

**CUSTOMER SATISFACTION AND REVENUE
GENERATION AMONG SAFARICOM RETAIL CENTERS
IN NAIROBI**

BY

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

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DECLARATION

This management research project is my original work and has not been submitted for a degree in this or any other university.

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

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DEDICATION

This project is dedicated to my mother, Jane Murekio who has consistently encouraged and supported me throughout this course. May God bless her.

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My sincere gratitude goes to my supervisor, Eliud Mududa who tirelessly devoted his time and knowledge to guiding me by offering support and constructive criticism throughout the study. My gratitude also goes to my MBA colleague Catherine Mwangi. We shared difficult moments during the entire course of the program and I am grateful for your encouragement.

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ABBREVIATIONS AND ACRONYMS

CRM	Customer Relationship Management
ETACS	Extended Total Access Communications System
GoK	Government of Kenya
GSM	Global System for Mobile communication
ICT	Information and Communication Technology
SIM	Subscriber Identity Module
SIMEX	Subscriber Identity Module Exchange
SMS	Short Message Service
SPSS	Statistical Package for Social Sciences
TKL	Telkom Kenya Limited

ABSTRACT

Customer satisfaction has become integral to businesses in the retail industry as retailers realize the benefits accrued from customer loyalty and retention. One of the benefits identified is increased profitability. This study aimed to establish whether a relationship exists between customer satisfaction and revenue generation in Safaricom Retail Centers.

Safaricom as a company has invested a huge amount of money on monthly customer satisfaction surveys. These surveys are aimed at acquiring first hand information from customers about service delivery in the retail centers and are then used to bring about customer focused improvements in the overall service delivery and layout of the shops. The ultimate goal of these surveys is building a relationship with the customer therefore leading to loyalty and retention. Studies have shown that building better relationships with the customers resulted in better returns to companies (Reichheld, 1996).

Research for this study was carried out through the survey design. A sample of ten retail centers from Nairobi was used. Secondary data was obtained from the organization. This data included revenue data and customer satisfaction survey data for the ten retail centers for the period January 2010 to June 2010. Regression analysis was used to establish linkage between customer satisfaction and revenue generation.

The study has shown that there is a general sense of satisfaction amongst the customers. This is shown by the above average rating that they have given to their satisfaction levels. There is however a deteriorating aspect as the customer satisfaction levels reduces gradually as time passes. The study also showed a significant relationship between the level of customer satisfaction and the amount of revenue at the retail center. This calls for the company to carry out more studies on "customer needs assessment" so as to determine what customers value when being served.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Changes in customer expectations can be identified throughout the world. Customer relationship management (CRM) strategies have become increasingly important worldwide due to these changes in expectations from customers as well as changes in the nature of markets. The focus of a CRM strategy is the acquisition, retention and overall customer profitability of the specific group of customers.

Acquisition of customers refers to the need of organization to find new customers for their products. This means they are required to develop strategies to attract potential customers to purchase the product. The cost of attracting a new customer is estimated to be five times the cost of keeping a current customer happy (Kotler, 1997).

For retention of customers organizations also need to focus on existing customers in order to ensure that they continue purchasing and continue supporting the product. Organizations can increase their profitability by between 20% and 125% if they boost their customer retention rate by 5 percent (Peck, Payne, Christopher & Clark, 2004).

For profitability, customer profitability reflects the financial performance of customers with respect to all the costs associated with a transaction (Gordon, 1998). Profitability in the case of CRM is determined in the light of the lifetime value of the customer to the organization, taking account the income and expenses associated with each customer and their respective transactions over time (Gordon, 1998).

The challenge of retailing is to strike the balance between cost optimization and maintaining the level of service. The trade-off between these factors is a dynamic one and retailers have to endeavour to strike a balance towards it all times. Customer Satisfaction has become one of the basic fabrics of the retailing industry today.

During the last fifty years the market has changed from a product-oriented industry into a more market-oriented where the company puts the customer in the center. In order to be able to compete on a highly competitive market, a company has to be able to meet every

single customer's needs and expectations. To do this the company has to have a close relationship to the customers and trying to make them loyal to the company, because in general it costs five to ten times more to sell to a new customer than to an old customer. Perhaps the most important fact is that retailers who do not understand the concept of Customer is King will be left out in the competition. This study is an effort to understand the applications of Customer Satisfaction Surveys in the modern retail industry and more importantly establish if a relationship exists between customer satisfaction and revenue generation among Safaricom Retail Centers in Nairobi.

1.1.1 Customer Satisfaction

Customer satisfaction is the state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service (Cacioppo 2000). The achievement of customer satisfaction leads to company loyalty and product repurchase. Customer satisfaction has also been defined as a measure of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator within business and is part of the four of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy.

"Satisfaction" itself can refer to a number of different facts of the relationship with a customer. For example, it can refer to any or all of the following: Satisfaction with the quality of a particular product or service, satisfaction with an ongoing business relationship, satisfaction with the price-performance ratio of a product or service and satisfaction because a product/service met or exceeded the customer's expectations (Cacioppo, 2000). Each industry could add to this list according to the nature of the business and the specific relationship with the customer.

Customer satisfaction measurement variables will differ depending on what type of satisfaction is being researched. For example, manufacturers typically desire on-time delivery and adherence to specifications, so measures of satisfaction taken by suppliers should include these critical variables. Clearly defining and understanding customer satisfaction can help any company identify opportunities for product and service

innovation and serve as the basis for performance appraisal and reward systems. It can also serve as the basis for a customer satisfaction surveying program that can ensure that quality improvement efforts are properly focused on issues that are most important to the customer.

A number of benefits have been attributed to customer satisfaction surveys. A customer satisfaction survey enables a company to gain great insights about customers' needs, wants and requirements, and generates feedback (critical or praiseworthy) about the company's products, services and customer service. The results and feedback generated from a customer satisfaction survey attunes a company towards more focused customer service, and develops better relationships with customers to achieve brand success. Customer feedback in the form of answers, comments and suggestions about a company's products, business practices and customer service is one of the major benefits of a customer satisfaction survey. If feedback is critical or negative on any aspect, quick measures can be taken to bring about the desired improvements or address grievances and placate relevant customers. Analysis of customer feedback surveys and the information collected becomes the basis for customer intelligence. Used strategically, such intelligence can be used to drive innovation efforts and initiatives at the company.

A customer satisfaction survey also shows critical insights about different customer segments and products so that services and marketing approaches can be tailored accordingly. Customer satisfaction surveys enable companies consistently and better address customer needs and expectations, maintain brand reputation and facilitate long-term relationships with customers.

1.1.2 Revenue Generation

In business, revenue is income that a company receives from its normal business activities, usually from the sale of goods and services to customers. In many countries, such as the United Kingdom, revenue is referred to as turnover. Some companies receive revenue from interest, dividends or royalties paid to them by other companies. Revenue may refer to business income in general, or it may refer to the amount, in a monetary unit, received during a period of time. Profits or net income generally imply total revenue minus total expenses in a given period. In accounting, revenue is often referred to as the

"top line" due to its position on the income statement at the very top. This is to be contrasted with the "bottom line" which denotes net income. For non-profit organizations, annual revenue may be referred to as gross receipts. This revenue includes donations from individuals and corporations, support from government agencies, income from activities related to the organization's mission, and income from fundraising activities, membership dues, and financial investments such as stock shares in companies. For government, revenue includes gross proceeds from income taxes on companies and individuals, excise duties, customs duties, other taxes, sales of goods and services, dividends and interest.

In general usage, revenue is income received by an organization in the form of cash or cash equivalents. Sales revenue or revenues is income received from selling goods or services over a period of time. Tax revenue is income that a government receives from taxpayers. In more formal usage, revenue is a calculation or estimation of periodic income based on a particular standard accounting practice or the rules established by a government or government agency.

Business revenue is income from activities that are ordinary for a particular corporation, company partnership, or sole-proprietorship. For some businesses, such as manufacturing and/or grocery, most revenue is from the sale of goods. Service businesses such as law firms and barber shops receive most of their revenue from rendering services. Lending businesses such as car rentals and banks receive most of their revenue from fees and interest generated by lending assets to other organizations or individuals. Revenues from a business's primary activities are reported as sales, sales revenue or net sales. This excludes product returns and discounts for early payment of invoices. Most businesses also have revenue that is incidental to the business's primary activities, such as interest earned on deposits in a demand account. This is included in revenue but not included in net sales. Sales revenue does not include sales tax collected by the business.

Other revenue (a.k.a. non-operating revenue) is revenue from peripheral (non-core) operations. For example, a company that manufactures and sells automobiles would record the revenue from the sale of an automobile as "regular" revenue. If that same company also rented a portion of one of its buildings, it would record that revenue as

“other revenue” and disclose it separately on its income statement to show that it is from something other than its core operations.

Creating revenue is not the result of having a great product. It's having a framework of business processes that tie in together and deliver value to someone who needs what an organization can make or do and will pay for it. Everything has to line up in a way that makes sense, or bottlenecks will prevent revenue from flowing at the quantity and timeframe needed to support operations.

An organization must first identify the company's skills and how relevant and potential customers will find out about what the company does. Secondly, find out what the customers need and list specific things these customers will pay for. Thirdly, the company needs to create matching Products/Services and find out from target clients which they would buy. Fourthly, define the value being delivered and spell out in detail what the client is receiving. Check if the benefits match what the client asked for. Construct the financial transaction and establish a payment mechanism through which customer will pay for products/services offered and finally itemize the company's profit and loss cycle to determine what quantities of goods need to be sold in order to make profit. Therefore elements involved in revenue generation for organizations include, The Company's skills and abilities, user's needs, product/service, value creation and delivery, transaction and profit and loss cycle. These are achieved through Marketing, Engineering, Sales, Innovation, Payment and Financial Accounting processes.

1.1.3 Safaricom as an Organization

Safaricom, which started as a department of Kenya Posts & Telecommunications Corporation, the former monopoly operator, launched operations in 1993 based on an analogue ETACS network and was upgraded to GSM in 1996 (license awarded in 1999) Safaricom Limited was incorporated on 3 April 1997 under the Companies Act as a private limited liability company. It was converted into a public company with limited liability on 16 May 2002. By virtue of the 60% shareholding held by the Government of Kenya (GoK), Safaricom was a state corporation within the meaning of the State Corporations Act (Chapter 446) Laws of Kenya, which defines a state corporation to include a company incorporated under the Companies Act which is owned or controlled

by the Government or a state corporation. Until 20 December 2007, the CoK shares were held by Telkom Kenya Limited ("TKL"), which was a state corporation under the Act. Following the Offer and sale of 25% of the issued shares in Safaricom held by the CoK to the public in March 2008, the CoK ceased to have a controlling interest in Safaricom under the State Corporations Act and therefore the provisions of the State Corporations Act shall no longer apply to it.

Safaricom is a leading provider of converged communication solutions, operating on a single business driver that has a peerless understanding of voice, video and data requirements. Safaricom Limited, together with its subsidiaries, provides mobile phone, fixed line wireless telecommunication, Internet and data services in Kenya. It offers prepaid services, which include international dialing, voice mail, prepaid roaming, customer care access, tariff migration, loyalty scheme, and directory and information. It also offers postpaid services, data services and messaging services such as short messaging services (SMS), email, multimedia, call waiting/holding, security 911, as well as updates for news, sports, and entertainment.

The company also provides M-PESA which is a service that allows customers to transfer money using a mobile phone, premium rate services that offer recorded information or live conversation for callers and loyalty schemes. In addition, it offers various other services such as voice SMS and mobile advertising, missed call alert, SIMEX which is an over-the-air service that allows subscribers to replace their SIM cards, pre-paid roaming top-up and finally 3G network services. Further, the company operates retail outlets that offer phones, SIM cards, information brochures, laptops, 3G enabled devices, and accessories in Nairobi, Thika, Meru, Nakuru, Eldoret, Kitale, Kisii, Kisumu, Mombasa, and Garissa among other towns in Kenya. Safaricom Limited provides its products and services through retail centers and distributors.

1.1.4 Safaricom Retail Centers

Safaricom retail centers were initially called customer care centers. The customer care centers located in Nairobi, Mombasa and Kisumu were initially intended for providing customer care services for Safaricom subscribers as a compliment to the call center and pay bill points for postpaid subscribers. The centers were geared towards offering a one

stop solution to subscribers experiencing problems with their phone or service, selling of airtime and handsets, receiving and processing applications for new postpaid subscribers and pay bill centers for existing postpaid customers.

As the telecommunications industry in Kenya changed and Kencell, now Zain proved to be a competitor in the industry, Safaricom extended its network of customer care centers to Nakuru and opened more centers in Nairobi and Mombasa. By 2008 Safaricom decided to completely change its customer care centers into what are now retail centers. This revolution came with a new look design adopted from its mother company Vodafone UK. The retail centers spread over Nairobi, Mombasa, Meru, Embu, Thika, Garissa, Kisumu, Kakamega, Eldoret, Kitale, Bungoma, Naivasha, Nanyuki, Nyeri and Kisii towns are focused on sales and customer service. Agents' roles were changed from customer care representatives to retail sales agents. Safaricom has clearly recognized that in order to set itself apart from the other mobile service providers, it has to be innovative and be the trend setter. All retail centers have sales targets which are reviewed quarterly. Safaricom has also partnered with mobile phone manufactures Nokia, Samsung, I.G, Blackberry and Motorola to give customers genuine phones with warranty at prices that suit all kinds of customers. The Retail Centers are also an avenue for data sales and provide Laptops, Modems and Data services to customers. Clearly this sort of diversification is very synonymous with Safaricom's vision to be the best company in Africa.

In order to ensure that the transition into Retail focus does not affect customer care, Safaricom established a quality section within the Retail department that is tasked to ensure that the quality of service given to customers at the retail centers is at par with the standards set by the company in its quality policy. Safaricom also contracts a research company to provide monthly statistics on customer delight index based on interviewing customers visiting the retail centers and also mystery shopper activities.

The Retail Quality department conducts customer satisfaction surveys through telephone interviews, SMS surveys and organizes quarterly customer focus groups where customers are able to give their views on service provided at the retail centers. Through these surveys, Safaricom has been able to obtain vital information from customers and this

information has formed a part of key decision making on changes in the retail centers and overall service provision

1.2 Statement of the problem

Consumers are more highly informed than ever before and more able to compare process and products with little time, effort, or interaction with a retailer. In fact, it is safe to say that never before have consumers expected more from a retailer and exhibited so little loyalty to specific brands. However, leading retailers recognize that they must go beyond their historical product-focused operations and become more customer focused if they are to be successful in the twenty-first century (Kalms & Mullahy, 2003).

Customer loyalty and retention is brought about by customer satisfaction. Customer loyalty then leads to increased sales in retail and therefore increased revenue. Previous studies on customer satisfaction in the retail industry have concentrated on the determinants of customer satisfaction. (Imbuga, 2005) Determinants of Customer Satisfaction in Supermarkets in Nairobi, studied the factors that determine customer satisfaction in the supermarket industry. (Oduumbo, 2003) Determinants of Customer Satisfaction the Case of Mobile Phone Subscribers in Nairobi, also established the determinants of customer satisfaction in the mobile phone service industry. No study has been found yet that establishes the relationship between customer satisfaction and revenue generation in retail industry and no study has been found establishing the determinants of revenue generation in retail industry.

Safaricom for the past 3 years has invested a lot of money on customer satisfaction surveys in the retail centers and in redesigning the retail centers to have a fresh new look. Following the change from customer service centers to retail centers in 2008, the retail centers were tasked to be a revenue generation point in Safaricom and each shop has targets that have to be met every quarter. Given this scenario, this research intended to carry out a study on customer satisfaction and establish whether it had an impact on revenue generation in the retail centers

This then lead to the questions:

- i. What is the level of customer satisfaction among Safaricom customers?
- ii. Does such satisfaction lead to enhanced revenue generation?

1.3 Objectives of the Study

The objective of this study was:-

- i. To establish the relationship between customer satisfaction and revenue generation among Safaricom Retail Centers in Nairobi

1.4 Importance of the Study

This study was aimed at determining if a relationship exists between increased revenue generation and customer satisfaction in retail industry. It will therefore be important to retailers in business decision making on customer relationship management in establishing the importance of implementing customer satisfaction surveys. The study will also be important to business researchers in establishing whether there is a correlation between satisfied customers and increased profitability. It will be important to the management of Safaricom Retail Centers in establishing whether they have achieved increased profitability through customer satisfaction survey and ways of improving this.

With the growth of the customer retail centers worldwide and their growing importance in the provision of customer service, coupled with a focus on the third world by the West to outsource or offshore their service delivery centers, the role of customer retail centers is envisioned to become important to the growth of the Kenyan economy especially with regard to employment opportunities. Management of these centers will be a determining factor of their success.

Lastly, statistics worldwide on the success rate of the retail industry have been low in other parts of the world. It is therefore important to develop a framework that an investor and or entrepreneur can use to ensure the success of commercial customer retail centers. The setting up of customer retail centers is a new area of business just opening up to Kenyan entrepreneurs as well as foreign investors. Growth and success of this sector depends on the success of the initial setups.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter focuses on literature related to this study. Specific concern is the concept of customer satisfaction and its relation to retention of customers hence leading to increased revenue generation.

2.2 Customer Satisfaction

The best way to find out whether customers are satisfied is to ask them (Reh 2001). When one conducts a customer satisfaction survey, what one asks the customers is important. How, when, and how often the questions are asked is also important. However, the most important thing about conducting a customer satisfaction survey is what is done with their answers. There are many ways to ask customers whether or not they are satisfied with the company, the products, and the service they received. These include: Face-to-face interviews as the customers walk out of the organization or store, telephone interviews, questionnaires sent on post and Email surveys.

Reh (2001) suggest that the best time to conduct a customer satisfaction survey is when the experience is fresh in the customer's mind. If one waits to conduct a survey, the customer's response may be less accurate. He/she may have forgotten some of the details. He/she may answer about a later event. He/she may color his answers because of confusion with other visits. He/she may confuse you with some other company. Basic customer satisfaction questions seek to find out how satisfied the customer was with the service received, how satisfied they are with the company overall, if they are likely to visit again, if they would recommend the company to others and if they would recommend the company's product/service to others.

Once the survey is done, Reh (2001) states that one would need to act on the information obtained from the customers investigate their suggestions and improve the product/service in the areas that mean the most to the customers. Customer satisfaction is an abstract concept and the actual manifestation of the state of satisfaction will vary from person to person and product/service to product/service. The state of satisfaction depends on a number of both psychological and physical variables which correlate with

satisfaction behaviors such as return and recommend rate. The level of satisfaction can also vary depending on other factors the customer, such as other products against which the customer can compare the organization's products. The usual measures of customer satisfaction involve a survey with a set of statements using a Likert Technique or scale. The customer is asked to evaluate each statement in terms of their perception and expectation of performance of the service being measured.

Work done by Parasuraman, Zeithaml and Berry (Leonard L) between 1985 and 1988 provided a basis for the measurement of customer satisfaction with a service by using the gap between the customer's expectation of performance and their perceived experience of performance. This provides the researcher with a satisfaction gap which is a semi-quantitative in nature.

2.2.1 Importance of Customer Satisfaction

Odhiambo (2003) in his study on determinants of customer satisfaction for mobile phone subscribers in Nairobi notes that the major determinants of customer satisfaction are customer service, assurance, service responsiveness, service access, reliability, service security, product/service features, pricing, service credibility and service equity. Individual firms have discovered that increasing levels of customer satisfaction can be linked to customer loyalty and profits, (Heskett, Sasser and Schlesinger 1997). There is an important relationship between customer satisfaction and customer loyalty. This relationship is strong when customers are satisfied.



Figure 2.1 Relationship between satisfaction and loyalty

Source: (Heskett, L. Sasser, W., E. and Schesinger, L., A. 1997)

2.2.2 Importance of Customer Satisfaction to the Organization

Reichheld (1996) summarizes into four the benefits to an organization of maintaining and developing a satisfied loyal customer base to the organization. These benefits are mostly linked to the firm's bottom line.

The first benefit is increasing purchases. Results of studies reported by Reichheld and Sasser (1990) show that across industries customers tend to spend more each year with a particular relationship partner than they did in any preceding year. As consumers get to know the firm and are satisfied with the quality of its services relative to that of its competitors, they will tend to give more of their business to the firm. And as customers mature in age, life cycle, growth of business, they frequently require more of a particular service.

The second benefit is lower costs. There are many startup costs associated with attracting new customers. They include advertising and promotion costs, operation costs of setting up accounts and systems and time costs of getting to know the customers. These initial costs can outweigh the revenue expected from the new customer in the short term. Thus, from a profit point of view they would be seen to be great incentives to keep new customers once the initial investment has been made. Even ongoing relationship maintenance, customers are likely to have questions and to encounter problems as they learn to use the service. Once learning has taken place the customer will have fewer problems and questions. Assuming the quality of service is maintained at high level then the service provider will incur fewer costs in serving the customer.

The third benefit is free advertising through word of mouth. When a product is complex and difficult to evaluate and there is risk involved in the decision to buy it as is the case with many services, consumers often look to others for advice on which providers to consider. Satisfied, loyal customers are likely to suggest a company with strong word of mouth endorsements. Customers that show up based on referral tend to be better quality customers in terms of profitability and likelihood of being loyal than are consumers who are attracted by price promotions or new advertisement campaign.

The fourth benefit is employee retention which is an indirect benefit of customer satisfaction. It is easier for a firm to retain employees when it has a stable base of satisfied customers. People like to work for companies whose customers are happy and loyal as their jobs are more satisfying and they are able to spend more of their time fostering relationships than scrambling for a few customers. In turn customers are more satisfied and become even better customers, a positive upward spiral. Since employees stay with the firm longer, service quality improves and costs of turnover are reduced, adding further profits.

2.2.3 Importance of Customer Satisfaction to the Customer

Assuming customers have a choice, they will remain loyal to a firm when they receive greater value relative to what they expect from competing firms. Perceived value is the customer's overall assessment of the utility of a product based on perceptions of what is received and what is given. Research according to Gwinner, Glensler and Bitter (1998) has uncovered specific types of relationship benefits that customers experience in long term service relationships. These benefits are confidence benefits and social benefits.

Confidence benefits comprise feelings of trust or confidence in the provider, along with a sense of reduced anxiety and comfort in knowing what to expect. If the service provider knows the customer, knows their preferences and has tailored services to suit their needs over time, then changing providers would mean education by the new provider on all these factors again.

Over time, customers develop a sense of familiarity and even a social relationship with their service providers. These ties make it less likely that they will switch even if they learn about a competitor that might have better quality or a lower price. In some long term consumer /firm relationships a service provider may actually become part of the consumer's social support system. The social support benefits resulting from these relationships are important to the consumer quality of life i.e. personal and or work life and above and beyond the technical benefits of the service provider.

2.2.4 Effects of a Dissatisfied Customer to a Company

Future business depends on reputation, which is by both satisfied and dissatisfied customers talking to others. Bad experiences are more often than not told to more than twice the number of people we tell our good experiences. Not only will dissatisfied customers not come for a repeat service where there is no alternative choice but they can do immeasurable damage to a business including a legal suit that may be costly.

2.3 Customer Satisfaction Survey in Safaricom Retail Centers

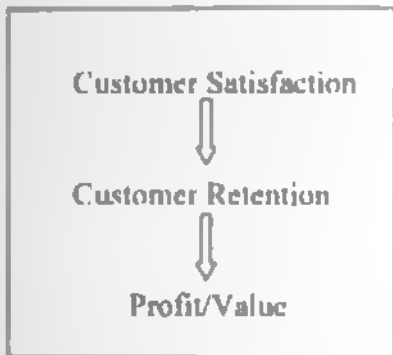
Safaricom carries out customer satisfaction surveys both internally and externally. The external survey is carried out by an outsourced company and it provides a retail tracker analysis whereby customer satisfaction is carried out through exit interviews and telephone interviews. The internal survey is carried out by a section of Safaricom's Retail Department through Telephone interviews and SMS (Short Message Service) survey. Customers who participate in the survey are customers who have visited the retail center within the past 24hrs. This information is analyzed according the different shops and is sent out to the retail centers on a monthly basis. The questionnaire used for the telephone interview touches on four main aspects of service which include, Attitude of the agents, problem solving skills, speed of service delivery and general shop ambience. Customers are also asked to give their suggestions on improvements.

Bi-annual focus group sessions have recently been introduced at the retail centers. These involve face to face interviews of customers who have visited the retail centers within the past month. This was not always the case for Safaricom Retail Centers; the concept of customer satisfaction surveys was introduced in 2008 a year after Safaricom changed the design and objective of their centers from Customer Service Centers to Retail Centers. The decision to move into aggressive sales at the retail centers compromised service delivery. Agents were more focused and attentive to buying customers than customers who needed to have an issue resolved. This led to a decline in sales as the customers who needed issue resolution were the same customers who would then purchase products from the retail centers. Once customer satisfaction surveys were introduced, feedback received from the customers led to a change in the entire look of the retail centers. The vision became "Passion for Results, Passion for Customers". The aim of this vision was to

encourage agents to resolve customer issues while at the same time converting that customer to a buying customer through education on new products and services and use of up selling and cross selling techniques.

As a result of customer satisfaction survey, the retail centers have managed to achieve the targets set by the company. These targets are reviewed every quarter and are continuously achieved despite the up and coming competitors in the telecommunication industry. It is through the survey that the organization realized that consumers were looking for a reliable source of genuine phones and accessories. This led to partnering of Nokia, Samsung and Motorola companies with Safaricom to provide phones at an affordable price and with warranty. High end phones are also available for the high end customers. Work by Heskett et al at Harvard Business School has demonstrated a clear link between customer satisfaction, customer retention and Profits

Figure 2.2 The service value chain



Source (Cook, 2008)

Employees at the retail centers are consistently rewarded for achieving sales targets through payment of commissions every quarter. This leads to employee satisfaction and retention which then leads to good service, customer retention/loyalty and ultimately increased profits.

2.4 Customer Retention

As customers begin to experience a better service their expectations rise. (Cook, S 2008). The service experienced is transferable in the mind of the customer. The customer makes conscious and unconscious comparisons between different service experiences. A company's ability to attract and retain new customers therefore is a function not only of its product or product offering but also the way it services its existing customer and the

reputation it creates within and across marketplaces. Customer retention is important and more profitable to an organization because the cost of acquiring new customers can be high. Loyal customers tend to spend more and cost less to serve, satisfied customers are likely to recommend your products and services, advocates of a company are more likely to pay premium prices to a supplier they know and trust and retaining existing customers prevents competitors from gaining market share.

Research conducted by Tarp Organization in the United States demonstrates that service is a key determinant in the choice of a product and its importance increases when consumers are asked why they change products. Reasons for choice of product were 7% technical specifications and 50% manufacturers' response and liability. Reasons for change of product were 8% quality or cost and 40% dissatisfied with the service. Tangible factors influencing purchase decisions can therefore be listed as Performance, Quality, Reliability and Cost. Intangible factors include Sense of Caring, Courtesy, Willingness to help and Ability to Problem solve. All these factors form key areas included in a customer satisfaction survey and constitute overall customer satisfaction with a product or service.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter looks at the research methodology that was adopted in this study. Leedy (1993) defines research methodology as the framework within which facts are placed so that meaning can be extracted from them. A research study whether business or academic can only be successful if properly planned. This enables good implementation and execution of the planned process allowing the application of appropriate control mechanisms. This chapter discusses the research design that was used and reasons for its application, population sampling, and method of data collection, analysis and presentation used.

3.2 Research Design

There are different types of research design: descriptive research, causal and comparative research, survey research, historical research, exploratory, hypothesis testing, and experimental (Cooper and Schindler, 2000).

The design used in this study was a survey of Safaricom Retail Centers in Nairobi. The idea behind survey methodology is to measure variables by asking people questions and then to examine relationships among the variables. In most instances, surveys attempt to capture attitude or patterns of past behavior (Owens, 2002). The most commonly seen survey uses the cross-sectional design, which asks questions of people at one point in time. This is a relatively easy way to perform a preliminary experiment, allowing the researcher to focus on certain population groups and understand the wider picture (Shuttleworth, 2008). The cross sectional survey method was therefore used for this study whereby data was collected at one point in time from a sample selected to represent a larger population.

3.3 Population

The population of interest in this study was the Safaricom Retail Centers which numbered thirty one. Polonsky and Waller (2005), define population as all the possible members of the group being investigated. Generalization of research findings usually depends on the degree to which the sample, accessible population and the target

population have similar salient features (Mugenda & Mugenda, 2003). The number of retail centers are scattered all over the country. A lot of time, money and personnel may be required to locate all the centers in order to select representative sample. The Researcher therefore drew samples from the "accessible population". This is a more narrowly defined and manageable population (Mugenda & Mugenda, 2003).

3.4 Sample Procedure

In this study, the researcher used purposive sampling in which ten of the retail centers were studied. The centers include; I&M Center, Village Market, Sarit Center, Westgate, Kimathi, Moi Avenue, Buruburu, JKIA, Eastleigh and Nakumatt Mega Retail Centers. Mugenda and Mugenda, (2003) state that the main purpose of sampling is to help the researcher obtain a secure representative group which will help in gaining information about the population. According to Ader, Mellenbergh, and Hand (2008), researchers rarely survey the entire population for two reasons; the cost is too high, and the population is dynamic in that the individuals making up the population may change over time. The three main reasons for having a certain sample size are that the cost is lower, data collection is faster, and since the data set is smaller it is possible to ensure homogeneity and to improve the accuracy and quality of the data (Ader, Mellenbergh, and Hand, 2008).

3.5 Types of Data

In this study, the researcher used secondary sources of data as well as quantitative and qualitative data. These provide statistical and phrasal information respectively (Mugenda & Mugenda, 2003). Using secondary data saves time and money since the work has already been done to collect the data. It avoids the problems associated with the data collection process (Kudakwashe, 2006). Unlike primary data, secondary data generally provides a source of data that is both permanent and available in a form that may be checked relatively easily by others.

3.6 Data Collection

Secondary data was used in this study. This data included survey data and documentary data. Sources used to gather secondary data were document analysis collected from published and unpublished company documents, subject-relevant literature and internal

monthly reports on Customer Satisfaction Surveys and Performance Analysis requested from the company.

3.7 Data Analysis

The use of regression analysis was adopted in this study. By definition, regression analysis is a statistical modeling technique used to identify meaningful, stable relationships among sets of data. Regression analysis was used to link customer satisfaction with the performance of the retail Center. The main goal of such relationship building is to forecast the dependant variable in the future, based on past values of the dependant and independent variables.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the analysis and findings from a case study of Safaricom Kenya Ltd. The study was conducted to establish the relationship between customer satisfaction and revenue generation among Safaricom Retail Centers in Nairobi. The study used secondary data obtained from the "Safaricom Customer Satisfaction Survey" and the company's monthly revenue records from the branches.

4.2 Customer Satisfaction Analysis

Results from secondary data shows that most retail centers have an above average rating on customer satisfaction. This rating was done on a 5 point scale where "5" was completely satisfied and "1" was not satisfied at all. It was also noted that the general performance of retail centers in customer care was deteriorating. This implied that there was a slight level of dissatisfaction amongst customers with the general performance of the retail centers. However, this kept fluctuating from month to month.

Table 4.1: Customer satisfaction ratings amongst Nairobi Retail Centers.

Retail Centers	Retail Center Rating		
	Mar-10	Apr-10	May-10
Sarit	3.9	3.9	3.8
I&M	3.8	3.9	3.8
Westgate	3.9	3.9	3.7
Village Market	4.2	4.1	3.8
Nakumatt	4.1	4	3.9
Moi Ave	3.9	3.7	3.6
Kimathi	4.1	4	4
JKIA	4.8	4.8	4.8
Eastleigh	4.6	4.6	4.3
Buruburu	3.8	3.7	3.6
Average	4.11	4.06	3.93

Source: Safaricom Customer Satisfaction Survey

4.3 Correlation between Customer satisfaction and Revenue

A correlation between the Monthly ratings and the monthly revenues shows that there was significant relationship between the current month's score and the current month's revenue. A similar correlation was also noted between the current month's rating and the next month's revenue. This was shown by the correlation between January's rating and February's revenue (on a 95% significant level) and March's rating and April's revenue (on a 95% significant level)

Table 4.2: Correlation between Customer satisfaction and Revenue

Level of Satisfaction	Monthly Revenue			
	Jan	Feb	March	April
Jan	0.342(*)	0.561(**)	0.631	0.243
Feb	0.452	0.321(**)	0.622	0.521
March	0.320	0.453	0.543	.631(*)
April	0.431	0.631	-0.583	-0.576(*)

Key:
** Correlation is significant at the 0.01 level (2-tailed)
* Correlation is significant at the 0.05 level (2-tailed)

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

4.4 Regression between Customer satisfaction and Revenue

Linear regression is used to model the value of a dependent scale variable based on its linear relationship to one or more predictors. The linear regression model assumes that there is a linear, or "straight line," relationship between the dependent variable and each predictor. In this case the dependent variable was the monthly revenue and the independent variable was the level of customer satisfaction and all the components of customer satisfaction.

4.4.1 Regression between Customer Satisfaction components and Revenue

Overall Customer Satisfaction is an index that constitutes several factors. These factors include: Customer handling skills, the staff, problem solving skills, speed of service, retail environment, availability of information / materials, up selling and Cross selling, success rate of customer visitation and finally experience with competitor retail centers

All these factors are vital in influencing the customer's choice of service in the telecommunications sector. During the study, all these factors were exposed to a regression test against the revenue generated in the retail centers. In this case the dependent variable was the monthly revenue and the independent variables were the components of customer satisfaction.

The subsequent tables 4.3 to 4.20 show the results of the regression done for each customer satisfaction component. The ANOVA tables test the acceptability of the models from a statistical perspective. The Regression row displays information about the variation accounted for by the data. The Residual row displays information about the variation that is not accounted for by the data.

Table 4.3: ANOVA Table for Regression between Revenue and Customer handling skills

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.001	5	17,391,907	8.027	.000(a)
	Residual	4.000	3	.4		
	Total	8.001	8			

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.4: Model Summary for Regression between Revenue and Customer handling skills

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.871(a)	.509	.587	0.00005

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.5: ANOVA Table for Regression between Revenue and The staff

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.413	5	17,391,907	8.057	.000(a)
	Residual	4.600	3	.4		
	Total	9.013	8			

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.6: Model Summary for Regression between Revenue and The staff

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.871(a)	.580	.510	0.00063

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.7: ANOVA Table for Regression between Revenue and Problem solving skills

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.004	5	17,391,907	8.147	.000(a)
	Residual	4.013	3	4		
	Total	8.017	8			

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.8: Model Summary for Regression between Revenue and Problem solving skills

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.871(a)	.0549	.0519	0.00034

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.9: ANOVA Table for Regression between Revenue and Speed of service

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.000	5	17,391,907	8.198	.000(a)
	Residual	4.010	3	4		
	Total	8.010	8			

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.10: Model Summary for Regression between Revenue and Speed of service

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.871(a)	.0551	.0500	0.00021

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.11: ANOVA Table for Regression between Revenue and Retail environment

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.913	5	17,391,907	8.147	.000(a)
	Residual	4.004	3	4		
	Total	7.917	8			

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.12: Model Summary for Regression between Revenue and Retail environment

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.871(a)	.0556	.0510	0.00064

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.13: ANOVA Table for Regression between Revenue and Availability of Information / materials

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.213	6	17,391,907	8.157	.000(a)
	Residual	4.104	3	4		
	Total	8.317	8			

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.14: Model Summary for Regression between Revenue and Availability of Information materials

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.871(a)	0.534	0.521	0.00032

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.15: ANOVA Table for Regression between Revenue and Up selling & Cross selling

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.031	5	17,391,907	8.157	.000(a)
	Residual	4.004	3	4		
	Total	8.037	8			

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.16: Model Summary for Regression between Revenue and Up selling & Cross selling

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.871(a)	0.501	0.582	0.00051

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.17: ANOVA Table for Regression between Revenue and Success rate of customer visitation

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.071	5	17,391,907	8.120	.000(a)
	Residual	4.003	3	4		
	Total	8.074	8			

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.18: Model Summary for Regression between Revenue and Success rate of customer visitation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.871(a)	0.554	0.582	0.00032

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.19: ANOVA Table for Regression between Revenue and Experience with competitor retail centers

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.043	6	17,391,907	8.001	.000(*)
	Residual	4.204	3	4		
	Total	8.247	8			

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.20: Model Summary for Regression between Revenue and Experience with competitor retail centers

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.871(*)	.532	.518	0.00041

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

The regression and residual sums of squares are approximately equal in all ANOVA tables except for table 4.19 representing the "experience with competitor retail centers". This indicates that about half of the variation in polishing time is explained by each independent variable except for "experience with competitor retail centers". The significance value of the F statistic is less than 0.05 in all tables as well, which means that the variation explained by the model is not due to chance. This indicates that there is a relatively high relationship between the revenue generated at the retail centers and the various components of customer satisfaction.

The model summary table reports the strength of the relationship between the model and the dependent variable. R, the multiple correlation coefficient, is the linear correlation between the observed and model-predicted values of the dependent variable. Its large value indicates a strong relationship. R Square, the coefficient of determination, is the squared value of the multiple correlation coefficient. It shows that about half the variation in revenue is explained by the independent variables.

4.4.2 Overall Customer Satisfaction

The analysis on overall customer satisfaction and revenue is indicated in tables 4.21 and 4.22. The regression and residual sums of squares are approximately equal in the overall customer satisfaction regression, which indicates that about half of the variation in polishing time is explained by the model. The significance value of the F statistic is less than 0.05, which means that the variation explained by the model is not due to chance.

Table 4.21: ANOVA Table for Regression between Revenue and Overall Customer Satisfaction

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.013	5	17,391,907	8.157	.000(a)
	Residual	4.004	3	.4		
	Total	8.017	8			

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

Table 4.22: Model Summary for Regression between Revenue and Overall Customer Satisfaction

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.871(a)	0.558	0.519	0.00045

Source: Safaricom Customer Satisfaction Survey and Monthly Revenue Reports

4.5 Chapter Summary

The results show that there is a significant level of relationship between the revenue and the rating of customer satisfaction derived from the retail centers. This can be explained by the correlation and regression analysis carried out on the secondary data. A relatively strong relationship existed between the various components of customer satisfaction and the revenue generated. This was also shown in the overall satisfaction regression with the revenue generated at the retail centers.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to establish the relationship between customer satisfaction and revenue generation among Safaricom Retail Centers in Nairobi. The study used secondary data obtained from the "Safaricom Customer Satisfaction Survey" and the company's monthly revenue records from the branches.

5.2 Summary

Customer satisfaction, being non vector quantity, can only be quantified and no direction indicated. This implies the amount of satisfaction a customer derives from a particular aspect of the business can be measured but this measure cannot have a sense of direction like speed or distance.

The study has shown that there is a general sense of satisfaction amongst the customers. This is shown by the above average rating that they have given to their satisfaction levels. However, this level of satisfaction has been shown to decline within the study period. Previous months have experienced a higher level of customer satisfaction as compared to the later months.

The decline not only had an effect on the overall revenue generation of the retail centers at the current month of study, but also on the following month. This could be attributed to the fact that the satisfied customers always left the shop having bought an item. This also affected the following month's sale as these customers would always come for more items in later dates or recommend the retail center to their friends and relatives. On the other hand, a relatively dissatisfied customer never made any purchases hence low revenue generation for the retail centers.

5.3 Conclusions

The study has shown that there is an above average level of satisfaction amongst the customers. This is however deteriorating as time goes hence need to work harder and

smarter at all interactions points with customers at the retail centers so as to retain or improve the customer satisfaction levels

The study also showed that there was a relationship between the level of customer satisfaction and the amount of revenue generated at the retail centers. This implied that the more satisfied the customers were, the more money they spent at the retail centers.

5.4 Recommendation for further studies

Due to the rapid changes in the market and customers accessibility to information, Safaricom needs to carry out more "customer needs assessment studies" to determine the reason for the drop in customer satisfaction levels. This would enable the employees at the various customer interaction points to not only identify the weak points that would lead to loss of customer confidence, but also bring out other strategic actions that would attract even more customers.

A more in-depth study into the effect of customer satisfaction on not only revenue but also other factors should also be carried out. This study would aid Safaricom understand better how customer satisfaction affects other components of the business.

5.5 Limitations of the study

The study used secondary data. This data was limited to just a few months. However, in order to get a more accurate correlation, several months' data was needed. The study also focused on Nairobi and did not consider the other regions. In order to obtain a proper correlation for the whole company, data from the other regions was needed. This was however not possible as the customer satisfaction survey was not carried out in all regions within the months of study.

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APPENDIX 1: LETTER OF INTRODUCTION

Retail Quality Manager
Safaricom LTD
P.O. Box 66827 00808
Nairobi

Dear Sir,

REF: Academic Research – Customer Satisfaction and Revenue Generation among Safaricom Retail Centers in Nairobi

My name is Mary Murekio, an MBA student at The University of Nairobi. I am currently carrying out my Research Project on the topic "Customer Satisfaction and revenue generation among Safaricom Retail Centers." In this project, I wish to study the relationship between customer satisfaction and revenue generation among Safaricom Retail Centers.

For the purpose of my study, I require some detailed data on Customer Satisfaction and Revenue Generation from your organization. I understand the information I require is confidential and will take every precaution to use it for academic purposes only.

The details I require are in the below table.

REVENUE FIGURES						
Shop	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010
Moi Avenue						
Sarit						
Westgate						
Village Market						
Buruburu						
Nakumatt Mega						
Kimathi						
Eastleigh						

JKIA						
I&M						

I will also require Retail Tracker data for the above Retail Centers for the period January to June 2010.

I believe that you will favour me with the information from your records. Thank you for your time.

Sincerely,

Mary Murekio
University of Nairobi
wmurekio@yahoo.com

APPENDIX 2: LIST OF SAFARICOM RETAIL CENTERS

1. Bungoma Retail Center
2. Buruburu Retail Center
3. Diani Retail Center
4. Digo Road Retail Center
5. Eastleigh Retail Center
6. Eldoret Retail Center
7. Embu Retail Center
8. Garissa Retail Center
9. I&M Retail Center
10. JKIA Retail Center
11. Kakamega Retail Center
12. Kimathi Retail Center
13. Kisii Retail Center
14. Kisumu Jubilee Retail Center
15. Kisumu Mega Retail Center
16. Kitale Retail Center
17. Malindi Retail Center
18. Meru Retail Center
19. MIA Retail Center
20. Moi Avenue Retail Center
21. Naivasha Retail Centers
22. Nakumatt Mega Retail Center
23. Nakuru Retail Center
24. Nanyuki Retail Center
25. Nyali Retail Center
26. Nyeri Retail Center
27. Rex House Retail Center
28. Sarit Retail Center
29. Thika Retail Center
30. Village Market Retail Center
31. Westgate Retail Center

JKIA						
I&M						

I will also require Retail Tracker data for the above Retail Centers for the period January to June 2010.

I believe that you will favour me with the information from your records. Thank you for your time.

Sincerely,

Mary Murekio
University of Nairobi
wmurekio@yahoo.com

APPENDIX 2: LIST OF SAFARICOM RETAIL CENTERS

1. Bungoma Retail Center
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9. I&M Retail Center
10. JKIA Retail Center
11. Kakamega Retail Center
12. Kimathi Retail Center
13. Kisii Retail Center
14. Kisumu Jubilee Retail Center
15. Kisumu Mega Retail Center
16. Kitale Retail Center
17. Malindi Retail Center
18. Meru Retail Center
19. MIA Retail Center
20. Moi Avenue Retail Center
21. Naivasha Retail Centers
22. Nakumatt Mega Retail Center
23. Nakuru Retail Center
24. Nanyuki Retail Center
25. Nyali Retail Center
26. Nyeri Retail Center
27. Rex House Retail Center
28. Sait Retail Center
29. Thika Retail Center
30. Village Market Retail Center
31. Westgate Retail Center