CUSTOMER RETENTION STRATEGIES USED BY INTERNET SERVICE PROVIDERS IN KENYA

By

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DECLARATION

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

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

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DEDICATION

This project is dedicated to my parents, Mr. and Mrs. John Siboe for their encouragement, patience, understanding and support.

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Special thanks to all my respondents who provided valuable information in order to ensure the success of my project.

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ABSTRACT

Fast-changing global business environment has resulted in organisations having to change their business strategies and processes so as to remain competitive. As organizations try to explore new markets and expand their business operations they are faced with challenges posed by new entrants in the market who are deploying more efficient technologies hence the need for organization to try and retain existing customer base. The study was to determine the customer retention strategies used by internet service providers in Kenya.

This was a census study that was to determine the customer retention strategies used by internet service providers registered by the Communication Commission of Kenya (CCK) as per July 2006. According to the CCK statistic of July 2006 there are 50 registered Internet Service providers in Kenya.

A structured questionnaire was used to collected primary data and descriptive statistics was used to analyze the data collected. In part 1 of the questionnaire data was analyzed using frequency distribution and percentages. Data in part II of the questionnaire was analyzed using mean score and standard deviation to determine the extent of use of customer retention strategies. Out of 50 registered internet service providers only 35 were found to be operational. Out of 35 questionnaires sent only 27 responded thus the response rate was 77%.

From the findings it was established that internet service provider tried to retain customers through provision of quality service, commitment to customer satisfaction, integration of customer satisfaction in a firm's goal and vision, being responsive to customer complaints, having a high and continuous level of interaction with customer Keeping a record of company's loyal customers and having an efficient and effective complaint handling. It was concluded that service quality is the most important factor in retaining customers ,although also other strategies such as customer satisfaction, customer loyalty and complaint handling systems seems to play a significant role in retaining customers.

The researcher experienced problems on finding decisions makers some of the firms and some of the firms registered as Internet Service providers were operating as internet cyber cafë whose operation environment and business scope if different from internet service providers. It was recommended that that Internet service providers need to put in place practises that ensure customer retention in order to survive in the competitive business environment. A similar study can be carried out in the service industry.

CHAPTER ONE

INTRODUCTION

1.1 Background

The environment is constantly changing and so it makes it imperative for organizations to constantly adapt their activities in order to succeed (Ansoff, 1987). The fast-changing global business environment has led to more competition, increased choice for consumers, lower prices, lower margins, replacement of tangible assets with information, dramatically changing global infrastructures, from dependence to independence to interdependence, boundaries collapsing, market economies expanding i.e. deregulation and privatization, telecommunications infrastructure, investment from analog to digital (Muchira, 2005). This has necessitated and resulted to strategic changes in the way organization carry out there business, the way they relate to there customers that is to the overall internal and external environment. In today's competitive environment companies are being increasingly confronted with the threat of loosing key customers to competitors.

Muturi (2004) has outlined that the marketing environment facing Kenyan firms has been very dynamic. There has been a shift from a stable, non volatile, predictable and competitive environment to one that is quite volatile, unpredictable and competitive. Deregulation and globalization has 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.

Grant (1998) outlines that though the primary purpose of strategy is to guide management decisions toward superior performance through establishing competitive advantage, strategy also acts as a vehicle for communication and coordination within the organization. According to Porter (2001), a firm can achieve a sustainable competitive advantage by focusing on operational effectiveness and distinctive strategic positioning. Operational effectiveness is doing the same things your competitors do but doing them better. Strategic positioning involves not only doing things differently than competitors, but also devising and delivering unique value to the target markets.

Odhiambo (2003) outlines that due to the changes in the market place and for companies to survive many are changing in a number of ways, here are some of the trends: Reengineering from focusing on functional departments to reorganizing by key process, each managed by multidiscipline teams. Outsourcing; from making everything inside the company to buying more goods and services from outside if they can be obtained cheaper and better. E-commerce; from attracting customers to stores and having sales people call on offices to making virtually all products available on the Internet. Benchmarking; from relying on self improvement to studying "world class performance" and adopting "best practices". Alliances; from trying to win alone to forming network of partners firms. Partner-suppliers; from using many suppliers to using fewer but more reliable suppliers who work closely in "partnership" relationship with the company. Market-centered; from organizing by products to organizing by market segments. Global and local; from being local to being both global and local. Decentralized; from being managed from the top to encouraging more initiative and "entrepreneurship" at the local level. As market growth slows or as markets became more competitive, firms are likely to attempt to maintain their market share by focusing on retaining current customers.

1.1 Customer Retention Strategies

Johnson et al (2003) defines strategy as the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a changing environment to meet the needs of markets and fulfill stakeholder expectations. Customer retention implies a long-term commitment on the part of the customer and the firm to maintain the relationship. The development of the mutual commitment is the same process as creating long term buyer-seller relationships (Wilson et al, 1989).

Customer retention has been shown to be a primary goal in firms that practice relationship marketing (Grönroos et al, 2002). There is a general consensus that focusing on customer retention yields several economic benefits (Dawkins and Reichheld, 1990; Reichheld, 1996; Buttle 2004). As customer tenure lengthens, the volume purchased grows and customer referrals increase. Simultaneously, relationship maintenance costs fall as both customer and supplier learn more about each other. Because fewer customers churn, customer replacement costs fall.

The adherents of customer retention argue that retaining customers improves profitability, mainly by reducing the costs incurred in acquiring new customers (Reichheld and Kenny, 1990; Reichheld 1996). The prime objective of customer retention is to achieve "zero defections" of profitable customers (Reichheld 1996). Customer retention therefore incorporates the notion of offering the retained customers goods or services that are thought likely to meet their needs (Reichheld and Kenny, 1990).

To improve customer retention, firms initiate a variety of strategies, including programs on customer satisfaction, complaint management loyalty (Reinchheld, 1996). In understanding customer retention and satisfaction, researchers have paid particular attention to the management of service quality; developing strategies to meet customer expectations (Parasuraman et al, 1988) and explaining the impact of service quality in profits (Zeithaml et al, 1996).

Managers are responsible for establishing priorities and making strategic choices (Cravens et al, 1996), making it clear that the organization's customer base is a key strategic asset (Schmittlein, 1995). They should provide clear direction so that the causes of customer detections are uncovered and addressed (Reinchheld, 1996; Reinchheld and Kenny, 1990). Service quality, internet and along-term perspective all require significant commitment and clear signals from senior manager with appropriate reinforcement customer retention requires clear direction and this is the first strand of customer retention, followed by organizational structure, selection, systems and lastly staff forms.

Recent literature has therefore suggested several strategic for retaining customers but does not explain the circumstances under which the carious strategies are most appropriate or why firms choose to or should adopt a particular strategy (Desouza, 1992; Reichheld, 1996).

1.1.2 Internet Service Providers In Kenya

The internet is the network that facilitates communication among all the smaller networks and individual computer system connected to it on a world wide scale. As a distribution channel, the internet provides business with access to global markets and enables companies of all sizes and types to compete globally (Quelch and Klein, 1996; Javalgi and Ramsey, 2001). At the core of an international marketing strategy is the internet firm's goal to build and sustain a competitive advantage.

Internet Service Providers (ISP's) are companies that sell access to the internet. They do this in a variety of ways generally, when one signs up for an account, one gets a user name, password, a lot of telephone numbers that one could dial to access the internet and the appropriate software. This will include a "web browser" – the basic software for accessing and reading content on websites, an e-mail client for composing and reading the messages on the vast number of news groups, affinity groups exchanging messages and information on particular topics, (Siringinidi, 2000). Consumers will normally be provided with dial-up access to their ISP using their standard telephone line ~~through~~ Though this is starting ~~is~~ to change as cable organizations and others provide higher capability lines using other access methods. Commercial and larger organizations may use other connection methods which offer higher capacity (greater bandwidth) and provide "always on" services to avoid the delay whilst a telephone connection is established. The commonest access is by leased lines offering a permanent connection to the internet. Apart from connecting, ISP's generally provide value added services such as web hosting – allowing the customer to set up a website on the ISP's web server; virtual private networks (VPN) where the customers organization may have a number of branches seems to have its own private networks connecting those branches; voice over internet – offering law quality but cheap telephone calls across the internet.

Prior to 1998, the Kenyan Telecommunication market was purely monopolistic, controlled by the monopolistic government owned, Kenya Posts and Telecommunication Company (KPTC). The enactment of the Communications Act 1998, led to the split of KPTC into Telkom Kenya, Communication of Kenya (CCK) and Postal Corporation of

Kenya (PCK). Furthermore this led to the liberalization of the Kenyan telecommunication market. The legislative framework resulted in more competition and other global players in the market. Safaricom Ltd, Celtel (Previously known as Kencell) were awarded mobile licenses to compete with the incumbent Telkom Kenya to provide telephone services.
The telecommunication market at large has also witnessed technological changes from analogue to digital systems. Today's consumer is more complicated and this has resulted in the emergence of value added services. Before the enactment of the Communication Commission Act 1998 the Kenyan internet industry was monopolized by Africa online a pan African internet service providers. Internet access came to Kenya in the early 1990s for restricted group of users. Liberalization led to the opening up of the market and to date there are about 50 ISP's in Kenya. This has resulted in intense and fierce competition in terms of pricing as firms fight for the limited market.

According to Daily Nation, 11th February 2005 every business person wants to reduce their communication costs. However, they are unsure of the effects of merging their voice and data networks for fear that the quality of voice calls may be compromised. With UUNET's risk-free VOIP solutions, there is no need to worry. Indeed, the voice quality on our solution is identical to the normal PSTN calls. Our risk-free VOIP solutions use existing PABX and telephone infrastructure to intelligently route inter-branch calls through the data network while retaining the existing voice lines as a backup. This of course means fewer bills for the same calls. UUNET Kenya has partnered with the one of the world's leading VOIP solutions firm, Quintum Technologies of America, to deliver this solution. The internet requires high quality and high speed connections which places heavy demands on the infrastructure to be provided by internet service providers. The international connectivity is in short supply as optical fibre in not available, satellite connections are expensive and unreliable. The Information Communication Technology policy (ICT) framework is still in its infancy stage since it's adopted by the government of Kenya in January 2006.

The competitive nature of the business environment has demanded for strategic responses from existing firms in order to survive. The sole purpose of a business Drucker (1973) once famously claimed was "to create a customer". However, keeping the customer has become regarded as equally, if not more important, since Dawkins and Reichheld (1990) reported that a 5 percent increase in customer retention generated an increase in customer net present value of between 25 percent and 95 percent across a wide range of business environments. This finding generated a huge amount of interest and activity in academic and business communities as researchers and consultants attempted to examine and verify these claims. There was a growing recognition that customers, like products have a life-cycle that companies can attempt to manage. Customers are acquired, retained and can be grown in value over time. They climb a value staircase (Gordon, 1998) or value ladder (Christopher et al, 1999) from suspect, prospect and first-time customer, to majority customer and ultimately to partner of advocate status.

1.2 Research Problem

Internet service providers play a very important role in the Kenyan economy by enabling businesses to enhance communication with their customers, supplies, and partner's .Two potential competitive forces can be identified in this industry. The first challenge is that of threat of substitute products; Convergence of the telecommunication, information and broadcasting industries is leading to creation of world wide integrated technology platform over which voice and data traffic will be carried. The convergence of voice, data, entertainment, broadcasting and computing sectors into a next generation industry is creating new opportunities and challenges for the traditional telecommunication companies and broadcasters, as well as for cable, satellite and Internet service providers. Secondly there is the threat of new entrants this is due to the liberalized market and the issuance of operation license to the Second National operator that is in the pipeline. Liberalization has increased the level of competition in the industry hence pushing prices down and also eroding the market share of ISP's in Kenya. Safaricom has launched data services and local provides that is Flashcom and Popote wireless have launched wireless data services that are in direct competition with ISP's.

Protecting existing customer bases through quality service provision, whilst finding creative ways to meet the new demands, will key to success in the new communication market. (Zeithaml et al, 2000). As market growth slows or as markets became more competitive, ISPS in Kenya are likely to attempt to maintain their market share by focusing on retaining current customers. According to Porter (2001), a firm can achieve a sustainable competitive advantage by focusing on operational effectiveness and distinctive strategic positioning Customer retention brings benefits such as employee retention and satisfaction, better service, lower cost, lower price sensitivity, positive word of mouth, higher market share, higher efficiency and higher productivity

In particular, the connection between customer retention and shareholder value have been subject to scrutiny. Gupta et al (2004) found out that a 1 percent increase to customer retention had almost five times more impact on firm value than 1 percent change in discount rate or cost of capital. However, the mainstream marketing literature offers very little guidance on specific managerial strategies that are associated with high levels of customer retention (De Souza, 1992). Stum and Thiry (1991) suggested that retained customers also demonstrated immunity to competitive pull. This was corroborated by Strandrik and Liljander (1994) in an exploratory study of customer loyalty is Finish banks. There findings studies cannot be applicable to the Kenyan scenario due difference environmental conditions.

Studies in Kenya by Nyambura (2002), Mbayah (2001), Muthuri (2001), Wanjoga (2002) ,Odhiambo(2003) and Muturi (2004) were concerned with: - Challenges facing internet growth in Kenya, Strategy practices within commercial internet service provides in Kenya, export marketing in the internet. The case of the floriculture industry in Kenya, Consumer attitudes towards online advertising the case of internet users in Nairobi, Determinants of customer satisfaction for mobile phone subscribers in Nairobi and Factors that determine customer loyalty to a mobile phone service provider. A case of mobile phone users in Nairobi respectively, none of the studies examined the customer retention strategies in the Kenyan ISP.

Given the role played by the ISP's, as well as the need to grow and prosper and remain profitable , there is need for management to formulate customer retention strategies .The proposed study therefore sought to fill the gap by providing answers to the following research question:-What are the customer retention strategies used by internet service providers in Kenya?

1.3 Objective of the Study

The Objective of this study was to determine the customer retention strategies used by internet service providers in Kenya.

1.4 Significance of the Study

The findings of the study may be useful to the following stakeholders:

i) May assist Kenyan ISP's in policy formulation and implementation with respect to quality and standards customer management and long-term relationships. and enable the Kenyan ISP's to be able to reassess their objectives for seeking strong customer retention and network expansion line with what the government provision of internet services. Many ISP's in other countries have confessed that their main reason for customer retention was not necessarily to improve on their business acumen but because it was what was required to "get in the door and facilitate the e-Government agenda," (Government of Kenya, 2004).

iii) Assist academicians to broaden there syllabus on customer retention and customer retention strategies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

According to Ahmad et al (2002), during the advent of 4Ps marketing theory in the early 1960s, Customers, under this traditional or classical approach, were seen as groups of homogeneous potential buyers with the same needs. Marketers then predicted what customers needed, produced the products and pushed them to their customers through their distributors or drew the customers towards the points of sale by manipulating the 4Ps marketing mix: price, place, promotion and product. Traditional marketing approach still dominated the thinking of both teachers and practitioners of marketing. Researchers, however, began to realize the inadequacy of this classical approach in explaining emerging marketing management phenomena specifically from service marketing perspective (Berry, 1983). Maintaining long-term relationships re-emerged as an important mission for businesses. Multinational companies and leading advocates of mass marketing approaches, for example, Lever Brothers and Elida Gibbs, also began to restructure their marketing departments and appoint managers to give attention to their existing customers. They did away with brand managers, and set up development teams responsible for maintaining relations with retailers across companies' brands.

2.2 Customer Retention

Retention can be defined as "a commitment to continue to do business or exchange with a particular company on an ongoing basis (Zineldin, 2000). Stauss et al. (2001) defined retention as the customer's liking, identification, commitment, trust, willingness, to recommend, and repurchase intention. Customer retention implies a long-term commitment on the part of the customer and the firm to maintain the relationship. The development of the mutual commitment is the same process as creating long-term buyer-seller relationships (Wilson et al, 1989). Retaining old customers costs less than acquiring new ones. Old customers pay less attention to competing brands and advertising, are less price sensitive and create favorable word of mouth. Customer retention has been advocated as an easier and more reliable source of superior performance (Reichheld and Sasser, 1990).

Customer retention brings benefits such as employee retention and satisfaction, better service, lower cost (Riechheld, 1995), lower price sensitivity, positive word of mouth, higher market share, higher efficiency and higher productivity (Zineldin,2000). The prime objective of customer retention is to achieve "zero defections" of profitable customers (Reichheld, 1996). Customer retention therefore incorporates the notion of offering the retained customers goods or services that are thought likely to meet their needs (Reichheld and Kenny, 1990).

Customer retention has been shown to be a primary goal in firms that practice relationship marketing (Gronroos, 1991). While the precise meaning and measurement of customer retention can vary between industries and firms there appears to be a general consensus that focusing on customer retention can yield several economic benefits (Dawkins and Reichheld, 1990; Reichheld, 1990; Buttle, 2004). As customer tenure lengthens, the volumes purchased grow and customer referrals increase. Simultaneously, relationship maintenance costs fall as both customer and supplier learn more about each other. Because fewer customers churn, customer replacement costs fall. Finally, retained customers may pay higher prices than newly acquired customers, and are less likely to receive discounted offers that are often made to acquire new customers. All of these conditions combine to increase the net present value of retained customers.

Kurtz et al (2002) states that customer defections cost companies millions of dollars each year in lost revenue, in addition to lost revenue defectors normally spread negative word of mouth communication which can influence other consumers to purchase elsewhere. Kotler (1997) states that the cost of attracting a new customer is five times the cost of keeping the current customer happy. It requires a great deal of effort to induce satisfied customers to switch away from their current suppliers. There are two ways to strengthen customer retention, one is to erect high switching barriers and the other is to deliver higher customer satisfaction.

The tangible effects of companies' commitment to retaining customers were first published by Dawkins and Reichheld (1990) who claim that higher retention rate leads to higher net present value of customers. If customer retention leads to higher profitability, as Dawkins and Reichheld claimed, do companies proactively retain their customers? How do companies, in practice, keep their customers? What are the gaps between theories and practice? Can the espoused strategies, particularly those proposed by Reichheld (1996), be applied in these companies? Reichheld's core proposition is that building and sustaining customer loyalty require a three-pronged approach: retaining employees; retaining investors; and retaining customers.

2.3 Customer Retention Strategies

Pearce and Robinson (1991), define strategy as large scale, future-oriented plans for interacting with the competitive environment to optimize achievement of organizational objectives. "Strategy is the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a changing environment to meet the needs of markets and fulfill stakeholder expectations" (Johnson and Scholes, 2003). Ansoff & McDonnell (1990) defines strategy as the science and the art of deploying forces for battle.

Kotler (1999) clearly outlines that firms must pay closer attention to customer defection rate and take steps to reduce it. He outlines the following steps:-Company must define and measure its retention rate, company must distinguish the causes of customer attrition and identify those that can be managed better, the company needs to estimate how, much profit it loses when it loses customers and lastly the company needs to figure out how much it would cost to reduce the defection rate.

From the service marketing perspective, the way to retain customers is to improve customer service quality and satisfaction (Berry and Parasuraman, 1991; Zeithaml and Bitner, 1996). In a related study, Ennew and Binks (1996) examined the links between customer retention/defection and service quality in the context of relationships between banks and their small business customers in the UK. Their findings supported the hypothesis that retention is influenced by service quality, in terms of both functional and technical, and customer relationships. They also found that trust in customer-banks relationships has the largest impact on potential defection, followed by general product features. The investigation, however, did not provide indications of the financial impacts retention had on the banks' profitability and it is implied to refer to branch-based banking where customers' expectations on relationships are likely to be greater than telephone or Internet banking.

In terms of attracting and retaining customers, firms are reminded to be aware of the different "loyalty coefficient" – the amount of economic forces needed to move different kinds of customers. The easiest to win is likely to be the one who will be the quickest to defect. According to Reichheld (1996), the customers who glide into your arms for a minimal price discount are the same customers who dance away with someone else at the slightest enticement.

Success in retaining customers, according to Reichheld, is attributed to a combination of strategies being pursued such as: Define and measure retention; Looking for loyalty in the right places with a focus of getting the "right" customers and not just a lot of them; Changing the channels of distribution; Minimizing adverse selection of customers through creative filtering Rewarding the sales force for retaining customers, not just winning new customers; Paying for continuity, not just conquests, and this may involve using coupons or vouchers to discriminate and reward customers that re-buy; Designing special; programmes to attract and hold the most valuable customers. Basically giving differentiated attention.

Reichheld's (1996) proposition rested on the notion that loyal employees and loyal investors are likely able to build an inventory of loyal customers and that customers will only stay if they had a good value proposition. The emphasis is thus on maintaining a team of not only loyal customers (Reichheld, 1996), but also employees (Reichheld, 1996) and investors (Reichheld, 1996) that share the same vision of long term relationship.

Payne and Frow (1997) examined customer retention in the context of a major UK electricity supplier. Specifically, they modeled the probable impact of marketing programmes that focused on either retention or acquisition in terms of four input variables, namely number of customers, retention rates, profit per customer and cost of acquisition. Based on their simulation, they then suggest that retention strategies need to be based on the understanding of the relative profitability of different segments (the economics of retention), existing mass marketing strategies need to be replaced by those based on identifiable value propositions, and retention management programmes should be aimed at specific segments that are presently or potentially profitable. Page *et al.* (1996) and Payne and Frow (1997) acknowledged that customer retention brought tangible financial benefits to firms and that existing, potential and new customers should be treated differently. Reichheld acknowledges that not all customers prefer a long-term relationship. There are, however, customers who not only prefer stable long-term relationships, but also inherently spend more, pay promptly and require less service. Some of the strategies of customer retention include,

2.3.1 Service Quality Strategies

Zeithaml and Bitner (1996) defined service quality as the way in which the whole service experience is performed. Their model of customer perceptions of quality and customer satisfaction hypothesized that satisfaction is more of an attitude and this attitude would influence perceptions of service quality, which in turn would influence purchase intentions: Failure to provide reliable service may result in customer dissatisfaction and possible defection They maintain that a dissatisfied customer is likely to switch to a competitor and may inform others of the bad experience. Edvardsson (2005) define service quality as a service that should conform to customer's expectations and satisfy there needs and requirements.

Payne et al (1997) stated that customer focused quality is of strategic importance and that customer's perception of quality is a critical variable to a companies profitability. Zeithaml and Bitner (1996) highlighted that service quality is imperative to gain and sustain competitive advantage. Grönroos' (1990) views service quality in twodimensional; Technical quality – the quality of what is delivered. Functional quality – the quality of how the service is delivered. The customers perceive what he receives as the outcome of the process in which the resources are used, i.e. the technical or outcome quality of the process. But she/he also and often more importantly, perceives how the process itself functions, i.e. the functional or process quality dimension The construct of service quality as conceptualized in the service marketing literature centers on perceived quality, defined as a consumer's judgment about an entity's overall excellence or superiority (Zeithaml, 1996)

According to Kotler (1999) there are five determinants of service quality these are reliability, responsiveness, assurance, empathy and tangibles: Bond et al (2002) defines reliability as ability to perform the promised services dependably and accurately. Kang et al (2004) identifies the following measure of reliability:-Providing services as promised, dependability in handling customers' service, performing the services right the first time, providing services at the promised time, maintaining error-free records.

Zeithaml (2002) defines responsiveness as the ability of a company to provide appropriate information to a customer when a problem occurs, having mechanism to handle returns and provide necessary guarantees. Kotler (1999) defines responsiveness: as the willingness to help customers and to provide prompt services. Kang et al (2004) identifies the following measure of responsiveness:-Keeping customers informed about when services will be performed, prompt service to customers, willing to help customers and readiness to respond to customers' requests.

Bond et al (2002) defines assurance: as the knowledge and courtesy of employees and their ability to convey trust and confidence. Kang et al (2004) identifies the following measure of assurance: - employees who instill confidence in customers, making customers feel safe in their transaction, employees who are consistently courteous and the ability to perform the promised services. Kotler (1999) defines empathy as the provision of caring, individualized attention to customers. Kang et al (2004) identifies the following measure of empathy: -giving customers individual attention, employees who deal with customers in caring fashion, having the customer's best interest at heart, employees who understand the needs of their customers and convenient business hour.

Kotler (1999) defines tangibles as the appearance of physical facilities, equipment, personnel and communication materials. Kang et al (2004) identifies the following measures of tangible: - modern equipment, visually appealing facilities, employees who have a neat, professional appearance and visually appealing materials associated with the service. According to Kurtz et al (2002) most companies keep a record of customer complaints as a measure of service quality. Kotler (1999) outlines that service companies have a clear sense of their target customers and customer needs they arc trying to satisfy.

Venetis et al (2004) in there study on Ser vice quality and customer retention: building long-term relationships found out that service quality is the most important factor in establishing long-term customer relationships and thus customer retention. The client-specific expertise developed by the service provider is a valuable asset and personal ties between individuals involved are crucial in establishing long-term business relationship It has been argued that service excellence enhances customers' inclination to buy again, to buy more, to buy other services, to become less price sensitive, and to tell others about their positive experiences (Zeithaml et al, 1996). Empirically this assumption is supported by several studies that consistently find a positive impact of service quality on customers' behavioral intentions. Bitner (1990), Bolton and Drew (1991), Boulding et al. (1993) and Cronin and Taylor (1994) find that service quality has a positive impact on customer's repurchase intentions and intentions to recommend the company to others. The most comprehensive study in this field, by Zeithaml et al. (1996), determines that service quality influences different intentions, such as giving recommendations, doing more business, and willingness to pay more.

2.3.2 Loyalty Strategies

Ribbink et al (2004) defines customer loyalty as a deeply held commitment to rebuy or repatronize a preferred product/service consistently in future thereby causing repetitive same brand or same brand set purchasing, despite situational influences and marketing efforts having potential to cause switching behavior. Suhartanto et al (2001) defines a loyal customer as one who continues to repurchase from the same service provider whenever possible .Continues to recommend others and also maintains a positive attitude towards the service provider. They state that there are two dimensions of customer loyalty: behavioral and attitudinal. The behavioral dimensions refer to a customer's behavior in repeat purchase, indicating a preference for a brand or service over time. Attitudinal dimension refer to a customers intention to repurchase and recommend which are good indicators of a loyal customer. Smith (1996) states that customer loyalty is not just repeat purchases. It is about customers having a sense of belonging. For customers to feel part of our retail experience we need to win their hearts and minds – not just their wallets! Before we have a chance in establishing such an important relationship we need to understand our customers, how they shop and what they buy – the basics.

Kotler (1993) states that buyers can be divided into groups according to their degree of loyalty. He states that some consumers can be completely loyal –they buy one brand all the time, others are somewhat loyal –they are loyal to two or three brands of a given product or favor one product and sometimes buying others, Still others show no loyalty to any brand, they either want something each time they buy or always buy a brand on sale. Zeithaml et al (1996) present a very intuitive classification of an individual's link between satisfaction or loyalty and customer retention. Customers can be classified into four different groups: loyalist/apostle (high satisfaction – high loyalty), defector/terrorist (low satisfaction – low loyalty), mercenary (high satisfaction – low loyalty), and hostage (low satisfaction – high loyalty).

Smith (2006) in his study, CRM and Customer service outlines the following in developing a loyalty card program:- A company needs to establish whether it has real loyal customers and long term benefits of the loyalty scheme to customer and the company, assess the through cost of the loyalty program in terms of time, resources and increased value of customer, look and the balance between retention and new acquisition, examine ways in which the loyalty program can be build to fit the varying needs and expectations of customers. Reichheld (1996) proposes is that in building and sustaining customer loyalty we require a three-pronged approach: retaining employees; retaining investors; and retaining customers. Grönroos (1990) suggested that the stages for developing a long-term customer relationship suggested in his loyalty model are establishing, maintaining and enhancing the link. Keeping or retaining the customer is the most important step in this model.

In there study on Delivering customer loyalty schemes in retailing: exploring the employee dimension found out that there was a consensus between management and employee that loyalty scheme aims to increase the number of customer visiting shops, reward loyal customer and create more loyal ones (Smith et al 2004), they also found out that although loyalty cards presented an opportunity for collection of additional customer information on customers by employees, this opportunity is not utilized. In there study on the contribution of emotional satisfaction to consumer loyalty (Dean et al 2001), found out that there is a significant relationship between customer satisfaction and loyalty which was based on the assumption that it's cheaper to retain existing customers than attract new ones. In there study on Customer loyalty in the hotel industry: the role of customer satisfaction and image (Suhartanto et al 2001) found out that Customer satisfaction with performance reception ,food and beverage ,the house keeping department and price are important factors in determining whether a customer will repurchase and/or recommend.

In there study on the impact of switching costs on customer satisfaction-loyalty link (Jonathan et al 2001) they have operationalized switch loyalty as a behavior (hard-core loyalty, repeat purchase probability) and as an attitude (brand preference, commitment intention to buy). They identified the following measure of customer loyalty:-repurchase intention, resistance to switch to competitors product that is superior to the preferred vendors product and willingness to recommend preferred vendors product to friends and associates. In his study on factors that determine customers loyalty to a mobile telephone service provider: A case of mobile telephone users in Nairobi (Muturi 2004) found out that the following factors are important in ensuring customer loyalty in mobile telephone:-Value added services such as variety of services, security and after sales service such as warranty and guarantee, quality of service and convenience, price, promotion or marketing communication and lastly customer service and relationship marketing

2.3.3 Customer Satisfaction Strategies

Kotler (1999) defines customer satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a products perceived performance in relation to his or her expectations. He further suggested that the following tools can be used for tracking and measuring customer satisfaction :-complaint and suggestion systems-a customer centered organization makes it easy for its customers to deliver suggestion and complaint, customer satisfaction surveys-Responsive company obtain a direct measure of customer satisfaction by conducting periodic surveys, ghost shopping-companies can hire persons to pose as potential buyers to report their findings on strong points and weak points they experienced in buying the companies or competitors product. Lost customer analysis-Companies should conduct customers who have stopped buying or who have switched to another supplier to learn why this happened.Reichheld (1996) has suggested that customer satisfaction programs are important tools that can increase profits by preventing customers from defecting. Magnus (1998) points out that customer satisfaction is believed to be associated with fruitful customer behavior from the firm's point of view.

Satisfaction extends customer's lifetimes and their lifetime values (the net value contributed through a customer's purchases). In addition, focusing on satisfaction helps eliminate the negative word of mouth potential of dissatisfied customers. It has been found that more than 90% of dissatisfied customers will not exert their own effort to contact a company to complain; they will simply take their business to a competitor while voicing their dissatisfaction to other potential customers. Losing one dissatisfied customer may be more severe than it sounds; one dissatisfied customer may speak to as many as nine others, multiplying his/her dissatisfaction nine fold (Terry et al, 1998)

A study by Bolton (1998) explores the relationships between customer retention, intentions and satisfaction. This study argues that changes in customer satisfaction can have important financial implications for the organization because lifetime revenues from an individual customer depend on the duration of his/her relationship, as well as the dollar amount spent across billing cycles. Also, according to Seymour (1993), developing many happy satisfied customers, whether they are students, parents of students, alumni, or company and government employers, should be a primary goal of higher education. Thus, focusing on enhancing customer satisfaction is crucial in developing customer value.

Mohammed (2000) states that customer satisfaction is perhaps one of the most talked about challenges of organizations, both in the public and private sectors. Indeed, this represents every organization's sole purpose, is at the heart of every mission statement, and is the ultimate goal of any strategies put in place. Every organization has to ensure that the process of identifying all of its customers is well disciplined and very much adhered to. We often forget, for instance, the importance of internal customers and how much they impact on the quality of service finally offered to the customer. Yes, of course focusing on the external customer is the right thing to do and ultimately it is external customers who pay for our goods and services. Internal customers are also real, they represent the value chain and through the levels of synergy generated from involving each of our employees, we will then be in a position to impact on the internal customer with the desired effect. As the saying goes, ``you are only as good as your weakest link in the chain". Furthermore, and as far as external customers are concerned, they need to be closely studied and their needs closely identified and translated. Segmentation is the right thing to do and will ensure that every organization is certainly delivering high volumes through the principle of mass customization.

Mohammed (2000) points out that managing customer dissatisfaction will definitely lead to increases in customer satisfaction. British Airways, for instance, through dealing with complaints effectively has realized that this impacted on retention levels very significantly. Essentially, customers will only express their repurchasing intentions through the most recent experience they have had with us. More importantly, customers have started to take a keen interest in how we go about providing services to them and they compare us with others. This is done in order to satisfy their own minds that we are up to date and use most current means, which are compatible with those of the best providers there are. Furthermore, they will be curious about our systems, procedures and processes in rendering services to them and of course in service industry sectors such as the airline industry, everything is transparent and customers would observe the anomalies and shortcomings almost immediately. Satisfied customers are more likely to share their experiences with other people to the order of perhaps five or six people. Equally well, dissatisfied customers are more likely to tell another ten people of their unfortunate experience. Furthermore, it is important to realize that many customers would not complain and this will differ from one industry sector to another. Lastly, if people believe that dealing with customer satisfaction/complaint is costly, they need to realize that it costs as much as 25 per cent more to recruit new customers.

Mohammed (2000) outlines that achieving and maintaining an effective customer-focused culture would therefore require to consider all of the following. First of all, being customer focused means that we are attempting to get closer to our customers, know them better, be clearer about their needs, be aware of what concerns they may have, and have a feel for their future needs. It is also very important to get some direct feed back on how well we are doing from the customer's perspective. Sometimes profitability and increases in business are extremely poor measures and it could well be that the reasons are incidental rather than deliberate. Customer focus means that we are in a position to asses the adequacy of current approaches for fulfilling our customer needs and in a position to know what new services, products and innovations are required in the future. Customer focus means that through concentrating on our customers, we can identify our strengths and weaknesses and assess our performance from a competitive perspective. Finally, the external feedback is the echo of our efforts and the ``acid test" for determining whether we are doing the right things and thereby gauge employee performance and the most appropriate reward and recognition systems. In order to assist with the process of establishing a culture dedicated to achieving, sustaining customer satisfaction in the form of loyalty and retention, an audit tool has been devised specifically for that purpose.

In understanding customer retention and satisfaction, researchers have paid particular attention to the management of service quality; developing strategies to meet customer expectations (Parasuraman et al 1988) and explaining the impact of service quality in profits (Zeithaml et al 1996). In his study on the determinants of customers satisfaction for mobile phone subscribers in Nairobi (Odhiambo 2003) concluded that the following are major determinants of customer satisfaction:-customer service, assurance, service responsiveness, service access, reliability ,service security, product/service features, service credibility and service equity/fairness.

2.3.4 Complaints-handling System

Gavin et al (1998), states that one in four customers has a problem with products purchased. If the item purchased is relatively low in price, only one in five will register a complaint. Most customers feel that complaining to staff as and when a problem occurs will only cause additional annoyance and waste time. If customers have a problem with service, rather than with product, they are even less likely to say anything. Customers will tell their friends and family about their problem rather than the producer. In general, dissatisfied customers will tell between eight and ten people about the bad service they received. These statements must cause considerable stress to operational managers within service companies. First, customers are not complaining to staff when they receive poor service. Instead, such individuals are expressing their negative thoughts to friends and family. Due to this the company cannot recover the situation, as the customer has appeared to go away happy. It is through the provision of good customer-staff communication that firms can determine the views of customers and recover a failing situation successfully. The importance of identifying and responding to consumer complaints cannot be overstated, because firms can change consumer post-purchase behavior for the better through the analysis of the determinants of the complaint and dissatisfaction (Blodgett et al., 1997).

Boshoff (1997) identified the following components of a good complaint system: Having clear procedures. providing a speedy response, the reliability (consistency) of response, Having a single point of contact for complainants, ease of access to the complaints process, ease of use of the process, keeping the complainant informed, staff understand the complaint processes, Complaints are taken seriously; employees are empowered to deal with the situation, having follow- up procedures to check with customers after resolution, using the data to engineer- out the problems, using measures based on cause reduction rather than complaint volume reduction

One can investigate the impact of documented complaints-handling processes on customer retention for two main reasons. First, there are already some indications that a well-executed complaints-handling process is of strategic relevance because it can have a positive effect on customer retention (Smith et al, 1999; Stauss et al, 2004). Indeed, customers who complain and are well recovered can be more satisfied, and less likely to switch than customers who had no cause for complaint at all. Complainants who enjoy high standards of complaints handling experience the service quality attributes of empathy and responsiveness, which are not routinely on display when services are delivered, or products function, right first time (Buttler, 2004). Despite the strategic relevance of complaints handling, it is a process which it appears to be accorded little importance in many companies (Stauss et al, 2004). The presence of a documented complaints-handling process has a greater impact on customer retention outcomes than customer retention planning processes.

The second reason for investigating complaints handling is the timely publication of an international complaints-handling standard. The International Organization for Standardization (ISO)'s new standard, ISO 10002, provides a documented guide to the design and implementation of an effective complaints handling process. The standard claims that a major benefit from excellent complaints handling is maintained or enhanced customer loyalty (ISO, 2004). ISO 10002 is drafted to be compatible with the quality management system, ISO 9000, although it is also expected to be used independently of ISO 9000. However, ISO 10002 is not the only documented complaints handling standard – there are others in the UK (CMSAS 86:2000) and Australia (AS 4269). In addition, a number of academic researchers have identified attributes of high quality complaints-handling processes (Hart et al, 1990). The majority of their recommendations have been incorporated into ISO 10002. Investigating the relationship between having a documented complaints handling process and customer retention outcomes provides a pre-ISO 10002 benchmark of performance against which change can be plotted.

2.3.6 Summary of Literature review

The literature has clearly indicated the Customer retention brings benefits such as employee retention and satisfaction, better service, lower cost, lower price sensitivity, positive word of mouth, higher market share, higher efficiency and higher productivity. Dawkins and Reichheld (1990) reported that a 5 percent increase in customer retention generated an increase in customer net present value of between 25 percent and 95 percent across a wide range of business environments. In toward business environment managers are facing a lot of challenges in brought about the globalization, competition, liberation and a more informed consumer. It's on the basis of these changes that firms have no alternative but to try and retain their customers.

A number of strategies involving service quality, customer satisfaction, loyalty, complaint handling system and companies selection of suitable clients and analysis of account closures have been suggested elsewhere as some of the strategies that can be used to retain customers.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

This was a descriptive study intended to establish the customer retention strategies used by Kenyan Internet Service Providers. A study concerned with finding out who, what, which and how of a phenomenon is a descriptive design. A descriptive study as the name implies can be defined to describe something-for example, the characteristic of a given product, the degree to which product users vary with income, age, sex or other characteristics (Harper et al, 2000). This study is mapped on these concerns.

3.2 The Population

The population of interest in this study consisted of all internet Service providers registered by the Communication Commission of Kenya (CCK). According the CCK statistic of July 2006 there are 50 registered Internet Service providers in Kenya. Given the small number of firms in this industry a census study was conducted.

3.3 Data Collection Method

Primary data was collected using a structured questionnaire. The questionnaire was dropped and picked later by the researched. Follow was done via personal visits and telephone calls to facilitate responses and also enhance the response rate. Only one respondent per organization who was the Head of Marketing or his equivalent was the interviewed. The questionnaire had been divided into 2 parts. Part 1 contained questions on demographic profiles of firms. Part 11 contained questions aimed at determining the customer retention strategies employed by the respective firms.

3.4 Operationalization of Customer Retention Strategies

In order to operationalise the customer retention strategies used by the internet service providers, the variables are defined as shown in appendix 2. The questionnaire uses the 5 point likert scale to measure the strategies used.

3.5 Data Analysis

Descriptive statistics was used to analyze data. In part 1 of the questionnaire data was analyzed using frequency distribution and percentages. Data in part II of the questionnaire was analyzed using mean score and standard deviation to determine the extent of use of customer retention strategies.

CHAPTER FOUR
DATA ANALYSIS AND FINDINGS

4.1. Introduction

This chapter presents the analysis and findings from the primary data that was gathered from the respondents of the study. Out of 50 registered internet service providers only 35 were found to be operational. Out of 35 questionnaires sent only 27 responded thus the response rate was 77%.

4.2 Demographic Profile of the Respondents

In this section the profile of respondents was noted in terms of company age, ownership of the Internet service provider and number of staff employed. The findings and analysis are presented herein.

4.2.1 Respondents Company Age

Respondents were required to indicate the age bracket in which their respective companies fall, that is 2-4 years old, 4-8 years old or more than 8 years old. The findings are presented in the Table below.

Table 1: Company Age

Number of Years	Frequency	Percentage
2-4 years	5	18.5
4-8 years	19	70.4
More than 8 years old	3	11.1
Total	**27**	**100**

From the above Table it is evident that out of 27 respondents, 5 (18.5%) of the respondents were 2-4 years old, while 19 (70.4 %) were 4-8 years old, whereas 11.1% were more than 8 years old. This means majority of the firms are 4-8 years old.

4.2.2 Ownership of ISP

Respondents were required to indicate the ownership of their firm, that is whether their firm is locally owned, foreign owned and a hybrid of local and foreign ownership.

Table 2: Ownership of ISP

Ownership	Frequency	Percentage
Locally Owned	23	85.2
Hybrid of local and foreign ownership	4	14.8
Total	**27**	**100**

From the above Table it is evident that out of 27 respondents, 23 (85.2%) of the respondents were locally owned, while 4 (14.8%) of the respondents were hybrid of local and foreign owned. There was no firm that is foreign owned due to the communication act of 1998 that requires such firms to be at least 30% owned by Kenyans. This mean majority of the firms are locally owned.

4.2.3 Number of Staff Employed

Respondents were required to indicate the number of staff in their employment that is less than 20 employees, between 20-40 employees, between 40-60 employees or more than 60 employees.

From the Table below it is evident that out of 27 respondents, 7 (25.9%) of respondents had less than 20 employees in employed, 11 (40.7%) had between 20-40 employees, 5 (18.5%) had 40-60 employees, while 4 (14.8 %) had more than 60 employees. This means majority of the firms had between 20-40 employees.

Table 3: Number of Staff Employed

Number of Staff Employed	Frequency	Percentage
Less than 20	7	25.9
Between 20-40	11	40.7
Between 40-60	5	18.5
More than 60	4	14.8
Total	**27**	**100**

4.3 Customer Retention Strategies

The respondents were required to indicate the extent to which their organization deploys various practices that are important in retaining customers. The practices were drawn from various factors that were likely to enhance customer retention. These were whether specific goal had been established to retain customers, whether achievements of customer retention goals are measured, service quality, customer satisfaction, customer loyalty and complaint handling system. They were presented with a likert type scale in which they were to indicate the extent in which they practice them, in a 5 point scale, 5 being very large extent and 1 being no extent. The researcher's analysis is that factors that scored between 4.0000-4.9999 are practiced to a very large extent, between 3.0000-3.9999 are practiced to a large extent, between 2.0000-2.9999 are practiced to some extent, and between 1.0000-1.9999 are practiced to a small extent.

4.3.1 Establishment of Specific Goals for Customer Retention

The respondents were required to indicate the extent to which their organization had established specific goals for customer retention. The findings are as follows.

From the Table below it is evident that out of 26 valid respondents, 4 (14.8%) had established specific goals for customer retention to a small extent, 15 (55.6%) had established specific goals for customer retention to a large extent, 7 (25.6%) had established specific goals for customer retention to a very large extent.

Table 4: Establishment of Specific Goals for Customer Retention

Extent	Frequency	Percentage
Small	4	18.5
Large	15	70.4
Very Large	7	11.1
Total	**26**	**100**

4.3.2 Measurement of Achievements of Retention Goals

The respondents were required to indicate the extent to which their organization measures the achievement of customer retention goals. The findings are as follows.

Table 5: Measurement of Achievements of Retention Goals

Extent	Frequency	Percentage
Small	4	15.4
Large	6	23.1
Very Large	6	23.1
Very Large	10	38.5
Total	**26**	**100**

From the above Table it is evident that out of 26 valid respondents, 4 (14.8%) measures the achievement of customer retention goals to a small extent, 6(22.2%) measures the achievement of customer retention goals to a some extent, 6(22.2%) measures the achievement of customer retention goals to a large extent, while 10 (37.0%) measures the achievement of customer retention goals to a some extent.

4.3.3 Reliability

The respondents were required to indicate the extent, to which their organization delivers services as promised, provides services at promised time and keep records. The findings are presented in the Table below.

Table 6: Reliability

Extent	Mean	Standard Deviation
Service delivered as promised	4.4615	.76057
Providing services at the promised time	4.2727	.76730
Keeping records	4.1923	1.05903

The results show that respondents delivered services as promised with a mean score of 4.4615, provide services on time with a mean score of 4.2727 and keeps records with a mean score of 4.1923. This implies that delivering services as promised, providing services on time and keeping records were practiced to a very large extent. There was only a significant difference among respondents on keeping records.

4.3.4 Responsiveness

The respondents were required to indicate the extent, to which their organization, keeps customers updated on service execution, provides prompt service to customers and their willingness to help customers.

Table 7: Responsiveness

Extent	Mean	Standard Deviation
Keeping customers updated on services execution	4.0769	.93480
Prompt service to customers	4.8750	.33783
Willingness to help customers	5.0000	.00000

The results show that respondents were willing to help their customer with a mean score of 5.000, provide prompt service with a mean score of 4.8750 and also keep their customers updated on service execution with a mean score of 4.0769. This implies that keeping customers updated on service execution, providing prompt services to customers and willingness to help customers were practiced to a very large extent. There was an insignificant difference among the respondents on all the three factors.

4.3.5 Assurance

The respondents were required to indicate the extent, to which their organization practice the following ; their employees instil confidence in the customers, they make their customers feel safe in their transactions, their employees are consistently courteous, and also they deliver services are promised. The findings are presented in the Table below.

Table 8: Assurance

Extent	Mean	Standard Deviation
Employees instil confidence in customers	4.5769	.50383
Making customers feel safe in their transaction	4.7692	.42967
Employees are consistently courteous	4.0769	.79614
Service delivered as promised	4.4615	. 76057

The results show that respondents ensure that their customers feel safe in their transaction with a mean score of 4.7692, employees instil confidence in their customers with a mean score of 4.5769, deliver services as promised with a mean score of 4.4615 and employees are consistently courteous with a mean score of 4.0769. This implies that instilling confidence, making customers feel safe in their transaction, employees being consistently courteous and delivering services as promised were practiced to a very large extent. There was an insignificant difference among the respondents on all the four factors.

4.3.6 Empathy

The respondents were required to indicate the extent, to which their organization practice the following. The findings are presented in the Table below.

The results show that respondents give individual attention to customers with a mean score of 4.7308, employees deal with customers in a caring fashion with a mean score of 4.5769, having the customer's best interest at heart with a mean score of 4.5000, employees understanding the needs and expectations of their customers with a mean score of 4.7692, providing service at convenient business with a mean score of 4.6154.

This implies all the factors considered were practiced to a very large extent. There was an insignificant difference among the respondents on all the five factors.

Table 9: Empathy

Extent	Mean	Standard Deviation
Giving customers individualized attention	4.7308	.45234
Employees deal with customers in caring fashion	4.5769	.50383
Having the customer's best interest at heart	4.5000	.76158
Employees understand the needs& expectations of their customers	4.7692	.65163
Provide service at convenient business hours	4.6154	.49614

4.3.6 Tangibles

The respondents were required to indicate the extent, to which their organization practice the following; have visually appealing facilities, employees are neat and appear professional, provide visually appealing materials associated with service, use of modern equipment to assist in service delivery. The findings are presented in the Table below.

Table 10: Tangibles

Extent	Mean	Standard Deviation
Visually appealing facilities	4.6923	.47068
Employees are neat, and appear professional	4.4615	.49614
Visually appealing materials associated with the service	3.9231	.47068
Use of modern equipment to assist in service delivery	4.6923	.50839

The results show that respondents have visually appealing facilities with a mean score of 4.6923, employees are neat and appear professional with a mean score of 4.4615, provide visually appealing materials associated with service with a mean score of 3.9231, use of modern equipment to assist in service delivery with a mean score of 4.6923. This implies that appealing facilities, employees being neat and appear professional and use of modern equipment to assist in service delivery are practiced to a very large extent. While providing visually appealing materials associated with service is practiced to a large extent. There was an insignificant difference among the respondents on all the three factors.

4.3.7 Satisfaction Strategies

The respondents were required to indicate the extent, to which their organization practice the following. The results are presented in the Table below.

Table 11: Customer Satisfaction

Extent	Mean	Standard Deviation
Commitment to satisfy customers	4.8077	.40192
Integration of customer satisfaction in a firm's goal and vision	4.6538	.48516
Usage of customer feedback in new product design	3.7692	.99228
Monitoring customer satisfaction	3.9615	.99923
Responsive to customer complaints	4.5769	.50383
High and continuous level of interaction with customer	4.2308	.42967
Customer satisfaction survey	3.8846	.81618
Understanding of your customer's repurchase intention	4.1154	.81618
Use ghost shopping to measure customer satisfaction	2.9231	1.26248
Perform lost customer analysis	3.1250	1.19100
Understanding customer's resistance to switch to competitor's product	3.8462	.54349
Employees understand the needs& expectations of their customers	4.7692	.49614

The results show that respondents commitment to satisfy customers, integration of customer satisfaction in a firm's goal and vision, being responsive to customer complaints, having a high and continuous level of interaction with customer, understanding of your customer's repurchase intention, employees understanding the needs& expectations of their customers are practiced to a very large extent. Usage of customer feedback in new product design, monitoring customer satisfaction and customer satisfaction survey, are practiced to a large extent. While use of ghost shopping is practiced to some extent. There was only a significant difference among the respondents on performance of lost customer analysis and use of ghost shopping in measuring customer satisfaction.

4.3.8 Loyalty Strategies

The respondents were required to indicate the extent, to which their organization practice the following; encouraging customers to recommend their products to friends, having a loyalty card programme in place ,keeping a record of a company's loyal customers and rewarding loyal customers.. The results are presented in the Table below.

Table 12: Loyalty Strategies

Extent	Mean	Standard Deviation
Encourage customers to recommend your products to friends and associates	4.6154	.49614
Having loyalty card programme	3.0385	.87090
Record of company's loyal customers	4.1923	.63367
Reward loyal customers	3.1923	1.23351

The results show that respondents, encouraging of customers to recommend friends, and keeping a record of a company's loyal are practiced to a very large extent, whereas having a loyalty card programme and rewarding loyal customers are practiced to some large extent. There was only a significant difference among the respondents on rewarding of loyal customers.

4.3.9 Complaints

The respondents were required to indicate the extent, to which their organization practice the following; having a well executed complaints-handling process with strategic relevance, complying to international complaints-handling standard, providing a speedy response to complaints, providing a reliable response to complaints, their staff understanding the complaints procedure, and easy of access to the complaints data. The results are presented in the Table below.

Table 13: Complaint Handling

Extent	Mean	Standard Deviation
Well executed complaints-handling process with strategic relevance	4.4615	.76057
Compliance to international complaints-handling standard	3.5769	1.06482
Providing a speedy response to complaints	4.5769	.50383
Providing a reliable response to complaints	4.6154	.63730
Your staff understand the complaints procedure	4.8846	.32581
Easy of access to the complaints data	3.9615	.72004

The results show that respondents, having a well executed complaints-handling process with strategic relevance, providing a reliable response to complaints , their staff understand the complaints procedure and providing a speedy response to complaints are practiced to a very large extent ,whereas complying to international complaints-handling standard and easy of access to the complaints data are practiced to a large extent. There was only a significant difference among the respondents on compliance to international complaints-handling standards.

The respondents also stated that the following are important in retaining customers; providing discounts on monthly basis after complaint, rewarding clients with extra bandwidth, responding to customers need in good time, regulating of prices of services offered & providing stable of service.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The Objective of this study was to determine the customer retention strategies in the Kenyan ISP sector. This chapter summarizes the findings of the study .It presents discussion, conclusions and recommendation of the study. It provides an interpretation of the results by comparing them to the theoretical background presented in chapter two. Limitations of the study and suggestions for further research are also highlighted.

5.2 Discussion

The objective was to determine the customer retention strategies used by internet service providers in Kenya. From the service marketing perspective, the way to retain customers is to improve customer service quality and satisfaction (Berry and Parasuraman, 1991; Zeithaml and Bitner, 1996). Other strategies that can used to retain customers include enhancing customer loyalty and implementing an efficient and effective customer complaint handling system.

Service quality as a service that should conform to customer's expectations and satisfy there needs and requirements. Findings established that internet service provider tried to retain customers through provision of quality service. Kotler (1999) states that there are five determinants of service quality these are reliability, responsiveness, assurance, empathy and tangibles .From the findings the most important factor that internet service providers used to ensure quality of service was responsiveness, followed by empathy, assurance, reliability and tangible in that order.

Zeithaml (2002) defines responsiveness as the ability of a company to provide appropriate information to a customer when a problem occurs, having mechanism to handle returns and provide necessary guarantees. Findings indicated that firms were responsive to their customer by; keeping customers updated on service execution, providing prompt service to customers and their willingness to help customers.

Bond et al (2002) defines assurance: as the knowledge and courtesy of employees and their ability to convey trust and confidence. Findings indicated that firms conveyed trust and confidence in their customers by: company employees instil confidence in the customers, making their customers feel safe in their transactions, their employees being consistently courteous, and delivering services are promised.

Kotler (1999) defines tangibles as the appearance of physical facilities, equipment, personnel and communication materials. Findings indicated that firms improved appearance of their physical facilities, equipment, personnel and communication materials their by; have visually appealing facilities, ensuring that employees are neat and appear professional, providing visually appealing materials associated with service, and use of modern equipment to assist in service delivery.

Bond et al (2002) defines reliability as ability to perform the promised services dependably and accurately. Findings indicated that firms provided reliable services by; delivering services as promised and providing services at promised time. Kotler (1999) defines empathy as the provision of caring, individualized attention to customers. Findings indicated that firms empathized with their customers by; giving customers individualized attention, employees dealing with customers in caring fashion individualized attention, providing service at convenient business hours, having the customer's best interest at heart and their employees understanding the needs& expectations of their customers

Kotler (1999) defines customer satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a products perceived performance in relation to his or her expectations. Findings indicated that firms enhanced customer satisfaction by; being committed to satisfy customers, integration of customer satisfaction in a firm's goal and vision, being responsive to customer complaints, having a high and continuous level of interaction with customer, understanding of their customer's repurchase intention, employees understanding the needs& expectations of their customers.

Ribbink et al (2004) defines customer loyalty as a deeply held commitment to rebuy or repatronize a preferred product/service consistently in future thereby causing repetitive same brand or same brand set purchasing, despite situational influences and marketing efforts having potential to cause switching behavior. Finding indicated that internet service providers enhanced customer loyalty by keeping a record of company's loyal.

From the findings we can also deduce that internet service providers ensured that had an efficient and effective complaint handling system by, having a well executed complaints-handling process with strategic relevance, providing a reliable response to complaints, their staff understanding the complaints procedure and providing a speedy response to complaints.

5.3 Conclusion

Today's competitive world with the advent of globalization and liberalization has increased the level of competitive in the market. As such it is important for firms to try and retain existing customers. As it costs more to recruit a new customer than to retain and existing one. Customer retention may improve profitability, mainly by reducing the costs incurred in acquiring new customers. Customer retention also leads to powerful word of mouth advertising from satisfied customers. This research has tried to empirically determine the different strategies used by internet service providers in retaining customers. It can be concluded that service quality is the most important factor in retaining customers ,although also other strategies such as customer satisfaction, customer loyalty and complaint handling systems seems to play a significant role in retaining customers.

5.4 Recommendation

Its is evident that Internet service providers are experiencing hard times due to increased competition due to increased number of players in industry . In order to retain their customers there is need for them to establish specific customer retention goals, appoint someone responsible for customer retention, and design programs to retain customers and be able to measure the achievement of customer retention objectives

SUGGESTIONS FOR FURTHER RESEARCH

This research was mainly focused on the internet service providers hence the findings cannot be replicated in the entire service industry. It's important to carry out a research to determine the customer retention strategies used by the service industry in Kenya. It may also be prudent to determine effect of pricing on service quality as a customer retention strategy.

LIMITATIONS

The researcher experienced problems on finding decisions makers. Most of the time there was not available, hence after several trials the researcher had to substitute them with other respondents from the firm. As such the data collected may not present in some cases the original ideas as would have been put forward by the decision makers. Also as much as some of the firms have been registered as Internet Service providers some of them were operating as internet cyber café whose operation environment and business scope if different from internet service providers.

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APPENDICES

Appendix 1

	Internet Service Provider
1.	ABACUS COMPUTER SYSTEMS LTD
2.	AFRICA ONLINE LTD
3.	AFRICAN REGIONAL CENTRE FOR COMPUTING
4.	ALMA LIMITED
5.	BEL PHONES (2000) LTD
6.	COMMUNICATION SOLUTION LTD/ACCESSKENYA
7.	COPKENYA.COM(Former COMPUTER FEEDS CONSULTANTS LTD)
8.	CYBERNATICS COMMUNICATIONS LTD
9.	DIALNET COMMUNICATION SYSSTEMS LTD
10.	DIGITAL RIVER LTD
11.	ET COMS KENYA LTD
12.	FINNET COMMUNICATIONS LTD
13.	FLEXIBLE BANDWIDTH SERVICES LTD
14.	GEO-NET COMMUNICATIONS LTD
15.	INET ONLINE SERVICES LTD
16.	INTER-CONNECT LTD
17.	IPD AFROASIA COMMUNICATION (K) LTD
18.	ISP KENYA
19.	JAMBO TELKOM LTD
20.	KARIBU NETWORKS LTD
21.	KENYA INTERNET EXCHANGE POINT
22.	KENYAWEB.COM LTD
23.	LIAM TELECOMMUNICATIONS LTD
24.	MITSUMINET (K) LTD
25.	NAIROBINET LTD
26.	ON-LINE DATA SYSTEMS
27.	PHILOTRONIC LTD
28.	POSTAL CORPORATION OF KENYA LTD
29.	PWANI TELECOMMS LTD/IKENYA.COM
30.	SAFARICOM LIMITED
31.	SAHANNET LTD

32.	SATELLIFE HEALTHNET (K) LTD
33.	SKYWEB TECHNOLOGIES LTD
34	SWIFT GLOBAL (K) LTD
35	TELECOM SOLUTIONS LTD
36	TEXADA LTD
37	TODAYS ONLINE LTD
38	TRANS-BUSINESS MACHINES LTD
39	TRANSNATIONAL LINK AGENCIES
40	UNIVERSITY OF NAIROBI
41	UUNET KENYA LTD
42	WANANCHI ONLINE LTD
43	CAM COMMUNICATIONS LIMITED
44	EDGENET LIMITED
45	EDP LIMITED
46	GLOBAL BROADBAND SOLUTION (K) LIMITED
47	KARIBU TELECOM LIMITED
48	MT KENYA ONLINE LIMITED
49	NILTEL KENYA LIMITED
50	RASMILINK

Appendix 2

Dimensions required identifying the operationalization of strategy

Concept	**Definition**	**Relevant issues**	**Relevant questions**
Retention	Customer retention implies a long-term commitment on the part of the customer and the firm to maintain the relationship	-Have Specific goals been established for customer retention? -Is Achievement of customer retention goals is measured? -Are Employees regularly trained on customer retention policy and procedure? - Have you nominated a person or group responsible for customer retention?	**1-3**
Service Quality	Way in which the whole service experience is performed		**4-22**
	Reliability: The ability to perform the promised services dependably and accurately.	-Do you provide services as promised? -Are you dependable in handling customers' service? -Do you perform the services right the first time? -Do you provide services at the promised time? -Do you maintaining error-free records?	
	Responsiveness: The willingness to help customers and to provide prompt services	-Do you keep customers informed about when services will be performed? - Do you provide prompt service to customers? -Are you willing to help customers and readiness to respond to customers' requests?	
	Assurance: The knowledge and courtesy of employees and their ability to convey trust and confidence.	-Do you employees instill confidence in customers? -Do you make customers feel safe in their transaction -Are your employees	

		consistently courteous? -Are you able to perform the promised services?	
	Empathy: The provision of caring, individualized attention to customers.	-Do you give customers individualized attention? -Do your employees deal with customers in caring fashion? -Do you always have the customer's best interest at heart? - Do your employees understand the needs of their customers -Do you operate at convenient business hours?	
	Tangibles: The appearance of physical facilities, equipment, personnel and communication materials.	-Are your equipment modern? -Are your facilities visually appealing – -Are your employee's neat and, professional appearance? -Do you use visually appealing materials?	
Customer Satisfaction	a person's feelings of pleasure or disappointment resulting from comparing a products perceived performance in relation to his or her expectations	-Are you commitment to satisfy customers -Have you integrated of customer satisfaction in a firm's goal and vision? -Do you have knowledge of customer's needs and expectations? -Do you use of customer feedback in new product design? -Do you monitor customer satisfaction? -Are you responsive to customer complaints? -high and continuous level of interaction with customer -Do you conduct Customer satisfaction survey? -Do you use ghost shopping to measure customer	**17,23-32**

		satisfaction? -Do you perform lost customer analysis? - Have you assessment the impact of switching costs?	
Loyalty	Loyalty is about customers having a sense of belonging.	-Do you know your Customer's repurchase intention? -Are your customers resistant to switch to competitors product -Are your customer's willingness to recommend your product to friends and associates. -Do you have a loyalty card program - Do you have a record of company's loyal customers?- -Do you reward loyal customer?	**33-37**
Complaints-handling	•	-Do you Have a well-executed complaints-handling process with strategic relevance -Do you do right first time? -Do you Comply with timely publication of an international complaints-handling standard? -Do you providing a speedy response to complains? -Do you provide reliable response to complains? -Do you staff understand the complaints procedure -Can you easily access the complaints data?	**38-43**

Appendix 3

Introductory Letter

Siboe W. Alex
Faculty of Commerce
C/O MBA Office
Department of Business Administration
University of Nairobi
P. O. Box 30197
NAIROBI

July 2006

Dear Respondent,

RE: COLLECTION OF SURVEY DATA

I am a postgraduate student at the University of Nairobi, at the faculty of Commerce. In order to fulfill the degree requirement. I am undertaking a management research project on the application of "Customer Retention Strategies in the Internet Service Provider's industry in Kenya".

You have been selected to form part of this study. This is to kindly request you to assist me collect the data by filing 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.

Thank you in advance.

Yours faithfully,

SIBOE W. ALEX
MBA STUDENT
UNIVERSITY OF NAIROBI

M. OMBOK
LECTURE/SUPERVISOR
UNIVERSITY OF NAIROBI

Appendix 4

Questionnaire

PART I

General Information

i. You Name..(Optional)

ii. Job Title..(Optional)

iii. Name of your ISP..

iv. Please indicate the age bracket in which your company falls. (Please tick one)

Less than 2years ( ) 2– 4 years ( )

4– 8 years More than 8 years ( )

v. Please indicate the ownership of your ISP (Please tick one)

Foreign owned ( ) locally owned ( )

Hybrid of local and foreign ( )

vi. Please indicate the number of staff your company has employed (Please tick one)

Less than 20 ( ) Between 20-40 ( )

Between 40 – 60 ( ) More than 60 ( )

PART II

Please indicate the extent to which your organization practices the following, on a scale of 1-5 where,

5 is - to a very large extent

4 is - to a large extent

3 is - to some extent

2 is - a small extent

1 is - to no extent

No	Issue	(5) Very large extent	(4) large extent	(3) same extent	(2) small	(1) No extent
1.	Specific goals have been established for customer retention					
2.	Achievement of customer retention goals is measured					
3.	Someone has nominated been person to responsible for customer retention					
4.	Service delivery as promised					
5.	Providing services at the promised time					
6.	Keeping records.					
7.	Keeping customers updated on services execution					
8.	Prompt service to customers					
9.	Willingness to help customers					
10.	Readiness to respond to customers' requests.					
11.	Employees instill confidence in customers					
12.	Making customers feel safe in their transaction					
13.	Employees are consistently courteous and the able to perform the promised services					
14.	Giving customers individualized attention					

15.	Employees deal with customers in caring fashion					
16.	Having the customer's best interest at heart					
17.	Employees understand the needs & expectations of their customers					
18.	Use of modern equipment to assist in service delivery					
19.	Provide service at convenient business hours					
20.	Visually appealing facilities					
21.	Employees are neat, and appear professional					
22.	Visually appealing materials associated with the service.					
23.	Commitment to satisfy customers					
24.	Integration of customer satisfaction in a firm's goal and vision					
25.	Usage of customer feedback in new product design					
26.	Monitoring of customer satisfaction					
27.	Responsive to customer complaints					
28.	High and continuous level of interaction with customer					
29.	Customer satisfaction survey					
30.	Understanding of your Customer's repurchase intention					
31.	Use ghost shopping to measure customer satisfaction					
32.	Perform lost customer analysis					
33.	Understanding Customer's resistance to switch to competitors product					
34.	Customer's willingness to recommend preferred vendors product to friends and associates.					
35.	Having loyalty program					
36.	Tracking of company's loyal customers					
37.	Reward loyal customer					
38.	Well-executed complaints-handling process with strategic relevance					
39.	Compliance to international complaints-handling standard					
40.	Providing a speedy response to complains					

41.	Providing reliable response to complains					
42.	Your staff understand the complaints procedure					
43.	Easy of access of the complaints data					

Thank you taking your time to fill this questionnaire