FACTORS INFLUENCING BRAND LOYALTY TO MOBILE PHONE SERVICE PROVIDERS IN KENYA: A CASE STUDY OF NAIROBI RESIDENTS.

BY

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DECLARATION

This project is my original work and has not been submitted for a degree in any other university

Signed ....

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Date ...21/11/08...

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

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DEDICATION

This study is dedicated to my dear son Jamal Mark Kassim Kyalo. You are a true inspiration and a great source of strength and will power to forge on.

I also dedicate this study to my parents Jackson and Rose Wandera for giving me the chance to live my dream.

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ABSTRACT

This study on factors influencing brand loyalty to mobile phone service providers was conducted to achieve a major objective of establishing which factors affect brand loyalty to mobile phone service providers as well as the factors that influence choice of a mobile phone service provider. To achieve this objective, 100 mobile phone customers- on pre paid service (70 from Safaricom and 30 from Zain) were selected systematically. The questionnaire that was administered to the sample units was a highly structured one employing mainly likert – matrix questions

The customers were selected systematically from their respective service providers' authorized dealers that operate in Nairobi Central Business District that is every fifth adult customer that walked into the dealership was picked to form part of the sample. The dealers were selected through simple random sapling. The researcher together with the research assistants gave the questionnaires to the respondents for self administration.

Collected data was analyzed using frequencies, mean scores and proportions. Tables and graphs were used to present the data findings.

From the study it was concluded that factors that influence the choice of a mobile phone service provider include; the number of people they call that are on that network, the cost of calling within the network and the number of services the service provider offers. Other factors like Current network coverage and Advertising features were also important in determining the choice of a service provider. The study also concluded that the factors that influence brand loyalty to mobile phone service providers are: Number of people called within the network. Cost of calling within the network. Current network coverage. Promptness of service and the Cost of calling a different network.

CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Brand loyalty

Although brands have long had a role in commerce, it was not until the twentieth century that branding and brand associations became so central to competitors. (Aaker, 1991)
A brand can be defined as a distinguishing name and or symbol (such as logo, trade mark or package design) intended to identify the good or service of either one seller or a group of sellers and to differentiate those goods or services from those of competitors (Aaker, 1991). Nicolas (2003) defines a brand as something that is owned by buyers and other stakeholders. It indicates that the power in a relationship between an individual and an organization is not necessarily where we think it is.

Brand equity is a set of brand assets and liabilities linked to a brand, its name and symbol that add to or subtract from the value provided by the product or service to a firm and or to that firm's customers. The major asset categories include: Brand loyalty, Brand awareness, Brands perceived quality, Brand associations and other proprietary brand assets (Aaker, 1991).
Brand equity refers to the marketing effects or outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name (Keller, 2003).

Brand loyalty – the subject of this study- is therefore at the heart of the brand's value. It is the core of the brand equity. If customers are indifferent to the brand and buy with respect to features, price and convenience without concern for the brand name, the brand is likely to have little equity. On the other hand, if they continue to purchase the brand even in the face of competitors with superior features, price and convenience then substantial value exists in the brand (Aaker, 1996). By protecting this space in the mind, brands sustain loyalty (Nicolas, 2003).

Brand loyalty is a consumer's preference to buy a particular brand in a product category. It occurs because consumers perceive that the brand offers the right product features, images, or level of quality at the right price. Brand loyalty is product specific. Consumers might be loyal to brands in one category and not loyal to brands in other categories (Assael, 1998).

Brand loyalty can also be defined as repeat purchase intention and as behaviour. It is thought of as internal commitment to purchase and repurchase a particular brand (Evans, 1997). Brand loyalty is a measure of the attachment that a customer has to a brand. It reflects how likely a customer will be to switch to another brand, especially when the brand makes a change, either in price or in product features. As brand loyalty increases, vulnerability of the customer base to competitive action is reduced. Developing a high degree of brand loyalty amoung customers is an important goal of the marketing strategy and should be a major objective in organizations due to its financial impact (Evans, 1997).

Brand loyalty represents a favourable attitude toward a brand, resulting in consistent purchase of the brand over time. It happens after consumers learn that one brand can satisfy their needs (Assael, 1998). To be truly loyal, the customer must hold a favourable attitude towards the brand in addition to purchasing it repeatedly (Day, 1969)
Brand loyalists have the following mindset: "I am committed to this brand," "I am willing to pay a higher price for this brand over other brands" and "I will recommend this brand to others".

A brand can only be strong if has a strong supply of loyal customers (Kapferer, 1999). This gives the brand stability of future sales. When a customer is loyal, he is likely to speak well to others about the brand (Aaker, 2000). Loyalty is actually a manifestation of a deep relationship between the brand and the customer (Kotler, 2000).

1.1.2 The Mobile Phone Industry and the service providers

The mobile phone industry is an emerging industry, which is growing at a high rate. The mobile phone industry in Kenya has been created by technological innovation, deregulation of the telecommunication sector and increased need for communication amoung consumers. Emerging industries have also been created by shifts in relative cost relationships, emerging of new consumer needs, or other economic and sociological changes that elevate services to the level of a potentially viable business opportunity (Porter, 1980).

The service was first offered in 1996 through Kenya Posts and Telecommunications Corporation (KPTC) which is now Telkom. Safaricom which was fully owned by KPTC was created in 1997 and got a GSM license to operate a GSM Network in Kenya. Vodafone group PLC of the United Kingdom, the world's largest telecommunication company, acquired a 40% stake and management responsibility for Safaricom. Telkom Kenya as a result owns a 60% stake in the company as of May 17, 2006. Mr. Michael Joseph is the CEO of Safaricom.

After the liberalization of the telecommunications industry in Kenya, KenCell Communications Limited was founded on 28th January 2000 as a fully private GSM mobile operator. Celtel bought privately owned Kenyan KenCell in 2004. KenCell was previously called MSI. Celtel's mobile phone operations began in 1998, and since then networks have been built in 15 African countries, under licenses that cover more than a third of the population of Africa. In April 2005, *Kuwaiti mobile operator MTC* acquired Celtel: MTC reaches now 27 millions subscribers (19.3 millions for Celtel), for Kenya: 1.9 millions by end 2006, 1.8 millions by end 2005. Celtel International Celtel is owned by Zain Group, a leading provider of mobile telecommunications in the Middle East and Africa.

In an effort to reinvent its business and attract more subscribers, Zain Group has rebranded operations in 15 African countries from Celtel to Zain. Zain was established in 1983 in Kuwait as the region's first mobile operator. It is the fourth-largest telecommunications company in the world in terms of geographic presence. with a footprint in 22 countries spread across the Middle East and Africa. Zain Group provides mobile voice and data services to more than 50.7 million customers. according to statistics released by Zain in June 2008 (Wanjiku. IDG News Service . 08/01/2008). The process of rebranding to Zain began last year after Mobile Telecommunications Company bought an 85 percent stake in Celtel International in May 2005. (Wanjiku. IDG News Service. 08/01/2008).

Telkom Kenya is in the process of being awarded a mobile license. France Telkom now owns majority shares in Telkom Kenya. after the government sold 51% of its shareholding in the company, (CCK. 2007).
Additionally. the Kenyan regulator CCK issued a third GSM license to Econet Wireless Kenya (Econet) in December. 2003. The Company believes that it is likely that the operator will launch commercial services in mid to late 2008; this is according to (Safaricom Prospectors. 2008).

The industry registered tremendous growth in the year 2000. Despite the fact that the Kenyan economy registered a dismal negative growth rate of 0.3% in the year 2000. the industry expanded by Kshs 4.138 billion (Economic survey report. 2001). To date the industry has more than eleven million mobile phone subscribers (CCK Data 2007)
The growth of subscribers has intensified rivarily between the major players in this industry. The providers are investing heavily to expand their network to cater for the increasingly growing number of subscribers. (East African Standard March 2nd 2008)
There are still. however. many Kenyans who cannot afford to make calls via the mobile network.

The services provided through mobile phones include: Local and international calls-
A service that enables the subscribers to make phone calls both locally and internationally from their cell phones.
Roaming services: this is a service that provides an opportunity to be in-touch and connected in more locations outside of Kenya than ever before. Mobile phone service

providers have negotiated bi-lateral roaming agreements with GSM operators in some of the most popular international destinations considering business and tourism interest.

Conference calls; this service enables a group of more than one person to have a conversation with each other in the form of a conference.

Video calls; this service enables the people communicating on the phone to see each other as they converse. This service is only available to subscribers who have handsets that support this service.

Money transfer services- (Sambaza and Me to You); this service allows you to transfer money using a mobile phone. This service is available to all members of the public, even if you do not have a bank account or a bankcard.

Data and Messaging are also other services offered by mobile phone service providers. Messaging consists of the most convenient ways of communication from your phone using ether; Short Messaging Services (SMS), a service that enables subscribers to send and receive text messages or Multimedia Messaging Service (MMS), which lets you send short 'presentations' such as still or animated postcards, pictures, screensavers, greeting cards, maps, cartoons and business cards. MMS can feature any combination of text, images and sound. Data (High Speed Internet Connectivity) consists of solutions and services that can be customized to fit the unique needs ways of Industry and Business which include email and other Internet services. Get it 411 is a service that allows you to get your daily updates for News, Sports and Entertainment.

1.2 Statement of the problem

Branding of products is the only way to survive in today's competitive market environment. Brand loyalty is one of the most important aspects of brand equity, which are assets the brand owns. High brand loyalty should be the ultimate goal of every business that endeavours to progress or grow. With all the brands trying their best to improve on their loyalty, the customers are bound to get the best quality of services.

In terms of strategy formulation for mobile phone service providers, just like any other emerging industry, there are no rules of the game. There is an absence of established basis for competition. Each service provider is coming up with different approaches to product or market positioning, marketing and servicing of their products. Direct competitive advertising is evident in the local press. Each provider is trying to discredit the competitor's mode of billing and network coverage (Daily Nation, May 8, 2001, July 9, 2002, September 4, 2004, January 22, 2006, April 15, 2007 and August 5, 2008)

In the mobile phone industry, the need to enhance brand loyalty is due to the fact that not only is the competition high but the customers have also changed. Customers have become more confident, more ready to experiment and trust their own judgment, they have less disposable income and are more worldly wise (Baker, 1992). They are more demanding and they have strong views on what gives them satisfaction, but less tolerant of goods and services that do not live up to their expectations.

Brand loyalty levels differ amoung the three main mobile phone service providers. Some of the providers have very low levels of loyalty and thus most of their customers shift to other service providers. There are more than nine million mobile phone subscribers according to CCK and yet, two thirds of those are on Safaricom. The rest of the service providers share the remaining one third (CCK, 2007).

Service organizations are continually looking for ways to increase customer loyalty. Although loyalty to tangible goods (i.e. brand loyalty) has been studied extensively by marketing scholars, relatively little theoretical or empirical research has examined loyalty to service organizations (i.e. service loyalty). This study extends previous loyalty research by examining service loyalty and factors expected to influence its development especially in the mobile phone industry in Kenya.

Previous studies have been on how to create and maintain brand loyalty but not so much on how each factor affects brand loyalty. Mukiri (2001) undertook a study on the perceived quality in the mobile phone industry: the study showed the disparity between the expectations and perceptions of customer as pertains to service quality in the mobile phone industry. It also showed the perceived performance of the mobile phone providers in terms of service quality as well as the service providers' management perception of the customer expectation. Ndeti (2007) sought to find out the factors that determine brand loyalty to commercial banks in Westlands area of Nairobi and found that prompt service. employees willingness to help. location of bank. operating hours and availability of Automatic Teller Machines outlets were ranked highest in that order

Another study by Wambugu (2002). on store loyalty factors also brings up some of the factors that influence loyalty for selected supermarkets in Nairobi. He argues that merchandise availability. store location. prompt service and courtesy of employees are very critical factors that determine customer loyalty. Other studies by (Tharamba , 2006) on influence of brand symbols on brand preference by customers of Kenya Breweries Limited products in Nairobi concluded that. brand preference is not only influenced by brand symbols but also by other factors like advertising. Ongubo (2003) sought to highlight the determinants of brand loyalty for prescription brand medicine by doctors in Nairobi and found that patients buying power. experience through samples given to doctors. source of medicine and literature about the product as among the top five important factors

This study will therefore try to establish what factors influence loyalty to mobile phone service providers in Nairobi and levels of customer loyalty that exist in the mobile phone industry. Previous studies have been mainly on tangible good and not services. There have also not been any conclusive studies in Kenya on the factors affecting brand loyalty to mobile phone service providers.

The research therefore seeks to answer the following two questions:

(i) Which specific factors determine brand loyalty to mobile phone service providers in Kenya?

(ii) What are the levels of customer loyalty in the mobile phone industry in Kenya?

1.3 Research objectives

1). To establish the levels of brand loyalty to the existing mobile phone service providers in Kenya

2). To determine the factors that influence the choice of a mobile phone service provider in Kenya.

3). To determine the factors that influence brand loyalty to mobile phone service providers in Kenya.

1.4 Justification

In today's highly competitive environments. improving consumers' loyalty to brands permits marketers to maintain a comfortable and lasting position in the marketplace.
In Kenya. in spite all the efforts of Zain and Telkom wireless to increase their subscriber base. Safaricom still has over two third of the mobile phone subscribers (CCK.2007).

Despite the fact that these mobile phone providers offer almost the same services Safaricom still has 80% of the entire mobile phone subscriber while Celtel- now Zain has 18% and the remaining 2% are on Telkom Wireless this is according to (Safaricom Prospectors. 2008)

This study will try to find out why this is the case and provide much needed answers that will help Celtel- recently rebranded as Zain. Telkom wireless and the other mobile phone service providers to survive in the market.

1.5 Importance of the study

The study will be beneficial to the mobile phone companies in that they will be able to know which factors they need to concentrate on so as to enhance the brand loyalty levels in their companies. Companies like Zain and Telkom wireless will be able to understand why Safaricom has very high levels of brand loyalty which will help them adopt some of the measures used by Safaricom.

Through the improvement of the service by the mobile phone industry due to using the factors that positively influence brand loyalty, the customers of the mobile phone industry will benefit by getting better quality service.

The study will also open doors for fair competition within the mobile phone industry and thereby increase the variety that will be available to the customers.

CHAPTER TWO: LITREATURE REVIEW

2.1 Brand loyalty

Building and properly managing brand equity has become essential for most companies. More and more companies have already realized that brand equity is one of their most valuable intangible assets. Maintaining and enhancing the strength of company brands has therefore become an important management imperative (Keller & Lehmann. 2006).

Branding is by far one of the most important factors influencing an item's success or failure in the marketplace. and can have a dramatic impact on how the "company behind the brand" is perceived by the buying public. In other words. the brand is not just a representation of a company's product: it is a symbol of the company itself. and that is where the core of brand loyalty lays (Brown. 1990).

Academics and practitioners alike agree that loyalty is an integral part of doing business. Few. if any. businesses can survive without establishing a loyal customer following. Surprising, however. in spite of its obvious importance to all businesses. relatively little is known about customer loyalty. Experts have struggled to define precisely what being a loyal customer means. and meager progress has been made in determining what factors lead to customer loyalty. So. although customer loyalty is considered the "back-bone of business." it has remained a mystery. This is according to (Brown. 1990).

For a company to succeed they need to have the clients have the company's brands as friends (Posner & Ayer).Larry light a prominent advertising research professional was asked by the editor of the journal of advertising research for his perspective on marketing three decades into the future. Lights analysis was instructive: "the marketing battle will be a battle of brands. a competition for brand dominance. Business investors will recognize brands as a company's most valuable aspect. This is a critical concept. It is business........... it will be more important to own markets than factors. The only way to own markets is to own the market dominant brand" (Light, 1999).

Satisfied customers have been shown to be predisposed to exercise repeat purchase behaviours (George. 1991). This loyal behaviour is subsequently presented as positively influencing how actively customers engage within advocacy, by introducing the service to other customers with whom they have some influence. Today's customers are also becoming more and more knowledgeable. their tastes. preferences and quality expectations continue to change and this exerts pressure on organizations which seek to meet these ever changing customer needs and build their success on a long-term customer relationships (Ndeti. 2007).

Further research shows that companies cannot maintain market share with unique features alone since competitors can easily copy them. Sustainable market share growth is achieved through loyal customers and excellent service (Cannie and Capin. 1991). In this respect service quality is crucial in building and developing a substantial loyal customer base. thus competitive advantage. A brand only exists in the buyers mind and it is the buyer who has the power to begin. sustain or terminate a relationship with it. The company does not control the life of a brand – the customer does. A brand is determined by an understanding of likely future performance and predicted cash flows. that are defined in large part by an extrapolation of past customer acquisition and loyalty (Ndeti. 2007).

Brand loyalty has been proclaimed by some to be the ultimate goal of marketing. (Reichheld & Sasser. 1990). In marketing. brand loyalty consists of a consumer's commitment to repurchase the brand and can be demonstrated by repeated buying of a product or service or other positive behaviors such as word of mouth advocacy. According to Dick. Alan & Basu (1994). True brand loyalty implies that the consumer is willing. at least on occasion. to put aside their own desires in the interest of the brand. This is a feeling shared by (Oliver & Richard. 1999).

Brand loyalty is more than simple repurchasing, however. Customers may repurchase a brand due to situational constraints. a lack of viable alternatives. or out of convenience. According to Jones. Michael. Mothersbaugh. and Beatty (2002), such loyalty is referred to as "spurious loyalty". True brand loyalty exists when customers have a high relative attitude toward the brand which is then exhibited through repurchase behavior Dick. Alan and Basu (1994) indicate that this type of loyalty can be a great asset to the firm. "Customers are willing to pay higher prices. they may cost less to serve. and can bring new customers to the firm" (Frederick & Sasser. 1990). Frederick. (1993). gave an example: if Joe has brand loyalty to Company A he will purchase Company A's products even if Company B's are cheaper and/or of a higher quality.

In order to create brand loyalty. advertisers must break consumer habits. help them acquire new habits. and reinforce those habits by reminding consumers of the value of their purchase and encourage them to continue purchasing those products in the future.
In today's highly competitive environments. improving consumers' loyalty to brands permits marketers to maintain a comfortable and lasting position in the marketplace (Reichheld. 2000). The discipline of branding is thus about maintaining a constant flow or "current" of inspiring images flowing to customers' head to create differentiation. By protecting this space in the mind. brands sustain loyalty (Nicolas. 2003).

All organizations should estimate the value of their existing customers. The results are usually surprising and instructive. Reducing defections by just 5% generated 85% more profits in one bank's branch system. 50% more in an insurance brokerage and 30% more in an auto-service chain (Reichheld . 2000).
The challenge s to improve the brands loyalty profile that is. to increase the number of customers who would pay more (or endure some inconvenience to use the brand or service). Rice (2000) say that one of the reasons that customers don't switch brands when they are dissatisfied is that they feel that the alternatives are just as bad as the brand they are using or even worse. Inertia may be caused also by lack of information about attractive characteristics of the brands.

2.1.1 Levels of brand loyalty

According to (Aaker, 1991), there are five levels of brand loyalty. Each level represents a different marketing challenge and a different type of asset to manage and exploit.

Non loyal buyers are buyers are completely indifferent to the brand. Brand names play little roles in the purchase decision as each brand is perceived adequate. Convenience is preferred by such customers. This type of buyer is termed as a switcher or price buyer (Aaker, 1991).

Habitual buyers on the other hand are buyers who are satisfied with the brand or at least are not dissatisfied. This segment of buyers is vulnerable to competition. They are difficult to reach as there is no reason for them to be on the lookout for alternatives (Aaker, 1991).

Satisfied buyer or Switching costs loyals are satisfied buyers with a switching cost. This cost can be in terms of time, money or performance risk associated with switching. To attract these group competitors need to overcome the switching costs by offering an inducement to switch or offering a benefit large enough to compensate (Aaker, 1991).

Likes the brand or friends of the brand are a category of customers whose preferences may be based on an association like a symbol, set of use experiences or high perceived quality. Since liking is a general feeling that cant be closely traced to anything specific, customers at this level are not always able to identify why they like something especially if the relationship has been a long one. Sometimes it's just the fact that there has been a long term relationship that can create a powerful affect even in the absence of a friendly symbol or other identifiable contributor to liking (Aaker, 1991).

Committed customers are those ones who have the pride of discovering and or being users of the brand. The brand is very important to them either functionally or as an expression of who they are. Such customers will recommend the brand to others since they have confidence in the brand. A brand that has a substantial group of extremely involved and committed customers might be termed as a charismatic brand (Aaker. 1991).

(Evans. 1997) views brand loyalty as a continuum from undivided loyalty to brand indifference. He further gives five different categories along the continuum as:
Undivided loyalty- which is the ideal category. It is a situation where the customers purchase only a single brand and forego purchase if the brand is not available. Even if the brand's prices increase these customers will stick with the brand.
Brand loyalty/occasional switch- this is a more likely situation and occurs where customers occasionally switch for reasons such as their regular brand being out of stock. a new brand in the market or a special low price offer on a competitors brand
Brand loyalty switch- reflects a competitive goal especially in low growth markets
Divided loyalty- it is the consistent purchase of two or more brands.
Brand indifference- refers to purchase with no apparent repurchase pattern. It is the opposite extreme of undivided brand loyalty (Evans 1997).

Kotler (2000) also categories brand loyalty into four these are: Hard core loyals who are consumers that buy one brand all the time. The second category is the Split loyals. These are consumers who are loyal to two or three brands at the same time. Shifting loyals are the third category- these are consumers who shift from one brand to another. The last category is the Switchers that is. consumers who show no loyalty to any brand.

All the above loyalty categories as done by different authors are somewhat arbitrary (Evans. 1997). The levels do not always appear in the pure form (Aaker. 1991). The important point is that there are different levels of loyalty which impact differently on brand equity (Aaker. 1991)

2.1.2 Measuring brand loyalty

According to (Aaker. 1991). brand loyalty measurement can be approached in two ways either by considering actual behaviour or loyalty constructs of switching costs. satisfaction. liking and commitment.

Loyalty from a behavioural measures perspective can be monitored by considering actual purchase patterns. Its measures include: Re-purchase rates that is. the percentage of the existing customers that purchase the same brand in their next purchase. It also includes percentage of purchases which is the percentage of the last five purchases made by a customer that went to each brand purchased. These measures also include the number of brand purchased which is the percentage of a certain brands buyers that bought only a single brand. two brands or three brands (Aaker. 1991).

Loyalty of customers can vary widely amoung some product classes. depending upon the number of competing brands and the nature of the product. The loyalty constructs include aspects like:

Switching costs analysis can provide insight into the extent to which switching costs can provide a basis for brand loyalty. If it's too expensive or risky for a customer or firm to change suppliers. then the attrition rate from the customer base will be lower

One type of switching cost is an investment. An example in the mobile phone industry is investment in a telephone handset that is Sim locked which would mean to move to another service provider. you have to buy another handset.

Another type of switching cost is risk of change. If the current system works even if there are problems. there is always the risk that a new system will be worse (Aaker, 1997).

Measuring satisfaction is one diagnostic to every level of brand loyalty t and. perhaps more important. dissatisfaction. The measures of satisfaction should be current, representative and sensitive. Satisfaction and dissatisfaction are very related to loyalty in that most of the satisfied customers are bound to be loyal to the organization unlike those who are dissatisfied (Aaker. 1997)

Liking of the brand is a way to find out if there are feelings of respect or friendship towards the firm or brand. A positive effect can result in resistance to competitive entries. It can be much harder to compete against a general feeling of liking rather than a specific feature. Liking can be scaled in a variety of ways such as liking, respect, friendship and trust There exists a general liking or affeact that is distinct from specific attributes that underline it. That is, people simply like a brand and thus liking cannot be explained completely by their perceptions and beliefs about the brand's attributes. Another measure of liking is reflecting the additional price that customers would be willing to pay to obtain their brand (Aaker, 1997).

When a substantial commitment level of customers exist, it is easy to detect through; the amount of interaction and communication involved with the product- is it something that customers like to talk about with others? Or do the customers not only recommend the product but tell others why to buy it? It can also be detected by the extent to which the brand is important to a customer in terms of his or activities and personality. Is the brand is useful and enjoyable to use? (Aaker, 1997)

2.1.3 Value of brand loyalty

In today's low –growth and highly competitive market place, retaining brand loyal customers is critical for survival according to (Evans, 1997). Keeping a customer is often a more efficient strategy than attracting new customers (Rosenberg, 1983)
The following are some of the benefits of brand loyalty:

Brand loyalty helps reduce marketing costs in that brand loyalists are willing to search for their favorite brand and are less sensitive to competitive promotions. The result is lower costs for advertising, marketing and distribution. Specifically, it costs four to six times as much to attract a new customer as it does to retain an old one (Aaker, 1991).

Trade leverage- that is a brand with high loyalty levels can get preferred shelf space and stocking since the stores know customers will have such brands on their shopping lists (Aaker, 1991).

Attracting new customers in that, a satisfied customer base that is also loyal to the company will provide assurance to prospective customers. Such customers are bound to be loyal to the company too because of the perceived good service offered. A loyal customer base provides an image of the brand as acceptable and successful, and one that will be around and is capable of improvements (Aaker, 1991).

Brand awareness can be generated from the customer base. This awareness will come from favourable word of mouth form the loyal customers (Webster, 1994), or may be as a result of friends and colleagues of users just seeing the brand being used (Aaker, 1991).

Premium pricing ability studies show that as brand loyalty increases, consumers are less sensitive to price changes. Generally, they are willing to pay more for their preferred brand because they perceive some unique value in the brand that other alternatives do not provide. Additionally, brand loyalists buy less frequently on cents-off deals - these promotions only subsidize planned purchases. This is according to (Aaker, 1996)

2.1.4 Creating and maintaining brand loyalty

Brands are strong when they enjoy loyalty (Kotler, 2000). According to Kotler, to achieve loyalty, a product must go beyond achieving visibility and differentiation. It should develop deep relationships with the customer group where the brand becomes a meaningful part of the customer's life and/ or self-concept. When this occurs, the customer will be highly loyal (Kotler, 2000). Taking a loyal customer to be one who has a commitment to continue to do business with the company on an on going basis, developing loyalty simply means seeking to create committed customers. This is according to (Christopher, 1995). Christopher gives the process of loyalty building in the form of a ladder whereby the customer has to be converted into a client, then into a supporter then an advocate and ultimately into a partner.

According to (Aaker, 1991). Maintenance and enhancement of loyalty can be achieved through following the basic rules below:

Treating customer's right which includes training and culture of the employees of the organization. In Japan for example, training is intense and detailed therefore negative customer interaction is rare. In banks, the culture does not tolerate negative customer interaction.

Stay close to customer this is to ensure that the service provider is always aware of the feelings of the customers. The service provider will be able to know what it is about his/ her product or service that the customers wish to be changed. This will help ensure that the customers are always satisfied. Focus groups can be used to see and hear real customers' voice concerns (Aaker, 1991).

Measuring and managing customer satisfaction can be done through regular surveys of customer satisfaction/dissatisfaction. The surveys should be timely, sensitive and comprehensive. They should be integrated into the day to day management. This helps to ensure that the organization always maintains high levels of customer satisfaction (Aaker, 1991).

Create switching costs which could be through rewarding loyalty directly. An example is the points allocate for purchasing goods from a supermarket or the airlines frequent flyer clubs and points. Mobile phone companies also create switching costs by Sim locking their handsets (Safaricom Prospectors, 2008). Providing extras to the customers like free sample and other gifts and benefits is another way to create brand loyalty

Considering the above it is clear that the loyal customer wants to be recognized. He/she therefore has to be identified, a direct bond has to be established with him/her and he/she should be the focus of special attention. Customers should be treated as friends and not as accounts – the basis to a long lasting relationship (Kapferer, 1999). In the words of (Kotler, 1999), brand loyalty is built by meeting the customers' expectations or even better, exceeding them.

2.2 The Concept of Service Loyalty

Service loyalty is the degree to which a customer exhibits repeat purchasing behavior from a service provider. possesses a positive attitudinal disposition toward the provider. and considers using only this provider when a need for this service arises (Snyder. 1986: Zeithaml. 1981).

This definition suggests service loyalty is a matter of degree. ranging from the completely loyal customer to one who will never consider using a provider in the future. According to this definition. an extremely loyal customer is one who: regularly uses a service provider. really likes the organization and thinks very highly of it. and does not ever consider using another service provider for this service (Zeithaml. 1981).

The concept of customer loyalty also extends to service organizations that typically provide somewhat more intangible products. Yet. scholars contend the construct of *service loyalty* differs from goods loyalty. The case for the distinctiveness of service loyalty has been presented in several discussions:

Service providers have the ability to create stronger loyalty bonds with their clients than do suppliers of more tangible goods (Czepiel and Gilmore. 1987: Zeithaml. 1981).Loyalty is greater or more prevalent among service consumers than among goods consumers (Snyder. 1986: Zeithaml. 1981).

Services provide more opportunities for person-to-person interactions (Czepiel and Gilmore. 1987) which. in turn, often provide opportunities for loyalty to develop (Parasuraman. Zeithaml. and Berry. 1985: Surprenant and Solomon. 1987). The perceived risk is often greater when purchasing services than goods (Murray. 1991), providing an atmosphere more likely to lead to customer loyalty since loyalty is often used as a risk reducing device (Zeithaml. 1981). With some services. switching between providers may involve certain barriers not present with brand switching for goods (Zeithaml. 1981).

The marketing literature lacks strong. organizing theoretical frameworks on loyalty. particularly in terms of factors leading to the development of customer loyalty (Czepiel et all. 1990).Based on the literature discussed above. it is assumed that service loyalty has three antecedents: satisfaction. switching costs. and interpersonal bonds.

Satisfaction- One commonly assumed prerequisite for customer loyalty is customer satisfaction. Much of the marketing literature gives the impression satisfied customers automatically are loyal customers. The thinking is a satisfied customer. as a result of his/her satisfaction. will naturally become a loyal customer and that satisfaction is the *only* catalyst necessary for developing such loyalty. That is. satisfaction is a necessary and sufficient condition for developing service loyalty (Pritchard. 1991).

Research. however. provides mixed results in analyzing the relationship between satisfaction and loyalty. Several studies have indeed found satisfaction to be a (and often the) leading factor in determining loyalty (Anderson and Fornell. 1994; Oliver and Linda. 1981; Pritchard. 1991). Other studies. however, suggest satisfied customers may not be sufficient to create loyal customers (Cronin et all. 1992). These studies tend to support (Reichheld's. 1993) argument that customer satisfaction is *not* a surrogate for customer retention or customer loyalty. and thus increasing customer satisfaction does not necessarily lead to increased customer loyalty to an organization.

One factor often influencing service loyalty is switching costs those associated with changing from the use of one product or provider to another (Guiltinan. 1989; Klemperer 1987; Zeithaml. 1981). Switching costs include investments of time. money. or effort. perceived by customers as factors that make it difficult to purchase from a different firm (Guiltinan. 1989). Switching costs can affectively strengthen service loyalty by making it difficult for the customer to go to another provider.

Another factor typically not considered in brand loyalty studies is interpersonal relationships. The relationship marketing literature implies that interpersonal relationships are particularly important in the development of loyalty to services

(Berry.1983; Crosby. et al. 1990: Czepiel. 1990). That is. with services an additional important component of the product offering can be the interpersonal interaction between employees and customers (Surprenant and Solomon. 1987).

Three characteristics of services: intangibility. heterogeneity. and interaction intensity. provide opportunities for person-to-person interactions (Czepiel and Gilmore. 1987).
In summary. the literature seems to suggest that. in addition to satisfaction. switching costs and interpersonal relationships may influence the development of customer loyalty to service providers. Some other factors like price. brand names. time. and first entrants also carry an influence on brand loyalty and needs to be addressed in firm's marketing strategy. Studies by Gremlera and Brown of University of Idaho. USA (1987) indicate that service loyalty is dependent on three antecedents: satisfaction. switching costs. and interpersonal bonds.

2.3 Trends in the mobile phone industry

Mobile telephony adoption is on the rise and the related technological innovations have dramatically enhanced the capabilities of the mobile phones (Salzaman et al, 2001). About two billion people worldwide are using a mobile phone.

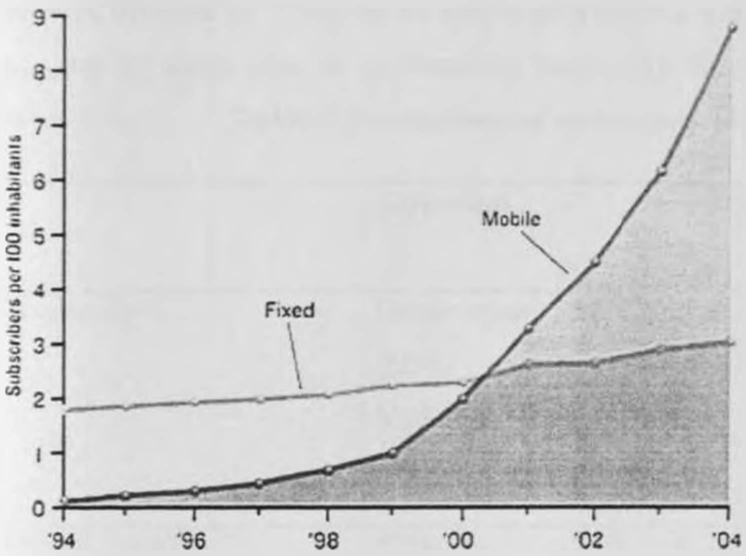
Increased competition in the sector has been hampered by a delay of the emergence of a third mobile operator in the country. which would have helped push call rates lower.
Econet Wireless Kenya. a unit of South Africa-based Econet Wireless International. has been delayed from rolling out in the country by legal wrangling over its license. Africa and specifically Kenya. has seen tremendous growth in the mobile phone industry.

Figure 1: Average annual world growth rate in mobile phone subscription, 1999-2004

Source: International Telecommunication Union 2004

Africa far outpaces the rest of the world in average annual growth of mobile phone subscriptions. According to the International Telecommunication Union, from 1999 through 2004 Africans signed up for cell phones at a far greater rate than Asians and nearly three times as fast as Americans. Most of that growth was in the sub-Saharan region

Figure 2: Comparison of growth rates in the mobile and fixed phone sectors.



Source: International Telecommunication Union 2004

The most recent figures from the International Telecommunication Union show that between 1994 and 2004 the number of telephone subscribers per 100 inhabitants in Africa increased dramatically. thanks to a huge upsurge in cell phone usage starting in the late 1990s.

One indicator of the telecommunications industry's deep penetration into the everyday economy is the ubiquitous wireless-phone kiosk, where customers can rent mobile phones by the minute. According to an article in the standard by Tom Mogusu on 2nd March 2008, although taxation is viewed as one of the barriers to mobile phone penetration in Kenya, the latest mobile trends indicate that the subscriber levels have increased by 43 per cent over the past one year. That is the time economic growth levels passed the 5 per cent mark with the consumer appetite for communication hitting the roof.

Following the introduction of community mobile pay phones. Telkom Kenya. the country's own landline operator that has seen its subscriber base drop in recent years .The payphones are easy to operate. since they require no physical connections to the phone network operated by. They can be used even where there is no electricity. as they can be powered by either solar or car batteries. making the most remote parts of the country accessible.

Table 1: Comparison of service providers

	Safaricom	***Zain***
Ownership	Government of Kenya (60%) Vodafone Kenya Limited (40%)	Celtel International (80%) Sameer Group (20%)6
Market share7	80%	18%
Technology	GSM-900 and GSM-1800: 1996. GPRS: July. 2004. 3G Full License: November. 2007	GSM-900: August. 2000, GPRS: December. 2005
Subscribers	9.245.000 as of 31 December. 2007	2.104.000 as of 31 December. 20076
Prepaid share	98.8% as of 31 December. 2007	98.0% as of 31 December, 20076
Revenues8	USD677million (first nine months)	USD194 million (2007)6

Source: Safaricom website 2008.

The Kenyan market is largely comprised of prepaid subscribers. which accounted for approximately 99% of total Safaricom subscribers as of December. 2007. Safaricom is the market leader in the overall mobile market with an estimated market share of 80% as of December. 2007. while Celtel held a 18% market share.5 It is not uncommon for prepaid mobile customers to have more than one SIM card from competing operators. so that two mobile operators may be counting the same user in their customer numbers.
It is expected that new entrants (Telkom Kenya and Econet. expected to launch in 2008) will erode part of this market share in future years.

When I asked some people if they preferred Safaricom or Celtel services. I found that more people prefer Safaricom. It became clear to me that this is because Safaricom has been here the longest and people are more comfortable with that network as they are used to it. As known. when new subscribers sign up for cell phone services. they are usually influenced by their friends. families and colleagues (Wachira. 2003).

Since Safaricom has been in existence for longer. it has established a very loyal customer base. which is active in attracting more and more subscribers. It should be noted. however. that although Safaricom remains the leading network provider, since it has more subscribers than Celtel (Wachira. 2003).

When I spoke to a number of people who are Celtel customers about choosing Celtel, they told me that it is mainly because of the wide coverage Celtel has within East Africa and in other parts of Africa. Celtel makes it no secret that its goal is to build and to operate world-class networks that will keep pace technologically with networks in Europe and North America: all this is seen through their numerous services, the main one being the One Network service (Wachira. 2003).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research framework was a descriptive one since descriptive studies have the dimension of investigating possible relationships between two or more variables. This research design was useful in estimating the proportion of people who behave in a certain way that is that are loyal to a specific service provider and why.

The study was cross sectional in that data was collected from the sample only once. Previous studies in the mobile phone industry and on brand loyalty have successfully used this design in the past (Mukiri, 2001, Wambugu, 2002).

3.2 Target population

The study was based on prepaid mobile phone subscribers and post paid mobile phone subscribers since 99% of Kenyan mobile phone subscribers are on pre paid service (CCK data, 2007). The customer population consisted of customers from randomly selected authorized dealers, retail shops and customer care centers of the two service providers, who operate in Nairobi city centre. A map of the area to be covered is attached as (Appendix 5).

Lists of the authorized dealers, retail shops and customer care centers were obtained from the service providers' websites (Appendix 3 and 4). According to the lists there are twenty one (21) Safaricom authorized dealers, and customer care centres in Nairobi while Zain has seventeen (17) authorized dealers, and customer care centers.

3.2.1 Pre paid customers

The pre-paid concept was born in South Africa, where it saw one of its first commercial successes. Pre-paid solutions operate ideally in cash-based economies (International Telecommunications Union, 2004). Pre-paid service has allowed millions of users who would not normally financially qualify for subscription-based service to become mobile users (International Telecommunications Union, 2004). The term prepaid is used to refer to a payment plan whereby the client buys airtime in advance. That is they top up and then use the airtime till it's finished.

Both of the two service providers have prepaid service and the concept is the same. Under post paid option. a customer can pick one out of the many tariffs offered by the service provider. The Kenyan market is largely comprised of prepaid subscribers. which accounted for approximately 99% of total Safaricom subscribers as of December. 2007 (Safaricom prospectors. 2008).

The Safaricom prepaid service allows the freedom and flexibility to pay as you use. With prepaid you can choose a tariff plan that suits your communication lifestyle. You can also choose from our wide range of recharge methods and top-up denominations to suit your budget (Safaricom website. 2008). Zain offers you personal plans to suit your individual calling patterns. Our Prepaid plan gives you maximum control over your calling costs (Zain website. 2008).

3.3 Sample design

The service providers were hesitant to disclose details of their customers and especially a list of them. The reason for their unwillingness to disclose such information is customer confidentiality and also the risk of such information leaking to their competitors. Financial and time constraint on the part of the researcher also did not allow the researcher to use the full listing of all the mobile phone subscribers if it were to be available.

The sampling units for this study were randomly selected from the lists of the authorized dealers. retail shops and customer care centres of the respective service providers which acted as a sampling frame. The sampling units were selected randomly using lottery method. Previous studies on the mobile industry by (Mukiri. 2001) had also used the same sampling technique. 70% of the dealers picked to form the sampling frame were from Safaricom while 30% were from Zain. This was because of Safaricom's large market share. Following previous studies by (Mukiri. 2001) and (Wambugu. 2002) on the mobile phone industry and brand loyalty respectively. using systematic sampling technique every fifth adult customer who visits the dealer was asked to complete the questionnaire and if willing to do so. they were be given the questionnaire for self administration.

The first respondent was picked randomly. Respondents who did not own and were not using mobile phones were excluded from the sample to screen out first time buyers. In such a case. the next customer was picked. Because of budgetary constraints. a total of 100 respondents were interviewed. That is 70 from Safaricom and 30 from Zain.

3.4 Data collection

The type of data that was used in this study was qualitative data that was collected using primary data collection method of a self administered questionnaire. The questionnaire was filled in by the customers who were visiting the dealers that were chosen as part of the sample.

The questions on the questionnaire were mainly employing rating scale technique. This is because such questions would help in collecting data on which factors affect brand loyalty and also to establish the most important factors that affect brand loyalty. The questionnaire was a structured one. The researcher together with the research assistants gave the questionnaires to the respondents in the dealer's shops. A sample of the questionnaire is attached as Appendix 2.

3.5 Data analysis

The major data analysis tool the researcher used was descriptive analysis. It included estimation of the mean and mode to be able to establish the main factors that determined the levels of loyalty to mobile phone service providers.

Proportions/percentages. frequencies and mean scores were used to summarize the collected data. Mean score were used to make comparisons. Tables and graphs were used to present the information.

CHAPER FOUR: DATA ANALYSIS AND FINDINGS

The data analysis was based on the research objectives stated in chapter one. Data in this study was summarized and presented in terms of mean scores. graphs. tables and proportions. Most of the graphs are a summary of the likert scale items used to gather information.

4.1 Response rate

The questionnaires were edited and coded after which the data was entered into SPSS (Statistical Packages for Social Scientists). Two questionnaires were rejected because the subscribers that filled them in were on the post paid service and yet the study was based on prepaid customers only.

Table 2: Response Rate

Respondents	Targeted Respondents	Actual Respondents	% Total response
Prepaid customers	100	98	98%

From table 2. the response rate of the subscribers was 100% although 2% of these were not valid. The researcher found the response rate adequate and sufficient for the study and also for the purpose of data analysis.

4.2 Sample Demographics

Demographic characteristics of the respondents are discussed in terms of age and the level of education. The researcher was interested in establishing the ages and level of education of the respondents

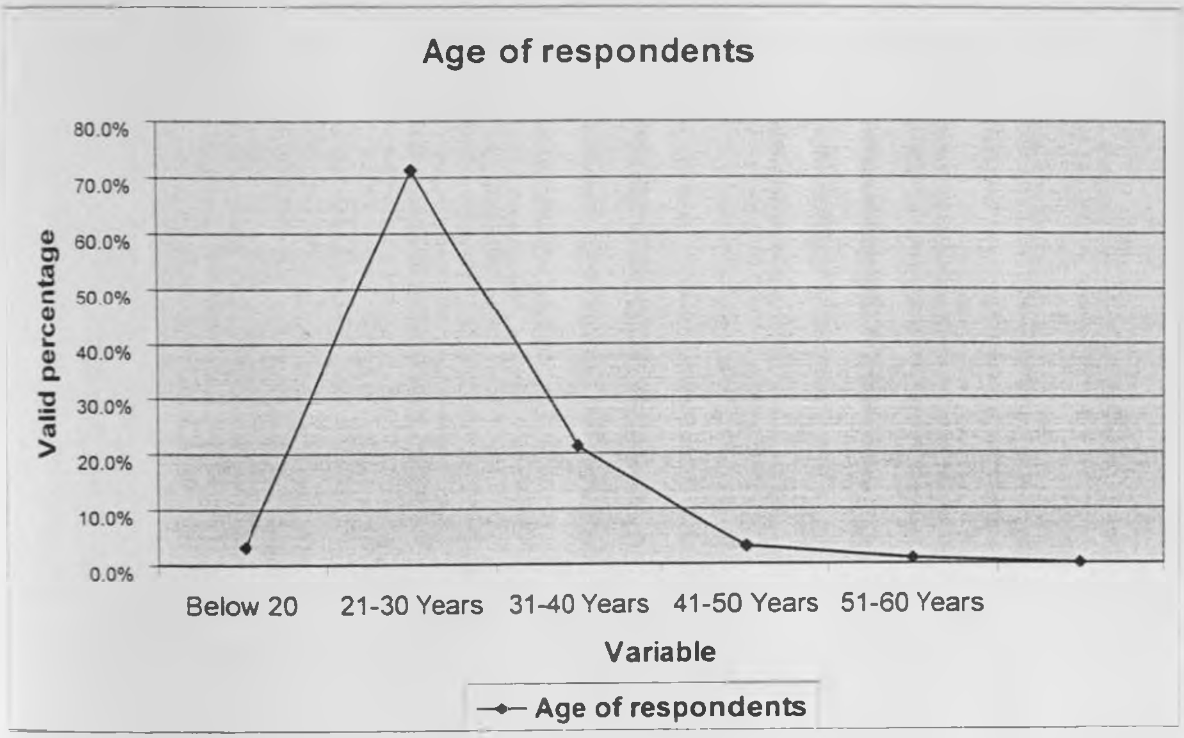
a) Age

As shown in table 3 and in figure 3: Out of the 98 customer respondents. 3.1% of them were below 20 years of age. Those between 21 and 30 years of age were 71.4% while the ones between the ages of 31 and 40 years were 21.4%. The respondents between the ages of 41 and 50 years were 3.1%. Those between the ages of 51 and 60 years were 1% of the total respondents that filled in the questionnaires. None of the respondents that filled in questionnaires was above 61 years of age. Most of the respondents in the study were between the ages of 20 and 40 years of age.

Table 3: Age of respondents

	Variables	Frequency	Valid percentage	Cumulative percentage
Valid	Below 20 Years	3	3.1%	3.1%
	21-30 Years	70	71.4%	74.5%
	31-40 Years	21	21.4%	95.9%
	41-50 Years	3	3.1%	99%
	51-60 Years	1	1%	100%
	Total	**98**	**100%**	

Figure 3: Age of respondents



b) Level of Education

The highest level of education attained was used as a measure of the education level in this study. Table 4 contains the responses on sample respondents' level of education. The researcher found that none of the respondents was illiterate, 2% of them had only attained primary education, and 46.9% of the respondents had attained college education while 42.9% of the respondents had attained university degree level of education. Only 8.2% of the respondents had attained post graduate degrees. This implies that there was no problem in Self administration of the questionnaire.

Table 4: Level of Education

	Variables	Frequency	Valid percentage	Cumulative percentage
Valid	Never went to school	-	-	
	Primary education	2	2%	2%
	College level	46	46.9%	48.9%
	Degree level	42	42.9%	91.8%
	Post graduate degree level	8	8.2%	100%
	Total	**98**	**100%**	

4.3 Mobile phone factors

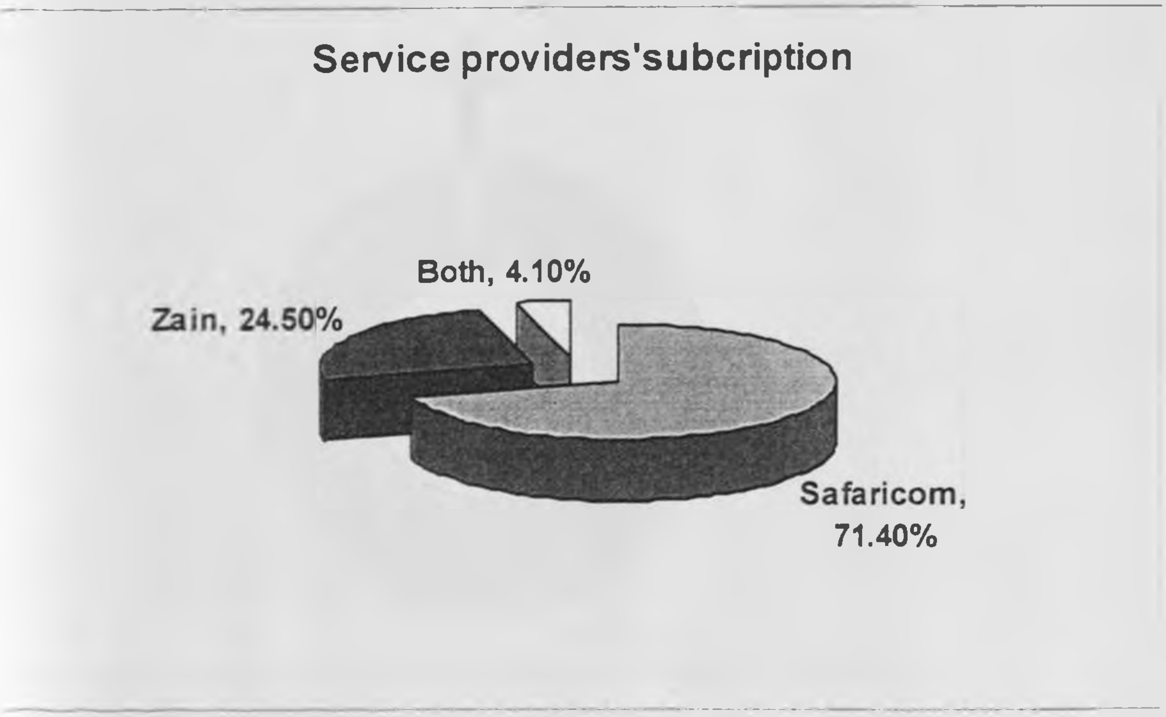
a) Subscription

Figure 4 summarizes the relevant data on the mobile phone service providers that the respondents subscribe to. 71.4% of the respondents were on Safaricom while 24.5% of the respondents were on Zain. 4.1% of the respondents subscribe to both service providers.

Table 5: Mobile phone Company to which you are connected to

	Variables	Frequency	Valid percentage	Cumulative percentage
Valid	Safaricom	70	71.4%	71.4%
	Zain	24	24.5%	95.6
	Both	4	4.1%	100%
	Total	98		

Figure 4: Mobile phone Company to which you are connected



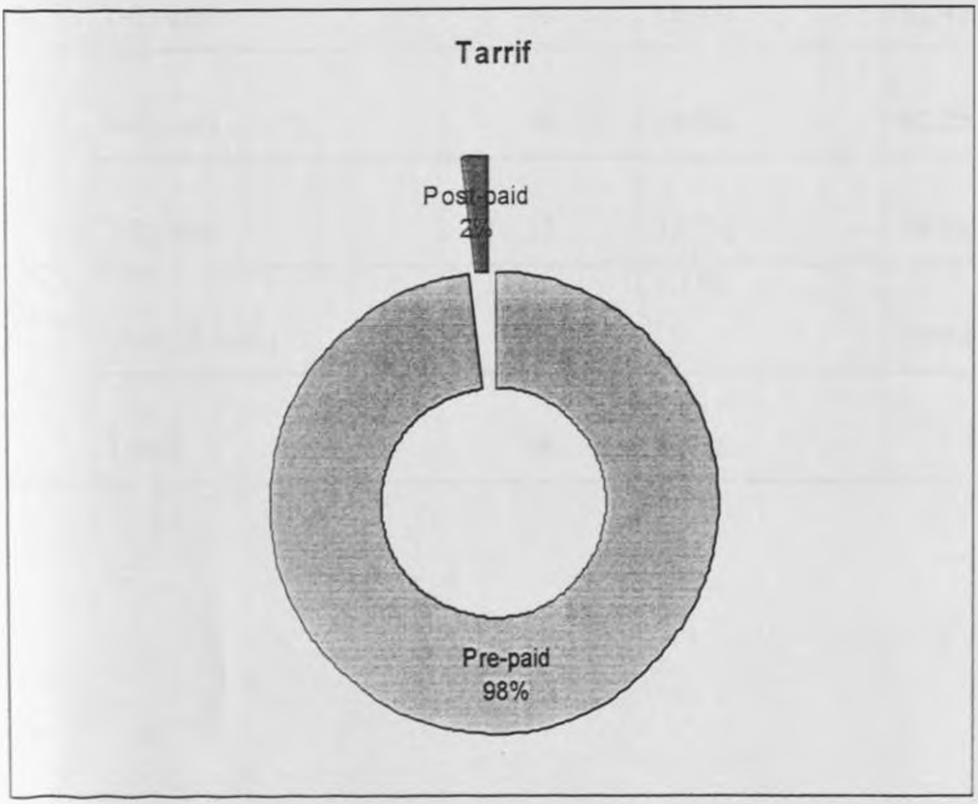
b) Tariffs

The above question was put in place to ensure that only the targeted clients, that is the pre paid customers data was analyzed. Table 6 below shows that 98% of the respondents were on prepaid service while only 2% of the respondents were on post paid service. Since the study was based on prepaid customers, data from the postpaid customers was not valid for the study.

Table 6: Tariffs

Variable	Frequency	Percentage
Pre-paid	98	98%
Post-paid	2	2%
Total	**100**	**100%**

Figure 5: Tariffs



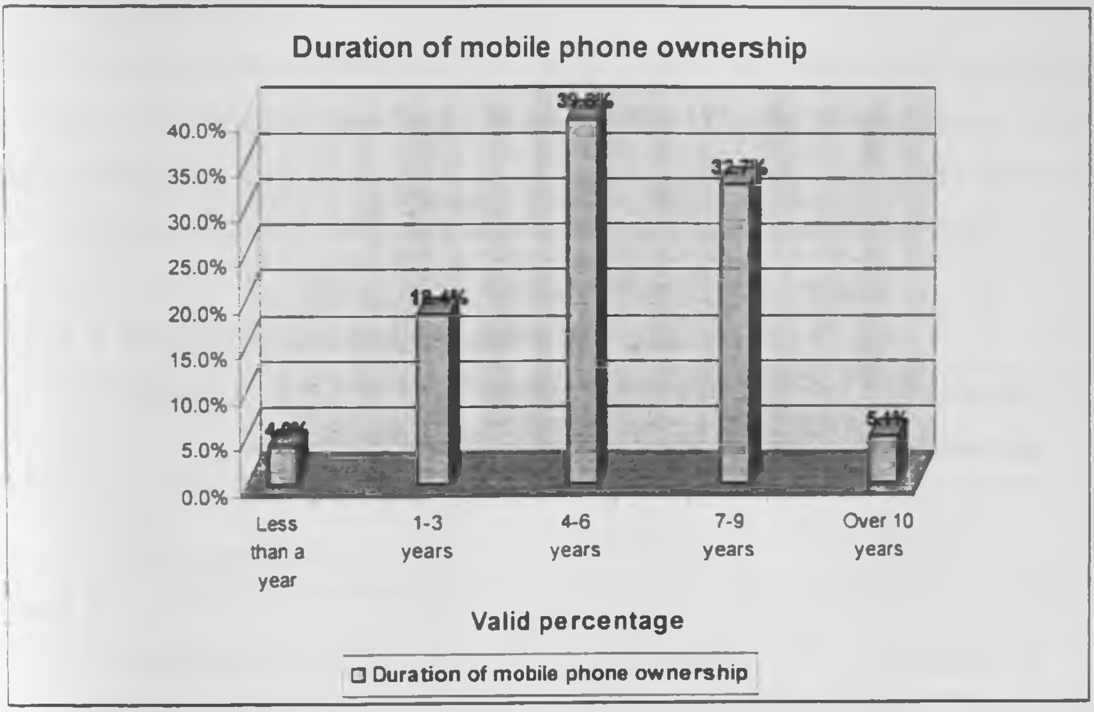
c) Mobile phone ownership

From table 7 and figure 6 below. 4% of the respondents have been having a mobile phone for less than 1 year. 18% of the respondents have owned a mobile phone for a period of 1 – 3 years. 39% of the respondents have owned a mobile phone fro a period of 4 – 6 years. 32% of the respondents have had a mobile phone for a period of 7 – 9 years while only 5% of the respondents have had a mobile phone for a period of over 10 years.

Table 7: Duration of mobile phone ownership

	Variables	Frequency	Valid percentage	Cumulative percentage
Valid	Less than a year	4	4.0%	4.0%
	1-3 years	18	18.4%	22.4%
	4-6 years	39	39.8%	62.2%
	7-9 years	32	32.7%	94.%
	Over 10 years	5	5.1%	100%
	Total	**98**	**100%**	

Figure 6: Duration of mobile phone ownership



d). Changed service provider

Table 8 gives a summary of the number of people who had changed their service provider. From the table. 31.6% of the respondents had changed their mobile phone service providers at some point in time while 68.4% of the respondents had never changed their mobile phone service provider every since they started using a mobile phone.

Table 8: Number of respondents that had changed their service providers

	Variables	Frequency	Valid percentage	Cumulative percentage
Valid	Yes	31	31.6%	31.6%
	No	67	68.4%	100%
	Total	98	100%	

e) Direction of change

Table 9 below shows the direction of the changes that the respondents have made during the period in which they have owned mobile phones. 12.2 % of the respondents moved from Safaricom to Zain while 19.4% of the respondents moved from Zain to Safaricom. 68.4 % of the respondents have not changed their mobile phone service providers.

Table 9: Direction of the change of service provider

	Variables	Frequency	Valid percentage	Cumulative percentage
Valid	Safaricom to Zain	12	12.2%	12.2%
	Zain to Safaricom	19	19.4%	31.6%
	Not changed	67	68.4%	100%
	Total	**98**	**100%**	

4.4 Factors influencing switching of mobile phone service providers

The respondents were to rank the factors that influenced their changing of mobile phone service providers with (1) being very important and (5) being the least important factor. For this answers the means were computed to show the factors that had the highest mean and those with the least mean.

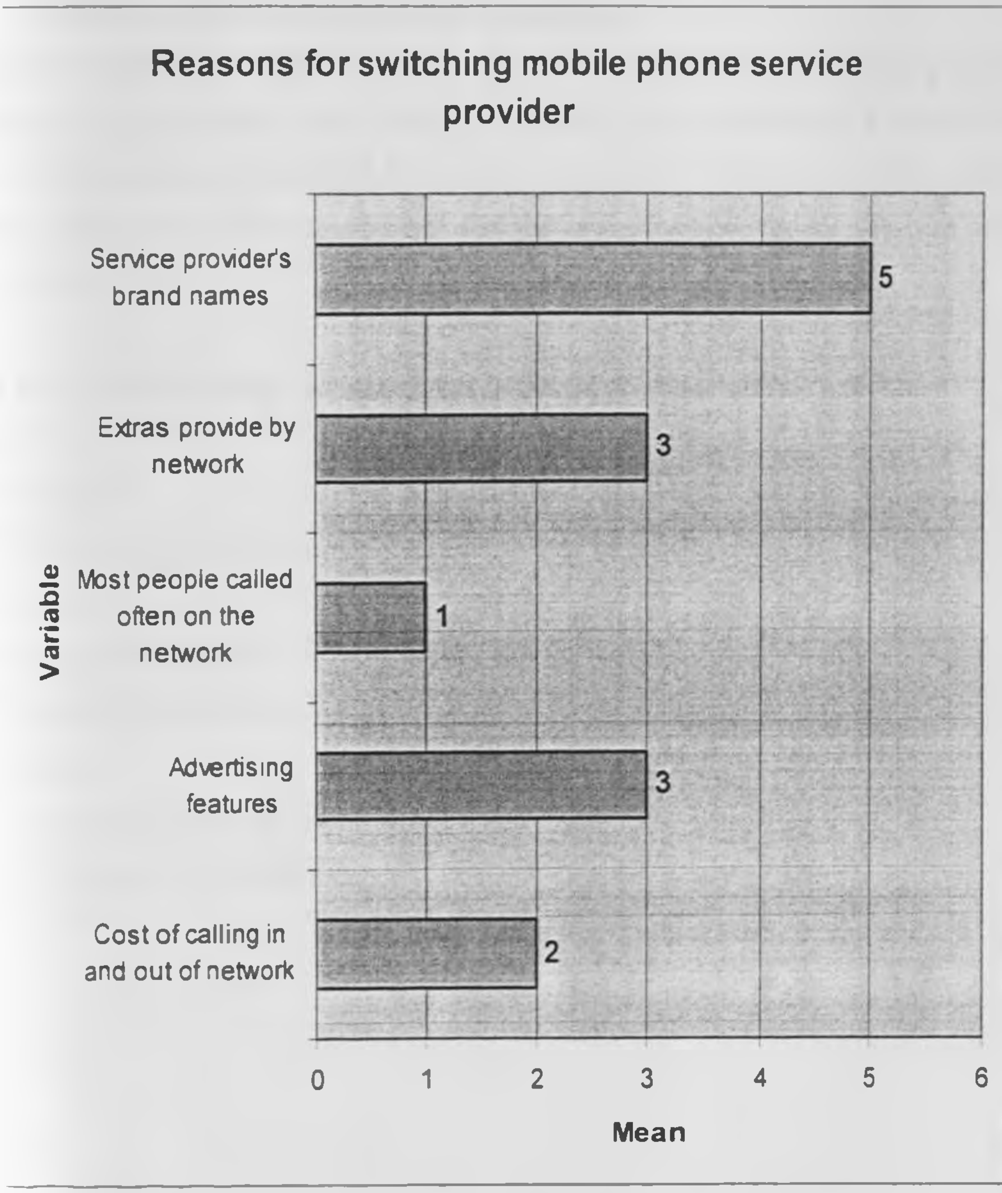
a) **Reasons for switching mobile phone service provider**

Table 10: Ranking the reasons for switching to other service provider

Variables	Very Important (1)	Important (2)	Neutral (3)	Not Important (4)	Least important (5)
Cost of calling in and out of network	22	6	2	1	
Advertising features	-	2	7	15	7
Most people called often on the network	18	9	4	-	-
Extras provide by network	6	6	6	9	4
Service provider's brand names	-	-	4	7	20

Table 10 above shows the respondents ranking of the reasons why they switched their mobile phone service providers. Figure 7 shows the mean of the reasons stated in table 9. From the figure below. most people I call are on the network had a mean of 1, while the cost of calling in and out of the network had a mean of 2. Extras provided by the network and advertising features both had a mean of 3. Service provider's brand names had a mean of 5.

Figure 7: Reasons for switching mobile phone service providers



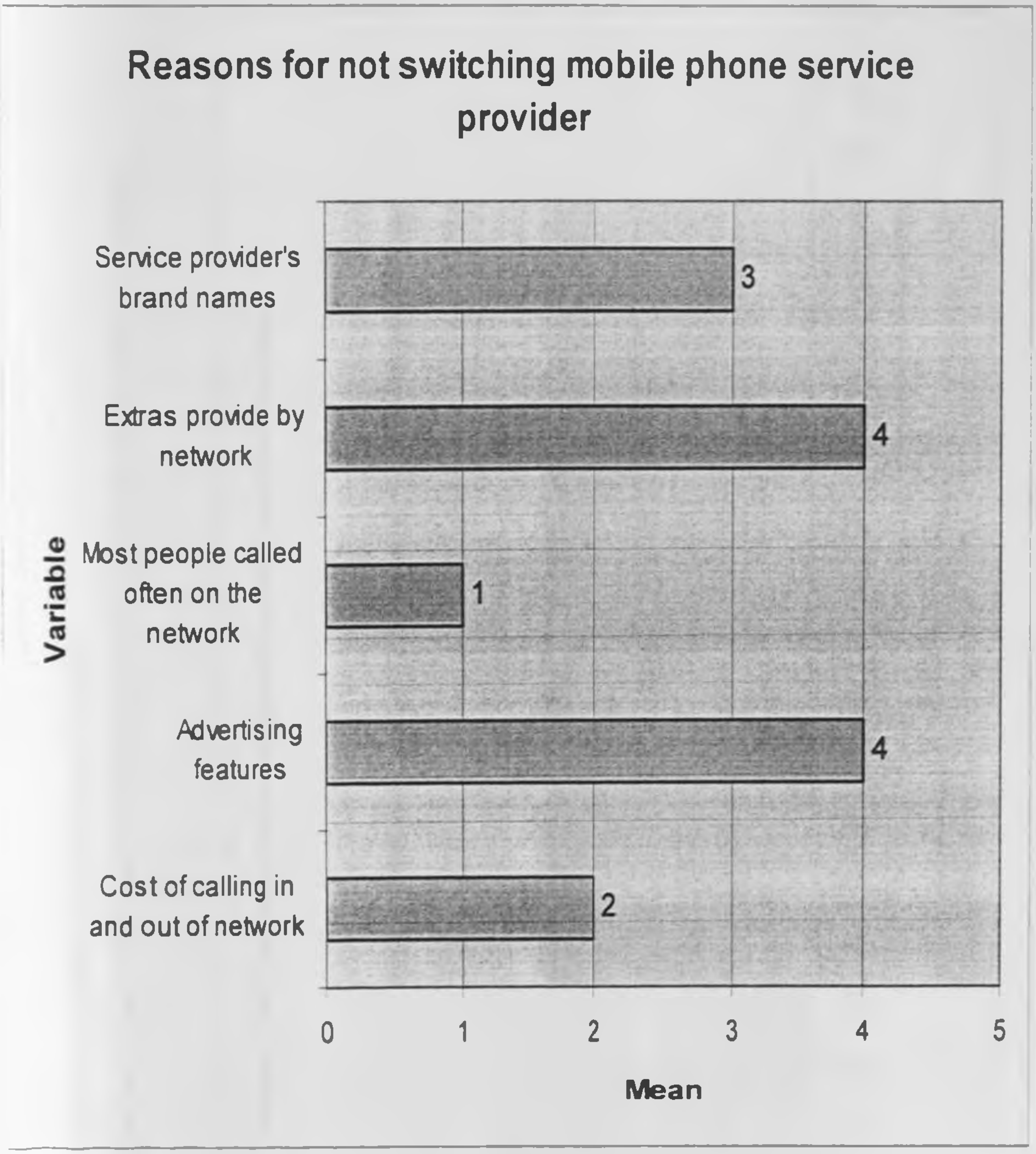
b) Reasons for not switching service provider

Table 11 and figure 8 below show the respondents' reasons for not switching their mobile phone service providers. Most people I call are on the network had a mean of 1 while cost of calling in and out of the network had a mean of 2. Service provider's brand names had a mean of 3 while extras provided by the network and advertising feature both had a mean of 4

Table 11: Ranking the reason for not switching to other service providers

Variables	Very Important	Important	Neutral	Not Important	Least important
Cost of calling in and out of network	24	27	3	2	4
Advertising features	2	6	18	18	19
Most people called often on the network	31	26	6	2	2
Extras provide by network	2	10	28	17	14
Service provider's brand names	1	2	11	20	33

Figure 8: Reasons for not switching to other service providers



4.5 Factors influencing choice and loyalty to mobile phone service provider

a) Factors influencing choice of a mobile phone service provider

Figure 9: Graphical representation of the factors influencing choice of mobile phone service provider

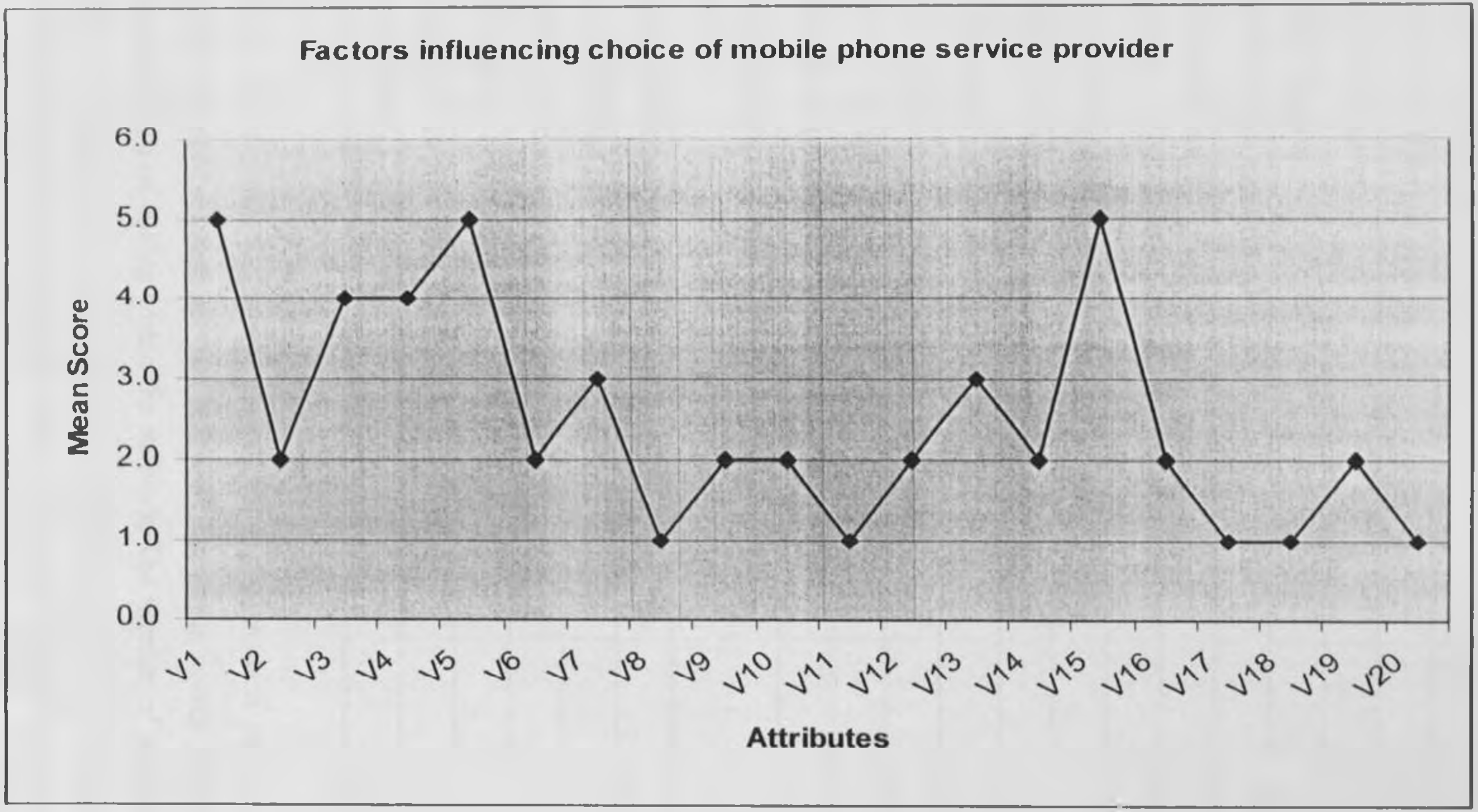


Table 12: Factors influencing choice of a mobile phone service provider

Variable	Descriptor	Mean Score
V1	Cost of calling within the network	5
V2	Cost of calling a different network	2
V3	Current network coverage	4
V4	Advertising features	4
V5	The number of services offered	5
V6	Image of dealers and other outlets	2
V7	Voice quality	3
V8	Friendly customer service employees	1
V9	Fast action on complains	2
V10	Service providers outlets near work place or home	2
V11	Employee discretion in solving customer problems	1
V12	Time taken to go through the line	2
V13	Service availability when needed	3
V14	Frequency of service providers promotions on different services	2
V15	Most people called are on the network	5
V16	Extras provided like points	2
V17	Availability of product information	1
V18	Service providers brand names	1
V19	Duration of service providers existence in the market	2
V20	Ownership of the service provider	1

From table 12 above, the respondents showed the extent to which each of the attributes influenced their choice of mobile phone service provider. The mean scores of each of the attributes were computed. Cost of calling within the network, The number of services offered and Most people called are on the network had the highest mean scores of 5 implying that they were the most important factors influencing the choice of a mobile phone service provider.

Other factors like Current network coverage and Advertising features are also important in influencing choice of a mobile phone service provider as they both had a mean of 4. Factors like Ownership of the service provider. Service provider's brand names. Availability of product information. Employee discretion in solving customer problems and Friendly customer service employees had the least influence on the choice of mobile phone service providers as they all had a mean of 1.

Other factors that had little influence on the choice of mobile phone service provider were: Duration of service providers existence in the market. Frequency of service providers promotions on different services. Extras provided like points. Time taken to go through the line. Service providers outlets near work place or home. Image of dealers and other outlets and Cost of calling a different network which all had a mean of 2. Factors like Voice quality and Service availability when needed had average influence on the choice of a mobile phone service provider as they both had a mean of 3. .

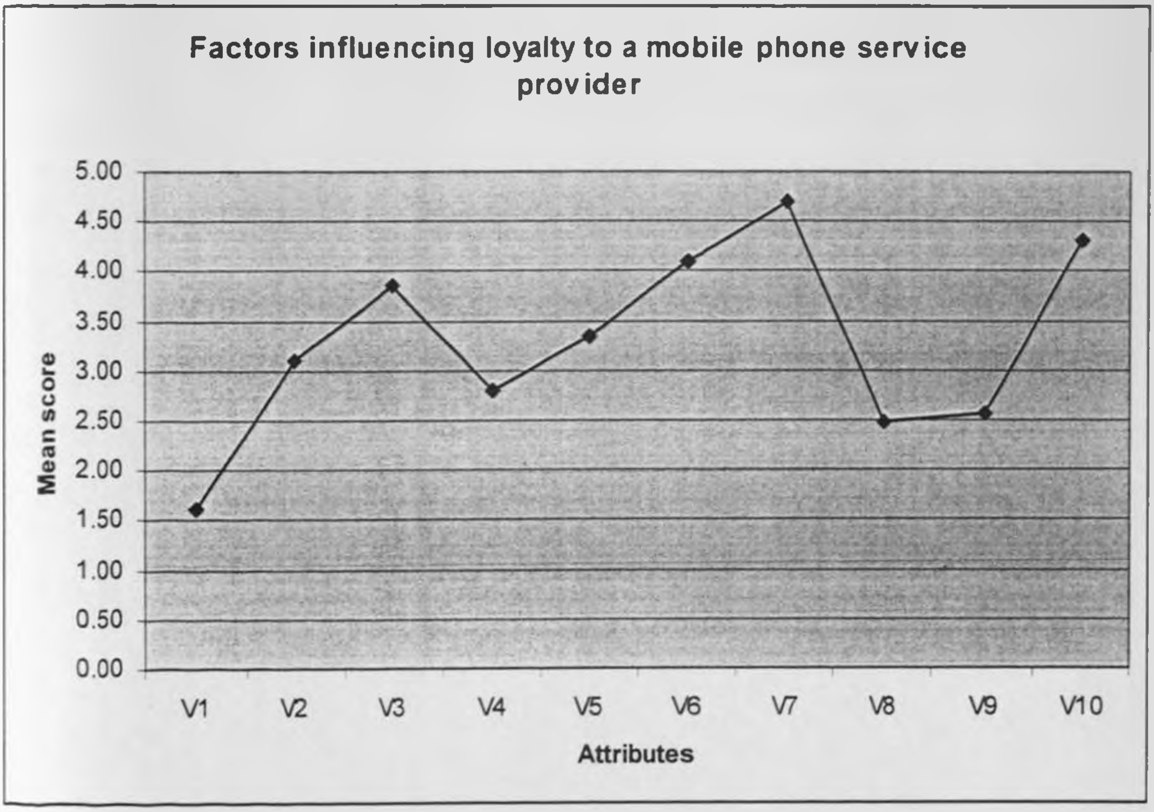
b) Factors influencing the choice to stay loyalty to a mobile phone service provider

The respondents were asked to rank the attributes from the most important to the least important in influencing their choice to stay loyal to a mobile phone service provider. 1 was meant to represent the most important factor while 10 was to represent the least important factor. their responses are summarized in table 13 and figure 10 below

Table 13: Mean score of factors influencing choice to stay loyal to a mobile phone service provider

Variable	Descriptor	Mean score
V1	Number of people called within the network	1.61
V2	Cost of calling a different network	3.10
V3	Extra services provided	3.85
V4	Promptness of service	2.80
V5	Complaint handling	3.35
V6	Flexibility	4.10
V7	Ownership of the service provider	4.70
V8	Cost of calling within the network	2.48
V9	Current network coverage	2.57
V10	Brand names used by service provider	4.30

Figure 10: Graphical representation of the factors influencing the choice to stay loyal to a mobile phone service provider



Number of people called within the network had the lowest mean of 1.61 which means that it was the most important factor influencing loyalty to mobile phone service providers. Cost of calling within the network had the second lowest mean of 2.48. Current network coverage was also an important factor as it had a mean score of 2.57. Promptness of service had a mean score of 2.80 while Cost of calling a different network had a mean score of 3.10. Complaint handling had a mean of 3.35 while Extra services provided had a mean score of 3.85. Other factors like Flexibility and Brand names used by service provider had the highest means of 4.10 and 4.30 respectively. This means that. Number of people called within the network. cost of calling within the network and current network coverage were the most important factors influencing loyalty to mobile phone service providers while brand names used by service provider, flexibility and extras provided by the network like points had the lowest influence in the choice to stay loyal to mobile phone service providers

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The three objectives of the study were aimed at assessing the factors that influence brand loyalty to mobile phone service providers. This was achieved by measuring the factors the factors that influenced switching of mobile phone service providers as well as those that influenced the choice to be loyal to a mobile phone service provider.

To satisfy these objectives. relevant data was collected from selected mobile phone customers from both Safaricom and Zain mobile phone service providers. A questionnaire based n previous literature as well as prior discussions with the customers was used as the main data collection instrument. A five point likert scale type of question was used in the questionnaires that were given to the customers. The likert scale questions were analyzed using mean scores. Demographic data was analyzed by use of descriptive statistics like proportions and frequencies. The analysis was done from valid questionnaires for the customers (n=98: 70 from Safaricom and 28 form Zain). Conclusions drawn from the findings are discussed in the next section

5.2 Conclusions

5.2.1 Demographic factors

From the study most of the respondents were between the ages of 21 and 40 years old. This implies that most of the active mobile phone users fall within this age bracket. It could also be attributed to the fact that since the study was conducted in the city centre and during the day, only people within that age bracket were available for the study. The study also showed that there were very few mobile phone users that were above 51 years old in the city centre.

The study also established that most of the people within Nairobi city centre were literate. This is basing on the fact that most of the respondents had either college education (46.9%) or degree level education (42.9%). Some of them had post graduate degree while very few had attained only primary education. None of the respondents was illiterate implying that most of the mobile phone users in Nairobi city centre are literate

5.2.2 Mobile phone factors

Majority of the mobile phone users in Nairobi city centre subscribe to Safaricom. This is because all the 70 intended Safaricom subscribers showed that hey were connected to safaricom. Some of the Zain customers confessed to being connected to both service providers. This is a sign of lack of loyalty or very low levels of loyalty to Zain as a mobile phone service provider.

The study was meant to be on pre paid customers since the form 98.8% of the total number of mobile phone subscribers in Kenya. The study also helped to prove this fact since 98% of the targeted respondents that filled in the questionnaires were on prepaid service while only 2% were on post paid service. Only the prepaid customers were considered valid for the study.

For the study, majority of the respondents had owned mobile phones for between the periods of 4 to 9 years. This implies that they had had enough time to experience the service provider and were in apposition to either stay loyal to a certain mobile phone service provider or to switch to others. Very few customers had owned mobile phones for less than one year (4%) making the study representative.

The study also provide that majority of the mobile phone subscribers (68.4%) had not switched their mobile phone service providers through out the period they had owned phones. This implies very high levels of loyalty in the mobile phone industry. Only a small number of subscribers (31.6%) had switched their service provider during the period they had owned mobile phones. Most of the subscribers that had switched their service providers had moved from Zain to Safaricom (36.1%) as compared to only (12.2%) of the subscribers who had moved From Safaricom to Zain.

From the study, the biggest reason for switching mobile phone service providers was that most of the people called were on the other network Another big reason was the cost of calling in and out of the network. The biggest reasons why people in the city of Nairobi have not switch their mobile phone service providers ever since they started having mobile phones include: the fact that most of the people they call often are on that network, the cost of calling in and out of the network and the service providers brand names. This implies that the number of people that are respondent calls often, who are connected to a certain network is a very important factor in determining whether or not a customer will switch their mobile phone service provider. The cost of calling in and out of the network is also an important factor that determines whether or not the customer will switch their service provider. Factors like extras provided by the network advertising features and the brand names used by the service provider are not very important in determining whether or not a customer will change their mobile phone service provider.

5.2.3 Factors influencing choice and loyalty to mobile phone service provider

Customers' choice of a mobile phone service provider is influenced most by the number of people they call that are on that network, the cost of calling within the network and the number of services the service provider offers. Nairobi city residents ranked these as the most important factors influencing their choice of a mobile phone service provider. Other factors that are important in the choice of a mobile phone service provider are Current network coverage and Advertising features. The least important factors include Ownership of the service provider, Service provider's brand names, Employee discretion in solving customer problems and Friendly customer service employees.

Customers' loyalty to a mobile phone service provider is highly influenced by; Number of people called within the network, the Cost of calling within the network, the Current network coverage, Promptness of service and the Cost of calling a different network. Customer loyalty is not or very rarely influenced by; Brand names used by service provider and the Ownership of the service provider.

From the study we can conclude that the factors that influence brand loyalty to mobile phone service providers are: Number of people called within the network, Cost of calling within the network, Current network coverage, Promptness of service and the Cost of calling a different network. We can also conclude that there exist high levels of brand loyalty to the mobile phone service providers.

5.3 Limitations of the study and suggestions for further research

This section discusses the limitations of the study and how they were overcome. It also looks at suggestions for further research

5.3.1 Limitations of the study

Financial and time constraints on the part of the researcher were the major constraints. These were over come by doing a case study of Nairobi residents as opposed to a sample survey of the whole of Kenya

The other limitation was the fact that the mobile phone service providers refused to give out a list of their subscriber because of customer confidentiality. This was dealt with by using a list of the authorized dealers to act as a sampling frame from which sampling units were picked.

5.3.2 Suggestions for further studies (Research)

The mobile phone is highly competitive and with the entrance of new players in the market like orange, things are bound to change. Coupled with the fierce price wars that have already begun there is need to repeat this study on a wider scale to see if the findings will be the same.

The study can also be carried out upcountry to establish if the findings will be the same. This could be done using different methodology.

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APPENDIX 1: INTRODUCTION LETTER

Brenda Nasubo Wandera.
D61/7049/06,
University Of Nairobi
P.O Box 11792 -00100
NAIROBI.
15/09/08.

Dear Sir/Madam,

RE: REQUEST FOR RESEARCH DATA

I am a Master of Business Administration student at the University of Nairobi carrying out a research project in partial fulfillment of the requirements of the degree. My research topic is **'Factors influencing brand loyalty to mobile phone service providers in Kenya: A case of Nairobi residents'**

Your organization has been selected as part of the sample for this study. I do hereby request for you to allow my research assistant to give questionnaires to some of your clients who will be visiting the shop to fill in.

The information collected will be used for academic purposes only and high levels of confidentiality will be observed. A copy of the project will be submitted to your organization upon request for the same.

Thank you.

Yours faithfully

Brenda Nasubo Wandera.

APPENDIX 2: CUSTOMER QUESTIONNAIRE

PART A

1. Please tick the age bracket in which you fall

Below 20 years ( )

20-30 years ( )

31-40 years ( )

41-50 years ( )

51-60 years ( )

Above 61 years ( )

2. Please indicate you level of education

Never went to school ( )

Primary education ( )

College education ( )

Degree level ( )

Post graduate degree ( )

PART B

3. Please indicate the mobile phone company to which you are connected

Safaricom ( )

Zain ( )

Both ( )

4. Please tick which tariff are you on

Pre paid ( )

Post paid ( )

5. How long have you had a mobile phone

Less than 1 year ( )

1 – 3 years ( )

4 - 6 years ( )

7 - 9 years ( )

Over 10 years ( )

7. a). Have you ever changed your mobile service provider through out the time you have had a phone? Yes ( ) No ( )

b). If yes, please indicate from which company to which company

Safaricom to Zain ( )

Zain to Safaricom ( )

c). If yes please indicate rank your reasons for switching with (1) being the biggest reason.

1. Very important 2. Important 3. Neither important nor unimportant 4. Not important 5. Not important at all

Cost of calling within the network and outside the network ( )

Advertising features ( )

Most of the people I call often are on that network ( )

Extras provided by the network ( )

Service provider's brand names ( )

d). If no, rank your reasons for staying with the same service provider with (1) being the biggest reason.

1. Very important 2. Important 3. Neither important nor unimportant 4. Not important 5. Not important at all

Cost of calling within the network and outside the network ( )

Advertising features ( )

Most of the people I call often are on that network ( )

Extras provided by the network ( )

Service provider's brand names ( )

PART C

1. Please indicate on the scale below by ticking (√) the extent to which these factors / attributes are important in your choice of a mobile phone service provider

5. Very important 4. Important 3. Neither important nor unimportant 2. Not important 1. Not important at all

	5	4	3	2	1
Cost of calling within the network	( )	( )	( )	( )	( )
Cost of calling a different network	( )	( )	( )	( )	( )
Current network coverage	( )	( )	( )	( )	( )
Advertising features	( )	( )	( )	( )	( )
The number of services offered	( )	( )	( )	( )	( )
Image of dealers and other outlets	( )	( )	( )	( )	( )
Voice quality	( )	( )	( )	( )	( )
Friendly customer service employees	( )	( )	( )	( )	( )
Fast action on complains	( )	( )	( )	( )	( )
The service provider has outlets near where I work or live	( )	( )	( )	( )	( )
Employee discretion in solving customer problems	( )	( )	( )	( )	( )
Time taken to go through the line	( )	( )	( )	( )	( )

Service availability when needed	( )	( )	( )	( )	( )
The service provider has frequent promotion of different services	( )	( )	( )	( )	( )
Most of the people I call are on this network	( )	( )	( )	( )	( )
Ability to get something extra like points	( )	( )	( )	( )	( )
Availability of product information	( )	( )	( )	( )	( )
Service providers brand names	( )	( )	( )	( )	( )
How long the service provider has been in the market	( )	( )	( )	( )	( )
Ownership of the service provider	( )	( )	( )	( )	( )

2. What are the most important factors in your choice to stay loyal to a mobile phone service provider? Please rank all the factors below starting with number one (1) for the most important and number ten (10) for the least important.

i. Number of people you call often that are on that network ( )
ii. Cost of calling a different network ( )
iii. Extra services provided ( )
iv. Prompt of service ( )
v. Complaint handling ( )
vi. Flexibility ( )
vii. Ownership of the service provider ( )
viii. Cost of calling within the network ( )
ix. Current network coverage ( )
x. Brand names used by service provider ( )

Thank you for your cooperation.

APPENDIX 3: SAFARICOM DEALERS IN NAIROBI

1. BON VOYAGE
1st Floor, Rank Xerox House
Parklands Road, Westlands
P.O.Box 19200 , Nairobi
Tel No: (020) 3755100
Contact: Reuben Chirchir / Linet
EMAIL: dkchirchir@bonvoyage.co.ke

2. CAPITAL REALTIME
Ground Floor, Lonrho House, Standard Street
P.O.Box 7422-00200 City Square , Nairobi
Tel No: (020) 246646/0722207472
Contact: Emmanuel Tarus / William
EMAIL: wchesire@capitalrealtime.co.ke

3. CELLNET LTD
Doshi Group Building, Mombasa Road ,
P.O.Box 75963-00200, Nairobi
Tel No: (020) 3752024 / (041) 222239
Contact: Samir Shah / Sachin
EMAIL: cellnet@doshigroup.com

4. COM 21 LTD
4th Floor, IPS building, Kimathi Street
P.O.Box 15818-00100 , Nairobi
Tel No: (020) 315480-1 / 248617 / 248884 / 318648 / 0722704539
Contact: Evans Mwaura / Jose Covaria / Mary Ngatia
EMAIL: jose.covaria@com21mobile.com

5. FORWARD MOBILE
2nd Floor, Town House, Standard Street
P.O.Box 62893 , Nairobi
Tel No: (020) 333180 / 222725
Contact: Ben Muchemi
EMAIL:forwardg@iconnect.co.ke

6. KARIBU TELCOM
Ground Floor, nipen Building , Arwings Kodhek Road ,
P.O.Box 7666-00603 , Nairobi
Tel No: (020) 2711298
Contact: Faith Edwards
EMAIL: joseph@ad-tel.com

7. MASHARIKI

ABCON House. Next to NIC Bank house or Barclays Card Center . Masaba Road
P.O.Box 30924-00100 , Nairobi
Tel No: 0722529355 / 07721285336
Contact: Rose Kanyiwuiro / Timothy
EMAIL: kanvwuiros@nic-bank.com

8. MINTSOFT

1st floor. View Park towers. Next to Jamnada (Credit Company). The door on the left side
P.O. Box 72159 - 00200, Nairobi
Tel No: (020) 212107 / 0722713775
Contact: Mohammed Mansour
EMAIL: mannsour@vahoo.com

9. MOBICOM (KENYA)LTD

Reinsurance Plaza. Aga Kahn Walk
P.O.Box 10783-00100 . Nairobi
Tel No: (020) 310243 / 0722348100
Contact: Joel Kibe / Giorgina
EMAIL: mmeneto@vahoo.com

10. ONLINE KENYA TECHNOLOGIES LTD

4th Floor. Room 29. Consolidated Bank Building
P.O.Box 19846 . Nairobi
Tel No: (020) 221884. 0722743669
Contact: Florence Koech
EMAIL: fkoech@onlinekenva.com

11. OROK COMMUNICATIONS LTD

Mezzanine Floor. Kenya Reinsurance Plaza . Taifa Road . Ground Floor.
P.O.Box 6728-00200 . Nairobi
Tel No: (020) 214766. 0722911988
Contact: Christopher Mulwa
EMAIL: orokcom@vahoo.com

12. SAMCHI TELECOMMUNICATIONS LTD

Ground Plaza . Barclays Plaza . Loita Str,
P.O.Box 16982-00619 , Nairobi
Tel No: 0722400000
Contact: E.W. Muchemi / Rose
EMAIL: esvmuchemi@kenvaweb.com

13. VIRTUAL MOBILE LTD
Ring Road. Kilimani. Opp. Yaya Center
P.O.Box 14815-00800 , Nairobi
Contact: Mark Macharia
Tel No: (020) 573341, 0720600247
EMAIL: kiragu@virtualcity.co.ke

14. BALFOUR BUILDING (KIMATHI STREET-GROUND FLOOR), NAIROBI
Kimathi Retail Centre
P.O Box 46350-00100
Tel: (020) 4272714/4272700

15. I&M BUILDING (KENYATTA AVENUE -GROUND FLOOR), NAIROBI
I&M Retail Centre
P.O. Box 46350-00100
Tel (020) 4272052/ 4272061

16. SHANKARDASS BUILDING (MOI AVENUE-GROUND FLOOR), NAIROBI.
Moi Avenue Retail Centre
P.O. Box 46350-00100
Tel (020) 4272914/19

17. NAKUMATT WESTGATE (MWANZA ROAD-OFF PEPONI ROAD-1ST FLOOR), NAIROBI
Westgate Retail Centre
P.O. Box 46350-00100
Tel: (020) 4272490/91

18. SARIT CENTRE (KARUNA ROAD -GROUND FLOOR), NAIROBI
Sarit Retail Centre
P.O Box 46350-00100
Tel: (020)4272216/62 4272133

19. JOMO KENYATTA INTERNATIONAL AIRPORT (J.K.I.A-LOUNGES), NAIROBI
JKIA Retail Centre (Lounges)
P.O Box 46350-00100
Tel: (020) 4273590/91

APPENDIX 4: ZAIN DEALERS IN NAIROBI

1. Mobile Connections Ltd - Westland's
Jethro House
Mpaka Road
Nairobi
020-4440169
0733-600434

2. Uchumi Ngong Hyper
Ngong Road
Nairobi
02-575712/3
02-575752

3. Uchumi Langata Hyper
Langata Road
Nairobi
02-604169/74

4. Uchumi Sarit Hyper
Sarit Centre
Lower Kabete Rd.
Nairobi
020-4442448
0733-410029

5. Mobile Phone Warehouse - Nairobi
Hughes Building
Muindi Mbingu
Nairobi
020-312711
0733-718785

6. Uchumi Koinange
Aniversary Towers
Koinange.
Nairobi
020-212357
020-222788

7. Uchumi City Square
Uchumi House
Aga Khan Walk
Nairobi
020-245332

8. Uchumi Buruburu
Uchumi.
Buruburu Shopping Centre
Nairobi
020-791628
020-797809

9. Uchumi Mombasa Road Capital Centre.
Uchumi.
Mombasa Road.
Nairobi
02-553646/47
10. Uchumi -Parklands.
Caltex Plaza
Parklands
Nairobi
020-3746591
020-3747040
11. Uchumi -Nairobi West.
Birongo Square.
Nairobi west shopping centre
Nairobi
020-602195/94
12. Uchumi -Wendani.
Kahawa West
Nairobi
020-813610/11
13. Eagles E.A. Communication
Samima House
Tom Mboya
Nairobi
020-253812
020-229082
14. Xcom Nairobi
Mitchell cotts
Wabera Street
Nairobi
0734-600073
020-217344
020-331763
15. Garissa Supermart
Nyota Plaza
Miraa Street
Nairobi
0733-530437
0733-818046
0734-829257
16. Zain shop
Mfangano Street
Nairobi
17. Zain shop
Market Street

APPENDIX 5: AREA COVERED