communicate the benefits of their products and services to potential consumers and the non marketing socio-cultural which, when internalized affect the consumer's purchase decisions (Schiffman and Kanuk, 2007).

The firm's marketing activities are a direct attempt to reach, inform, and persuade consumers to buy and use its products. These inputs to the consumer's decision-making process take the form of specific marketing mix strategies that consist of the product itself; mass media advertising; direct marketing; personal selling, and other promotional efforts; pricing policy; and the selection of distribution channels to move the product from the manufacturer to the consumer. Telephone service providers in Kenya strive to reach and increase number of subscribers through advertisement, sales promotion, social responsibility and new product development.

The second type of input, the socio-cultural environment, also exerts a major influence on the consumer. Socio-cultural inputs consist of a wide range of non commercial influences such as comments of a friend, an editorial in the newspaper, usage by a family member, an article in consumer reports, or the views of experienced consumers participating in a special interest discussion group (Schiffman and Kanuk, 2007). The influences of social class, culture and sub-culture, although less tangible, are important input factors that are internalized and affect how consumers evaluate and ultimately adopt or reject products.

### **2.2.2 Process**

The process component of the model is concerned with how consumers make decisions. Purchase search begins when a consumer perceives a need that might be satisfied by the purchase and consumption of a product. The act of making a consumer decision consists of three stages: need recognition, pre-purchase search, and evaluation of alternatives.

#### **2.2.2.1 Need Recognition**

The recognition of a need is likely to occur when a consumer is faced with a problem. Among consumers, there seem to be two different need or problem recognition styles. Some consumers are actual state types, who perceive that they have a problem when a product fails to perform satisfactorily. In contrast, other consumers are desired state types, for whom the desire for something new may trigger the decision process (Schiffman and Kanuk, 2007).



#### **2.2.2.2 Pre purchase Search**

Pre purchase search begins when a consumer perceives a need that might be satisfied by the purchase and consumption of a product. The recollection of past experiences might provide the consumer with adequate information to make the present choice. The consumer usually searches his or her memory before seeking external sources of information regarding a given consumption-related need. Past experience is considered an internal source of information. According to Bernhardt and Kinnear (1991), consumers can react at this evaluation stage to various stimuli such as pricing to the extent that they may proceed with or drop a given path of evaluation.

The greater the relevant past experience, the less external information the consumer is likely to need to reach a decision (Schiffman and Kanuk, 2007). Many consumer decisions are based on a combination of past experience, marketing and non-commercial information. The degree of perceived risk can also influence this stage of the decision process. In high-risk situations, consumers are likely to engage in complex and extensive information search and evaluation; in low risk situations, they are likely to use very simple or limited search and evaluation tactics.

#### **2.2.2.3 Evaluation of Alternatives**

When evaluating potential alternatives, consumers tend to use two types of information: a list of brands from which they plan to make their selection and the criteria they will use to evaluate each brand. Making a selection from a sample of all possible brands is a human characteristic that helps simplify the decision making process. The criteria consumers use to evaluate the alternative products that constitute their evoked sets usually are expressed in terms of important product attributes. Consumer decision rules are procedures used by consumers to facilitate brand choices. An individual's or family's decisions to be committed to a particular lifestyle impacts on a wide range of specific everyday consumer behaviour (Kotler and Keller, 2006).

### **2.2.3 Output**

This consists of two closely related post decision activities: purchase behaviour and post purchase evaluation. The trial is the exploratory phase of purchase behaviour in which the consumer evaluates the product through direct use. In telephone services, the subscriber may equate trial purchase to acquisition and use of the service

provider's SIM card for the first time. A repeat purchase usually signifies product adoption. Repeated purchase of a service provider's airtime in the telephone industry could be equated to repeat purchase.

### **2.2.3.1 Purchase Behaviour**

Consumers make three types of purchases: trial purchases, repeat purchases, and long term commitment purchases. Trial is the exploratory phase of purchase behaviour in which consumers attempt to evaluate a product through direct use. According to Mukiri (2001), it is of greater importance to a firm to retain rather than just attract consumers. Aspects such as service quality may lead a consumer through trial to loyalty.

### **2.2.3.2 Post Purchase Evaluation**

As consumers use a product, particularly during a trial purchase, they evaluate its performance in light of their own expectations. There are three possible outcomes of these expectations: actual performance matches expectations, leading to a neutral feeling; performance exceeds expectations, causing positive disconfirmation of expectations (which leads to satisfaction); and performance is below expectations, causing negative disconfirmation of expectations and dissatisfaction. Consumers tend to judge their experience against their expectations when performing a post purchase evaluation.

## **2.3 Internal Influences**

Choice of service provider in the telecommunication industry can be influenced by both intrinsic and extrinsic factors. Many factors, which are internal to the consumer such as motivation, personality, learning, attitude and perception, play an important role in purchase decisions.

### **2.3.1 Motivation**

Motivation is the driving force within individuals that propels them to action (Schiffman and Kanuk, 2007). This driving force is produced by a state of tension, which exists as the result of an unfulfilled need. Individuals strive both consciously and subconsciously to reduce this tension through behaviour that they anticipate will fulfill their needs and thus relieve them of the stress they feel. The specific goals they select and the patterns of action they undertake to achieve their goals are the results of individual thinking and learning.

### **2.3.2 Personality**

Personality refers to those inner psychological characteristics that both determine and reflect how a person responds to his or her environment. Because inner characteristics that constitute an individual's personality are a unique combination of factors, no two individuals may be similar in terms of a single personality characteristic. An individual's personality tends to be both consistent and enduring and under certain circumstances personalities change. Personality traits are so different and unique to one self that they are not so much relied upon in studies of consumer behaviour (McCarthy and Perreault, 1991).

### **2.3.3 Perception**

Perception is defined as the process by which an individual selects, organizes, and interprets stimuli into a meaningful and coherent picture of the world. The lowest level at which an individual can experience a sensation is called the absolute threshold and the minimum difference that can be detected between two similar stimuli is called the differential threshold, or just noticeable difference.

### **2.3.4 Consumer Learning**

Consumer learning can be thought of as the process by which individuals acquire the purchase and consumption knowledge and experience that they apply to future related behaviour (Schiffman and Kanuk, 2007). In order for learning to occur, certain basic elements that include motivation, cues, response and reinforcement must be present. Motivation acts as a spur to learning. Cues are the stimuli that give direction to motives. Cues serve to direct consumer drives when they are consistent with consumer expectations. How individuals react to a drive or cue constitutes their response.

### **2.3.5 Attitudes**

An attitude is a learned pre-disposition to behave in a consistently favorable or unfavorable way with respect to a given object. Attitudes relevant to purchase behaviour are formed as a result of direct experience with the product, word-of-mouth information acquired from others, or exposure to mass-media advertising, the Internet and various forms of direct marketing. Attitudes are relatively consistent with the behaviour they reflect and they occur within a situation. A specific situation can cause

consumers to behave in ways seemingly inconsistent with their attitudes. Attitudes are an important topic for marketers because they affect the selective processes, learning and eventually the buying decisions people make (McCarthy and Perreault, 1991).

## **2.4 External Influences**

External influences are factors not within the product that have an impact on the individual consumer's decision-making process.

### **2.4.1 Culture and Subculture**

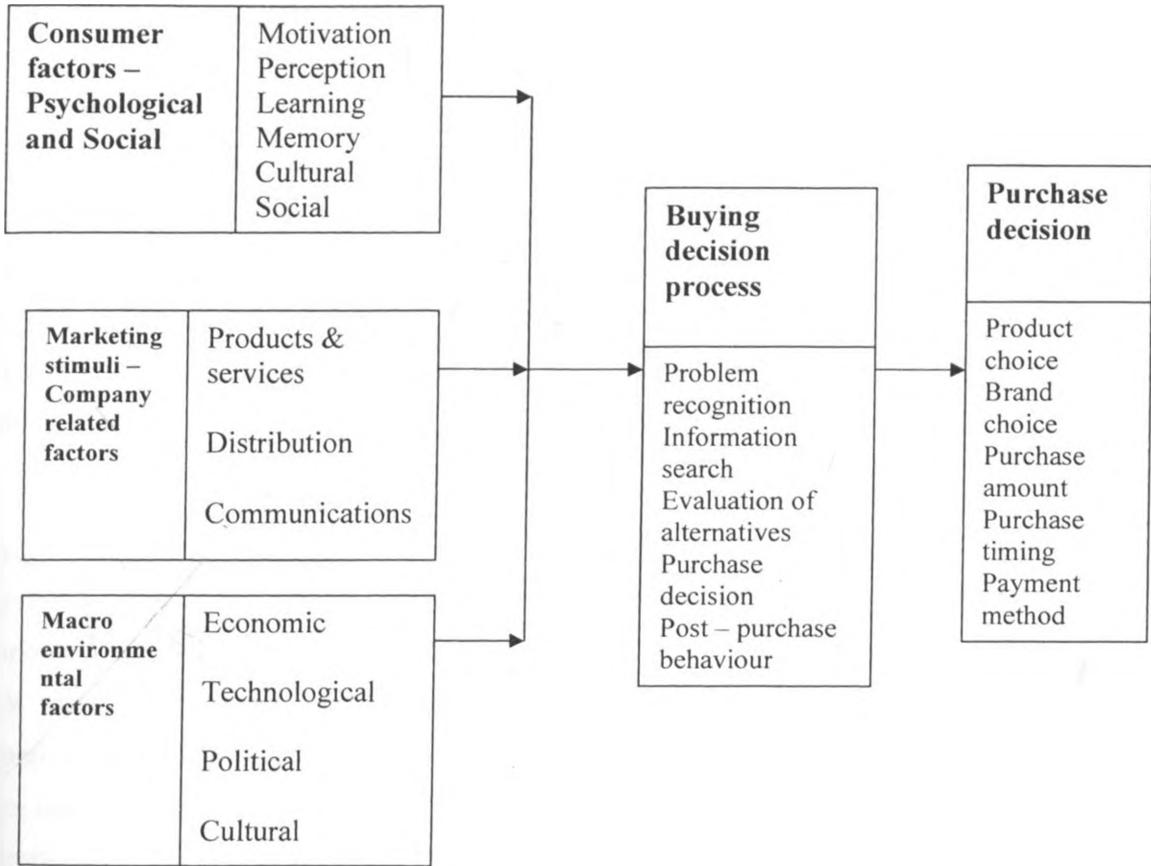
Culture is the sum total of the learned beliefs, values, and customs that serve to direct the consumer behaviour of members of a particular society. The impact of culture is so natural and automatic that its influence on behaviour is usually taken for granted (Schiffman and Kanuk, 2007). Culture exists to satisfy the needs of the people within a society. It offers direction, and guidance in all phases of human problem solving by providing 'tried and true' methods of satisfying physiological, personal, and social needs. The members of a specific subculture possess beliefs, values, and customs that set them apart from other members of the same society. For many people, nationality is an important subculture reference that guides what they value and what they buy.

### **2.4.2 Reference Groups**

A reference group is any person or group that serves as a point of comparison (or reference) for an individual in forming either general or specific values, attitudes, or a specific guide for behaviour. Reference groups are groups that serve as frames of reference for individuals in their purchase or consumption decisions. Reference groups that influence general or broadly defined values or behaviour are called normative reference groups. Reference groups that serve as benchmarks for specific or narrowly defined attitudes or behaviour are called comparative reference groups. A comparative reference group might be a neighbouring family whose lifestyle appears to be admirable and worthy of imitation. Normative reference groups influence the development of a basic code of behaviour; comparative reference groups influence the expression of specific consumer attitudes and behaviour.

## 2.5 The Buying Decision Process

The buying process starts when the buyer recognizes a problem or need.



*Fig.1: Simple consumer behavior model, adopted from Kotler and Keller (2006), Pg. 174.*

The need can be triggered by internal or external stimuli. Marketers need to identify the circumstances that trigger a particular need by gathering information from a number of consumers (Kotler and Keller, 2006). An aroused consumer will be inclined to search for more information. Sources from which subscribers get information may include personal (family, friends, neighbours, and acquaintances), commercial (advertising, web sites, sales persons, dealers, packaging, displays), public (mass media, consumer – rating organizations) and experimental (handling, examining, using the product). The most effective information often comes from personal sources or public sources that are independent authorities (Kotler and Keller,

2006). Consumers may also evaluate alternatives from the available service providers (Telkom, Safaricom and Celtel).

Evaluations often reflect beliefs and attitudes (Dickman, 1999). The consumer arrives at attitudes toward various brands through an attribute evaluation procedure. In the evaluation stage, the consumer forms preferences among the brands in the choice set. The consumer may also form an intention to buy the most preferred brand (Stanton and Futrell, 1987). After the purchase, the consumer might experience dissonance that stems from noticing certain disquieting features or hearing favorable things about other brands, and will be alert to information that supports his or her decision. Marketing communications should supply beliefs and evaluations that reinforce the consumer's choice and help him or her feel good about the brand (Kotler and Keller, 2006).

## **2.6 Service Characteristics**

Services possess certain unique characteristics that create unique challenges in service marketing. Services are not something we can see and touch (Dickman, 1999). They lack tangible properties, cannot be appreciated with our senses and are only experienced after purchase. In telecommunications, actual service outcome cannot be seen until the service is performed. Telecommunications services cannot be stored or inventoried and are intimately linked with the service provider.

## **2.7 Marketing Activities**

Marketing activities are the programmes employed by mobile telephone service providers in the development of service until delivery of the service is achieved to satisfy subscriber needs.

### **2.7.1 Price**

Price and value are the cornerstones of every consumer purchase transaction. In economic terms, price equates to the level of consumer sacrifice. The amount of money consumers are prepared to sacrifice to get a particular service is directly related to their perception of the value the service offers. Kotler and Armstrong (2001) perceive price as the sum of all values that consumers exchange for the benefits of having or using the product or service. Mobile service providers bill their customers either per minute or per second depending on the tariff on which customers

are subscribed. Generally companies use pricing as part of their positioning of a service, using one of the three basic approaches: premium pricing, value-for-money pricing and undercut pricing (Dickman, 1999).

Premium pricing involves the decision to provide products above the average market price, either to reflect the image of quality or the unique properties of the goods and services. Value-for-money pricing is that which is neither much higher nor much lower than other similar products in the category. Undercut pricing, on the other hand, has the objective of undercutting the competition and offering what is perceived as the lowest possible price for goods and services. The cost of calling charges under different tariffs and price of the Sim card can influence an individual's choice of service provider. Pricing has a lot of influence on the choice of mobile service provider as was evidenced by Safaricom's introduction of lower denomination cards which took the market by storm and attracted many customers to the company's products.

### 2.7.2 Place

Access to services is an essential part of the sales process. There is little point in making a product if there is no way to get it to the potential market and ultimately to the consumer. When a company wants to bring its products/ services to the marketplace it has several major decisions to make about the distribution channels to be used. The most important is the decision about the level of coverage required. There are three levels, each of which has advantages and disadvantages: intensive, selective and exclusive. To make the decision on which system to use, it is essential to understand the market for services. Intensive distribution means that the supplier will attempt to gain coverage in as many places as possible. Prepaid telecommunication services are distributed using intensive distribution. Selective distribution is used where the choice of outlet or service offered is specifically relevant to the buying situation (Adcock *et al*, 1998). Distributors of telecommunication services for example wholesalers of airtime, lost sim card replacement centers follow selective distribution system. Exclusive distribution goes a step further and limits the distribution to only one distributor within a specific geographic area. Telecommunication service providers distribute customer care services through exclusive distribution. The distribution strategies used by service providers may also influence an individual's choice of service provider.

### 2.7.3 Promotion

Promotion means activities that communicate the merits of the product and persuade target customers to buy it. All telecommunications service providers carry out promotions in various forms that include advertising, sales promotion, public relations, direct marketing, and sponsorships. Advertising is aimed at reaching masses of geographically dispersed buyers at low cost per exposure, and enables the service providers to repeat a message many times.

All telecommunication service providers in Kenya have been carrying out both print and electronic advertisement in different media. Both Safaricom and Celtel run television adverts featuring attractive pictures, persuasive and memorable language from time to time. Print adverts in the newspapers, brochures, fliers, billboards and street lights are regular ways of communicating with the target market by service providers. Most newspaper adverts are printed in full page and with backgrounds bearing the company's colour schemes to attract readers' attention. Celtel predominantly uses fliers to communicate new products, different tariffs and to counter Safaricom's strategies by comparing its offer with the competition. Street lights and billboard adverts are used to reach customers for an extended period of time and to create awareness, remind and persuade target customers to buy the company's services and products.

The latest form of print adverts is on Public transport buses. Safaricom entered into a contract with Citi Hoppa whose colours coincidentally matches Safaricom's. Safaricom's adverts appear on the sides of the buses. To counter competition, Celtel uses Kenya bus services and their adverts appear at the back of the buses. Mobile service providers strongly use sales promotions to attract consumer attention and offer attractive incentives to purchasers. Safaricom has been running several promotions while Celtel has been offering fewer but aggressive promotions. For both companies, consumers have had the opportunity of winning predetermined prizes upon purchase of airtime. Public relations is very believable – news stories, features, and events seem more real and believable to readers than ads do (Kotler and Armstrong, 2001). Mobile service providers and particularly Safaricom use public relations on occasions featuring their Chief Executive Officer. The use of short message system (SMS) has transformed the telecommunications industry by providing the opportunity to service providers to reach their target customers and customize their messages to particular



market segments. Promotions may influence an individual's choice of service provider through increased awareness and top of the mind position enjoyed by the service provider.

## **2.9 Conclusion of the Literature Review**

From the literature, it has emerged that the individual consumer decision making process consists of three main stages; input, process and output. The influence of culture and family of procreation are strong determinants of the choice of products and brands, which consumers make. The mobile telephone industry is fast growing, very profitable and currently has three key players, namely, Safaricom, Celtel and Telkom.

## CHAPTER THREE: RESEARCH METHODOLOGY

### 3.1 Research design

The research project was a descriptive survey seeking to determine factors, which influence individual consumer's choice of service provider in the mobile telephone industry. A descriptive study was the most suitable as the study aimed at profiling factors that are considered important in consumer choice and their relative importance. Descriptive studies were used to portray an accurate profile of persons, events or situations. Description in management and research has been argued to have a clear place (Saunders et al).

### 3.2 Population of Study

The population of interest in this study consisted of individual users of mobile telephone services within Nairobi. Subscribers to both Safaricom and Celtel were sampled from the population of study. The population of interest within the study area is estimated to be three million subscribers for Safaricom and one million for Celtel (Business Daily June 25<sup>th</sup> 2007).

### 3.3 Sample and Sample Design

Consumers were selected through stratified sampling method. A total of 140 consumers were selected from various strata as shown in the table below. Stratified sampling was chosen as it had the advantage of better representation through a sub-divided structure that covers a wider and varied representation of the population. It was less likely to leave out important segments of the population under study. The sample size of 35 respondents per stratum was assumed to be sufficient in research to have a normal distribution (Saunders – p55)

Strata	Target sample
Service Centres	35
Workplaces (offices)	35
Institutions of learning	35
Public places	35
<b>Total</b>	<b>140</b>

### **3.4 Data Collection**

For the current study, primary data was used. The data was collected using semi – structured questionnaire. The survey instrument was administered directly to the respondents by the researcher within the selected strata. The questionnaire was divided into two main parts; Part A consisted of demographic information of the respondents such as gender, education, age and occupation. The questionnaire made use of choices to be ticked off by respondents as well as open-ended questions. Part B, which identified factors influencing consumer choice and their relative importance, made use of Likert-type scale to identify and rate the various responses.

### **3.5 Data Analysis**

Descriptive statistics were used to analyze the data. General information was analyzed using mean, standard deviation, frequencies and percentages. The ratings on the various factors influencing consumer choice were evaluated using measures of central tendency (specifically the mean) and measures of dispersion (specifically standard deviation). These measures were used to identify and rate the factors on their level of importance in consumer choice.

## CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

### 4.1 Introduction

The objectives of the study were to identify factors that influence individual consumer's choice of service provider in the telephone industry and to assess the relative importance of the pertinent factors. In this chapter, data pertaining to these research objectives is analyzed and interpreted.

The subjects for this study comprised individual users of mobile telephone services within Nairobi. Subscribers to both Safaricom and Celtel were sampled to form the population of study. Initially, the target population was 140 respondents. However, the target was not achieved. Out of the target, the research achieved a response rate of 77.8%.

### 4.2 General Information on Respondents

#### 4.2.1 The Respondents' Gender

The respondents were first asked to indicate their gender. The relevant responses are summarized in Table 1 below.

**Table 1: Respondents Gender**

Sex	Frequency	Percent
Male	58	53.7
Female	50	46.3
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Research Data**

As shown in Table 1 over half (53.7%) of the respondents were male.

#### 4.2.2 Respondents resident in Nairobi

The study sought to establish where the respondents resided. Their responses are presented in Table 2.

**Table 2: Respondents resident in Nairobi**

	<b>Frequency</b>	<b>Percent</b>
Yes	89	82.4
No	19	17.6
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Research Data**

Research findings in Table 2 show that 82.4% of the respondents do reside in Nairobi. 17.6% of them indicated that they resided outside Nairobi.

#### **4.2.3 The Respondents' Residence in Nairobi**

The respondents who reside in Nairobi were asked to indicate the estate in which they reside. The pertinent responses are summarized in Table 3.

**Table 3: The Respondents' place of residence in Nairobi**

<b>Nairobi Estates</b>	<b>Frequency</b>	<b>Percent</b>
Up market estates	9	10.2
Middle class estates	37	28.2
Lower class estates	41	42.1
Non- response	21	19.4
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Research Data**

The data in Table 3 indicates a fair representation of the different classes of estates.

#### **4.2.4 Nationality of the Respondents**

The study further sought to establish the nationalities of the mobile phone users in Nairobi. All the respondents except one were Kenyans.

#### **4.2.5 Marital Status of the Respondents**

Respondent were further required to indicate their marital status. The research findings are summarized in Table 4 below.

**Table 4: Marital Status of the Respondents**

<b>Marital Status of the Respondents</b>	<b>Frequency</b>	<b>Percent</b>
Married	53	49.1
Single	55	50.9
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Research Data**

According to the findings in Table 4, about half (50.9 %) of the respondents indicated that they were single. The remaining respondents said they were married.

#### **4.2.6 Respondents' Age**

Age is one of the factors that may influence ownership of a mobile phone. Therefore the respondents were requested to indicate their age brackets and the results are shown in Table 5.

**Table 5: Respondents' Age by category**

<b>Respondents' Age Bracket</b>	<b>Frequency</b>	<b>Percent</b>
11-20	17	15.7
21-30	48	44.4
31-40	31	28.7
41-50	10	9.3
Above 50 years	2	1.9
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Research Data**

The results in Table 5 show that the majority of the respondents (44.4%) were within the 21-30 years age bracket. Those between 31-40 years constituted 28.7% while those above 50 years only 1.9% of the sample.

#### **4.2.7 Respondents' Highest Level of Education**

Mobile phone usage is sometimes considered to be dependent on one's level of education. The study therefore sought to identify the respondents' highest level of education. The study findings are given in Table 6.

**Table 6: Respondents' Highest Level of Education**

Highest Level of Education	Frequency	Percent
No formal education	1	0.9
Primary	5	4.6
Secondary	38	35.2
Degree level	38	35.2
Postgraduate	25	23.1
Non-response	1	0.9
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Research Data**

According to the research findings as indicated in table 6, the highest level of education for most of the respondents was university level constituting 58.3%. Another 35.2% of the respondents had secondary level of education.

#### **4.2.8 Respondents' Occupation**

The study also sought to establish the occupation of the respondents. They were therefore asked to indicate their occupation and results are presented in the Table 7.

**Table 7: Respondents' Occupation**

Occupation	Frequency	Percent
Academic institutions	25	26.7
Business persons	28	28.3
Civil servants	21	19.6
ICT / Engineering professionals	2	2.7
Clerical/Junior staff/informal workers	6	6.5
Medical staff	16	10.2
Religious workers	3	3
Un-employed	3	3
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Research Data**

As the results of Table 7 show, various professions were represented in the study. However, the majority were business persons comprising 28.3%, followed by Academic institutions, mainly comprising of students and teaching staff at 26.7%. Among the least represented were Engineers, religious workers and the unemployed.

### 4.3 Respondents' awareness of Mobile Phone Services

The choice of a given service provider could be dependent on the time one first heard of mobile phone service. Consequently, the study sought to establish the year the respondents first heard of mobile phone services. The findings are as presented in Table 8 below.

**Table 8: Respondents awareness of Mobile Phone Services**

	<b>Frequency</b>	<b>Percent</b>
Before 1998	38	35.2
1999 - 2000	31	28.7
2001 - 2003	19	17.6
2004 - 2006	6	5.5
Non - response	14	13.0
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Research Data**

Results in Table 8 show that most of the respondents (35.2%) first heard of mobile phones before the year 1998. A further 29% first heard of the mobile phone services between then and while only 5.5% heard of mobile phones for the first time between 2004 and 2006.

### 4.4 Mobile Phone Line Owned by Respondents

The key objective of the study was to identify factors that influence individual consumer's choice of a service provider in the telephone industry. In order to determine respondents' choice of mobile service provider results were tabulated as summarized in Table 9 below.



**Table 9: Mobile Phone Line Owned by Respondents**

Line Owned by Respondents	Frequency	Percent
Safaricom	58	53.7
Celtel	10	9.3
Telkom wireless	2	1.9
Safaricom and Celtel	29	26.9
Safaricom and Telkom	3	2.8
Safaricom, Celtel and Telkom wireless	1	0.9
Safaricom, Celtel, Telkom wireless and others	3	2.8
Celtel and Telkom Wireless	2	1.9
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Research Data**

According to the findings as presented in Table 9, some 53.7% of the respondents owned Safaricom lines, 26.9% of them owned both Celtel and Safaricom lines, 9.3% owned Celtel lines while those who owned both Safaricom and Telkom wireless had an equal proportion with those who owned Safaricom, Celtel, Telkom wireless and others such as Flashcom having 3% each of the respondents.

Findings also indicated that those owning Telkom wireless and those owning Celtel and Telkom wireless each constituted 2% of the total sample of respondents.

#### 4.5 Mobile Phone Line Mostly Used

For those respondents who owned more than one line, they were required to indicate the line that they use most of the time. The responses were as shown in Table 10.

**Table 10: Mobile Phone Line Mostly Used**

Mobile Phone Line Mostly Used	Frequency	Percent
Safaricom	66	61.1
Celtel	13	12.0
Telkom wireless	2	1.9
Safaricom, Celtel and Telkom Wireless	1	0.9
Others	1	0.9
Non-response	25	23.1
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Research Data**

From the findings as reflected in Table 10, most of the study respondents (61.1%) used Safaricom lines most of the time as compared to 12% who used Celtel. Telkom wireless users were 1.9% while 0.9% of the respondents indicated that they used all the lines; Safaricom, Celtel and Telkom Wireless lines for their communication.

#### 4.6 Years of Using the Line

Respondents were further asked to indicate the number of years that they had been using their lines and the study findings were as summarized in table 11.

**Table 11: Years of Using the Line**

<b>Years of Using the Line</b>	<b>Frequency</b>	<b>Percent</b>
Below one year	3	2.8
1-2 years	12	11.1
3-4 years	40	37.0
5-6 years	26	24.1
Over 7 years	23	21.3
Non-response	4	3.7
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Research Data**

According to the research findings as presented in Table 11, some 37% of respondents have used their mobile telephone lines for a period of between 3-4 years, 24.1% of them have used their lines for a period of between 5-6 years while 21.3% showed that they had used their lines for over 7 years. Over half of the respondents indicated that they had used their lines for more than 5 years showing that most subscribers were very experienced in mobile telephone use and more likely to give reliable information.

#### 4.7 Tariff Platform in Use

The study sought to establish the tariff platform upon which the mobile telephone lines used by the respondents were based and the findings were as shown in Table 12.

**Table 12: Tariff Platform in Use**

Tariff Platform in Use	Frequency	Percent
Pre-paid	102	94.4
Post-paid	4	3.7
Non-response	2	1.9
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Research Data**

The findings indicate that the pre-paid tariff platform was the one most owned by the respondents at 94.4%. The post-paid tariff arrangement was much less popular coming far behind at 3.9%.

#### **4.8 Factors Influencing Choice of a Mobile Phone Service Provider**

In making a choice between the available service providers in the market, various factors are deemed to come into play. The respondents were asked to mention factors that they considered important in their choice of a mobile service provider in order of importance starting with the most important factor. The results were as shown in Table 13.

**Table 13: Factors Influencing choice of Mobile Phone Service Provider**

Factors	Frequency	Percent
Cost	64	59.3
Network coverage	32	29.6
Other peoples choice	4	3.7
Clarity	3	2.8
Courtesy of customer care service	1	0.9
Non-response	4	3.7
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Research Data**

As the results in Table 13 show, costs of the services offered such as on calls and SMS, the provider's network countrywide coverage, other people's (family members, workmates and friends) choice of service providers, clarity in communication and courtesy of the customer care personnel were rated in that order.

#### **4.9 Extent to which respondents consider various Aspects of Service Providers**

The research sought to identify factors that influence individual consumer's choice of a mobile phone service provider in the mobile telephone industry and assess the relative importance of the pertinent factors. The factors include company colours/branding, wide geographical network coverage, clear and un-congested network, friendly and courteous customer service, after sales technical support, warmth, décor and appearance of customer care centers, additional services such as mobile banking, internet, accessibility of customer care centers, variety of tariffs, low calling costs, low SMS costs, packaging of scratch cards, availability of scratch cards and the company's participation in charity among others.

Data was analyzed using Mean Scores (MSc.) and Standard Deviations (Std. Dev.). Mean Scores were used to determine the extent to which the respondents considered each of the factors important in their choice of a service provider on a five point Likert-type scale ranging from "very high extent" (5) to "not at all" (1). Standard deviations were used to assess the relative importance of the pertinent factors.

The scores "Not at all" and "Low Extent" represented an aspect of the service provider considered to a "Small Extent" (SE), equivalent to 1 to 2.5 on the continuous Likert scale ( $1 \leq SE < 2.5$ ). The scores of "Moderate Extent" represented an aspect of the service provider considered to a "Moderate Extent" (ME). This was equivalent to 2.6 to 3.5 on the Likert scale ( $2.6 \leq ME < 3.5$ ). The score of "High Extent" and "Very High Extent" represented an aspect of the service provider considered to a "Large Extent" (LE). This was equivalent to 3.6 to 5.0 on the Likert type scale ( $3.6 \leq LE < 5.0$ ). The research findings are presented in Table 14.

**Table 14: Extent to which respondents consider various Aspects of Service Providers**

Factor	Mean score	St. Deviation	Rank
Wide network coverage	4.44	0.78	1
Friendly and courteous customer service	4.34	4.89	2
Availability of scratch cards	4.26	0.91	3
Variety of tariffs	4.21	0.87	4
Low SMS costs	4.18	2.12	5
Low calling costs	4.16	1.07	6
Uncongested network	4.07	1.08	7
Information of people in same network	4.03	1.34	8
Additional services e.g. internet	3.78	1.20	9
Price of SIM card	3.76	1.12	10
Low scratch card denominations	3.61	1.18	11
Accessibility of customer care centers	3.51	1.15	12
Company branding/colours	3.46	1.28	13
Appearance of customer care centers	3.43	1.17	14
Packaging of scratch cards	3.36	1.36	15
Profitability of company	3.33	1.47	16
Level of advertisement and promotions	3.28	1.29	17
Types of phones offered	3.28	1.23	18
Company's participation in charity	3.24	1.28	19
After sales technical support	3.21	1.21	20
Appeal of the Company CEO	2.83	1.31	21

**Source: Research Data**

The results in Table 14 indicate that the ability of a service provider to cover a wider geographical area is considered to a high extent by consumers when making a choice between the service providers as shown by the highest mean score (Msc.>3.6). However, the relative importance of this factor does not significantly differ among the mobile phone users as reflected in the standard deviation of less than one (Std. Dev<1.0).

The aspect of least importance is the appeal of the company Chief executive officer (Msc.<3.6) that is considered to a moderate extent by the consumers in the choice of mobile phone service providers. However, their degree of consideration significantly differs among consumers (Std. Dev.>1.0).

#### 4.10 How mobile service providers can improve service delivery

To enhance performance in the competitive telecommunication sector, service providers need to improve on their service delivery. Respondents were asked to mention what the mobile phone service providers have to do in order to improve on their service delivery and the responses were as shown in Table 15.

**Table 15: How mobile service providers can improve service delivery**

<b>Factors</b>	<b>Frequency</b>	<b>Percent</b>
Availability Of Scratch Cards	3	2.8
Lower international calling costs	41	38.0
Full coverage in Africa	17	15.7
Free roaming services	1	0.9
Customer care services	20	18.5
Reduce congestion	5	4.6
Nothing	2	1.9
Network clarity	2	1.9
Subscribers earning power	1	0.9
Internet banking	1	0.9
Have variety of tariffs	3	2.8
Non-response	12	11.1
<b>Total</b>	<b>108</b>	<b>100.0</b>

**Source: Research Data**

Research findings in Table 15 show that most of the respondents (38%) felt that the respective mobile phone service providers should lower costs for international calls. Some 18.5% of the respondents indicated that the service providers need to improve on their customer care services while 15.7% indicated that the service providers should provide their service coverage across the whole of Africa. Other noted aspects include reduction in congestion, enhancing their network clarity, improving on the distribution of their scratch cards as well as having a variety of tariffs from which the consumers can make elaborate choices.

## **CHAPTER FIVE: DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

The research had two objectives. First, it sought to identify factors that influence individual consumer's choice of a mobile phone service provider in the telephone industry. Secondly, it sought to assess the relative importance of the pertinent factors. This chapter presents the discussion of findings, conclusion and recommendations for further study.

### **5.2 Discussion**

From the data analysis, it was established that costs of the services offered such as calls and SMS, the provider's countrywide network coverage, other peoples' (family members, workmates and friends) choice of service providers, clarity in communication and courtesy of the customer care personnel were the factors identified in that order of importance in choosing a mobile phone service provider.

The research established that the cost charged for the services in terms of calls, SMS services as well as provision of other services such as E-banking and Internet, was the key factor identified by the respondents as determining their choice of mobile phone service provider. The billing for this service constitutes the price for the same and thus is equated with the value to be obtained from the services. Price and value are the cornerstones of every consumer purchase transaction. In economic terms, price equates to the level of consumer sacrifice. The amount of money consumers are prepared to sacrifice to get a particular service is directly related to their perception of the service's value (Kotler and Armstrong, 2001). The findings are in line with the argument by Kotler and Armstrong (2001) that price is the sum of all values that consumers exchange for the benefits of having or using the product or service.

The study also established that the ability of the service provider to enhance its countrywide connectivity was also a key factor considered in choosing a service provider. Access to services is an essential part of the sales process. There is little point in making something if there is no way to get it to the potential market and

ultimately to the consumer (Adcock *et al*, 1998). As per the analysis, the consideration of the provider's countrywide coverage confirms this view.

The study also established that other people such as family members, workmates and friends did influence one's choice of a service provider, as the subscriber seeks to be part of the group. This confirms the view by Kotler and Keller (2006) that consumer behaviour is influenced by such social factors as reference groups, family, and social roles and status.

The second objective sought to assess the relative importance of the pertinent factors in choosing mobile phone service providers. The study established that the ability of a service provider to cover a wider geographical area is considered to a high extent by consumers when making a choice between the service providers. It was also established that the least aspect of importance is the appeal of the company CEO (Msc.<3.6), which was considered to a moderate extent by the consumers in their choice of mobile phone service providers.

### **5.3 Conclusion**

The mobile platform has been heralded as the next frontier for modern business creating entirely new paradigms for interactive marketing initiatives. In a growth industry characterized by competition and alternative service providers, consumers have the freedom to choose from among the available alternatives. However, the decision-making process varies from individual to individual and is influenced by several factors, which needed investigation. Earlier studies on the mobile telephone industry did not adequately address consumer decision-making in the choice of service providers.

The study established that costs of the services offered such as on calls and SMS, the provider's countrywide network coverage, other peoples' (family members, workmates and friends) choice of service providers, clarity in communication and courtesy of the customer care personnel were the factors identified in that order of importance in choosing a mobile phone service provider. The study also established that the ability of a service provider to cover a wider geographical area is considered to a high extent by consumers when making a choice between the service providers. It was also established that the appeal of the company CEO was a fringe consideration by consumers in their choice of mobile phone service providers.



#### **5.4 Recommendations**

The mobile phone service providers should establish the pertinent factors that influence the decisions of consumers. This research has identified the most important of these factors which if utilized by the service providers effectively could positively influence consumer response to their marketing strategies.

Understanding your consumer and responding effectively to their needs is inevitable in this day and age of increased competitiveness in the market place. Mobile phone service providers should therefore prioritize and re-focus their efforts on the most value adding market initiatives and focus less on less appealing campaigns such a promotion of the company Chief executive officer.

#### **Limitations of the study**

One of the noted limitations of the study was lack of seriousness in completing the questionnaire by some respondents as some questionnaires were partly completed.

Had resources not been a constraint, a larger sample of the population would have been studied to further bolster the findings of the research.

#### **Suggestions for further research**

Arising from the research findings, it would be helpful to pursue further study into the factor identified as the most pertinent to consumers. In particular a possible area of study would be to establish the effect of subscriber demand on the price charged by service providers.

Additionally, carrying out the study in other urban areas and also in rural areas can be value adding in consolidating the findings of this research project.

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## APPENDICES

### Appendix I: Introductory Letter

Charles Ofwona,  
School of Business,  
University of Nairobi,  
P.O Box 30197,  
**NAIROBI.**  
September 2007

Dear Respondent,

#### **RE: COLLECTION OF SURVEY DATA**

I am a postgraduate student at the University of Nairobi, School of Business. In order to fulfill the degree requirements, I am undertaking a management research project on factors determining individual consumer choice of mobile telephone service providers in the city of Nairobi. . You have been selected to form part of this study. This is kindly to request you to assist me collect the data by filling out the accompanying questionnaire, which I will collect from your premises.

The information you provide will be used exclusively for academic purposes. My supervisor and I assure you that the information you give will be treated with strict confidence. At no time will you or your organization's name appear in my report. A copy of the final paper will be availed to you upon request.

Your co-operation will be highly appreciated and thank you in advance.

Yours faithfully,

**Charles Ofwona**  
**MBA Student**  
**University of Nairobi**

**Prof. Francis Kibera**  
**School of Business,**  
**University of Nairobi**

**Appendix II: Sample Research Questionnaire**

**The information provided here will only be used for academic purposes and will be treated with maximum confidentiality**

**PART A: Demographic information**

Please tick the appropriate answer in the box where applicable.

1. Sex (✓)                                      Male ( )    Female ( )
2. Are you a resident of Nairobi.    Yes ( )                                      No ( )
3. In which estate of Nairobi do you reside .....
4. Nationality.....
5. Marital status (✓): Married ( )    Single ( )
6. Age (✓)    .  
    10 years and below ( )  
    11 – 20                                      ( )  
    21 – 30                                      ( )  
    31 – 40                                      ( )  
    41 – 50                                      ( )  
    Above 50 years                            ( )
7. Highest level of education (✓)  
    No formal education                    ( )  
    Primary                                      ( )  
    Secondary                                    ( )  
    Degree Level                              ( )  
    Postgraduate                                ( )
8. What is your occupation?.....

Attribute	Very high extent	High extent	Moderate extent	Low extent	Not at all
(i) Company colours/branding	( )	( )	( )	( )	( )
(ii) Wide geographical network coverage	( )	( )	( )	( )	( )
(iii) Clear, un-congested network	( )	( )	( )	( )	( )
(iv) Friendly, courteous customer service	( )	( )	( )	( )	( )
(v) After sales technical support	( )	( )	( )	( )	( )
(vi) Warmth, décor and appearance of customer care centers	( )	( )	( )	( )	( )
(vii) Additional services eg mobile banking, internet	( )	( )	( )	( )	( )
(viii) Accessibility of customer care centres	( )	( )	( )	( )	( )
(ix) Price of SIM card	( )	( )	( )	( )	( )
(x) Variety of tariffs	( )	( )	( )	( )	( )
(xi) Low calling costs	( )	( )	( )	( )	( )
(xii) Low sms costs	( )	( )	( )	( )	( )
(xiii) Types of phones offered by company	( )	( )	( )	( )	( )
(xiv) Low scratch card denominations	( )	( )	( )	( )	( )
(xv) Availability of scratch cards	( )	( )	( )	( )	( )
(xvi) Level of advertisement and promotions	( )	( )	( )	( )	( )
(xvii) Packaging of scratch cards	( )	( )	( )	( )	( )
(xviii) Company's participation in charity	( )	( )	( )	( )	( )
(xix) Appeal of the company CEO	( )	( )	( )	( )	( )
(xx) Profitability of company	( )	( )	( )	( )	( )
(xxi) People you know being in same network	( )	( )	( )	( )	( )
(xxii) Others (Please specify)	( )	( )	( )	( )	( )
	( )	( )	( )	( )	( )
	( )	( )	( )	( )	( )

8. In your opinion, what should your service provider do to improve service delivery?.....  
.....  
.....

Thank you for your cooperation.

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