# THE DETERMINANTS OF CUSTOMERS' LOYALTY IN MOBILE TELECOMMUNICATIONS INDUSTRY IN KENYA: A CASE OF SUBSCRIBERS IN KAKAMEGA MUNICIPALITY
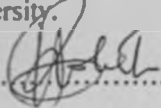
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A PROJECT REPORT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF ARTS IN PROJECT PLANNING AND MANAGEMENT OF THE UNIVRSITY OF NAIROBI.
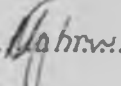
July, 2012

## DECLARATION

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

Signature........................................ Date....26/7/2012..............

**ROTICH KIPKEMBOI CHRISTOPHER**

L50/66019/2010

The research project report has been submitted for examination with my approval as University supervisor

Signature ..................................... Date..26/7/2012..............

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# DEDICATION

This work is dedicated to my wife Nelly, children Nicole and Ryan who encouraged and supported me through the studies. To them all, thank you for allowing me spend your time in school. To my parents for laying a good foundation that enabled me go to school.

## ACKNOWLEDGEMENTS

# TABLE OF CONTENTS

# LIST OF TABLES

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# LIST OF FIGURES

# ACRONYMS AND ABBREVIATIONS

**ARPU:** Average Revenue per User

**CCK:** Communication Commission of Kenya

**GPRS:**General Radio Packet Service

**GSM:** Global System for Mobile Communications

**ICT:** Information Communication Technology

**ITU:** International Telecommunication Union

**KPIs:** Key Performance Indicators

**MMS:** Multimedia Service

**MNP:** Mobile number portability

**MSP:** Mobile Service provider

**MTR:**Mobile Termination Rate

**PCs:**Personal computers

**QOS:** Quality of service

**SMS:** short message service

**UMTS:**Universal Mobile Telecommunication Standard (3G)

**VAS:** Value Added Services

**WiMAX:**Worldwide Interoperability for Microwave Access

# ABSTRACT

This study investigated the determinants of customer loyalty a case of mobile phone subscribers in Kakamega municipality. The determinants constituted the independent variables and included the price, service quality and switching barriers while loyalty characterized the dependent variable. With increased competition brought by reduction in calling rates due to downward revision of interconnection fees by the regulator, attactractive innovations and the launch of mobile number portability, subscribers are spoiled for choices. Attempts by competing operators to win subscribers by engaging in calling rates reduction strategies never succeeded. Safaricom still command a higher market share in terms of subscriptions of 68.6 % (cck,2011). How to change the present situation is the concern of these operators. For Safaricom how to retain the market share is the biggest challenge. Therefore, the researcher sought to understand the factors that consumers' consider as they choose to be loyal to mobile service provider. The study was conducted through descriptive research survey design with data being collected in the last week of June 2012 using a questionaire from a sample of 110 respondents among the mobile phone subscribers in Kakamega Municipality. The sample was picked using a non-probability sampling technique called convenience due to large and mobile nature of the target population. The collected data was analysed using both descriptive and inferential statisticical techniques. Demographic characteristcis of the respondents were analysed descriptively. Correlation and multiple regression analyses were used to examine the relationships between service quality, switching barriers, price and customer loyalty. The results indicated that there was positive relationship between service quality,switching barriers and customer loyalty. However, the results showed that there was no relationship between price and customer loyalty. The results indicated a strong a positive relationship between service quality and customer loyalty. The results of the findings suggest that telecom management needs to emphasise on service quality. Due to the fact that telecom firms do not provide tangible products, their service quality is usually assessed by measures of the service provider's relationship with customers.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the study

The business landscape is today characterized by increased globalization and technological advancements posing significant challenges for organizations management (Wiley, 2003).It is increasingly turbulent and complex consisting broadly of the economy at large, population demographics,societal values and lifestyles,governmental legislation and regulation, technological factors, and the company's immediate industry and competitive environments (Thompson and Strickland, 2003).The greatest task therefore remains how to compete successfully in the current business arena. The extent and intensity of competition and the strict, complex legal and regulatory environments, together with the knowledgeable and demanding business and consumer markets, ensures that the organizations that succeed truly deserve the many and great benefits they realize.

Business organizations have found it necessary in recent years to engage in strategic thinking in order to achieve their corporate goals. They are required to position themselves strategically as never before, need to translate their insight into effective strategies to cope with their changed circumstances and lastly, to develop rationales necessary to lay the groundwork for adopting and implementing strategies in the ever-changing environment (Bryson, 1995).

One of strategic considerations adopted by many organizations as shown by the ever growing interest in recent years is customer loyalty.It is one strategy to counter competition occassioned by globalisation , saturation of markets, and development of information technology which has enhanced customer awareness and created a situation where long-term success is no longer achieved through optimised product price and qualities.Instead, companies build their success on a long-term customer relationship. According to former studies, it can cost as much as 6 times more to win a new customer than it does to keep an existing one (Rosenberg,1984). Depending on the particular industry, it is possible to increase profit by up to 60% after reducing potential migration of customers by 5%. (Reichheld, 1993). Hence we can see that the increase and retention of loyal customers has become a key factor for long-term success of the companies. The main emphasis in marketing has shifted from winning new customers to the retention of existing ones. As the market growth slows down or

1

as the markets become more competitive, firms are more likely to attempt to maintain their market share by focusing on retaining the current customers (Lee, 2001).Achieving and maintaining a commanding position in such a growing market place is becoming increasingly difficult because of more competition on the one hand and more demanding customers on the other. Under such a situation, protecting the existing customer base and retaining the existing customer loyalty appear to be the crucial competitive advantage. Customer loyalty provides the foundation of a company's sustained competitive edge, and that developing and increasing customer loyalty is a crucial factor in companies' growth and performance (Lee and Cunningham, 2001).In telecommunication services, it is frequently pointed that once customers have been acquired and connected to the telecommunication network of a particular operator, their long-term relations with the operator are of greater importance to the success of the company in the competitive markets than they are in other industry sectors. This is due to the fact that the cellular service providers don't differentiate from each other. They all deliver more or less the same service leading to high competition (Gerpott, 2001).

According to a study conducted by Ericsson, approximately 60% of the world's population has at least one mobile subscription. The actual number of mobile subscribers in the world is about 4.1 billion and the number of mobile subscriptions is about 6 illion.Western Europe has the largest mobile subscriptions penetration rate (129%), followed by Central and Eastern Europe (126%), Latin America (107%), Middle East (101%), North America (93%), Rest of APAC (86%), China (73%), India (71%), Africa (60%).

Mobile Telecommunications is one of the Africa's most robust industries as the cellphone market expands to include Internet access, mobile banking and retail transactions. Mobile service also has brought telephones to people in remote areas that never had land lines.The four biggest mobile phone markets in Africa are Nigeria, South Africa, Kenya, Ghana, Morocco, and Eqypt. Strategic investors in Africa's mobile industry include South Africa's MTN, India's Bharti Airtel, France Telecom (via its Orange brand), Britian's Vodafone and Luxembourg's Millicom. Informa & Telecoms media in their new research stated that there were over 616 million mobile subscriptions in Africa at the end of September 2011. Africa is now second only to Asia-Pacific in terms of mobile subscription numbers. This ranks Africa the second most connected region in the world in terms of mobile subscription count, up from fourth place at end of 2010.

A report based on a survey conducted by CP-AFRICA in view of Africa's operators on customer loyalty found that 21.8% of respondents ranked customers retention as the main

priority while 18.2% ranked customer's acquisition as the main priority and 60% said that customer acquisition and customer retention are relatively important. The implication of this is that for Africa to continue to maintain this status, retaining existing customer is now important.

Kenya's telecom market has had great potential for growth because of its previous low penetration levels in both fixed and mobile markets. The year 2004 saw significant changes in the country's telecom industry, with the incumbent operator Telkom-Orange Kenya losing its monopoly in the fixed-line and internationals bandwidth sectors. Licences were also issued to a regional carrier, third mobile operator and several new data carriers, thereby marking a significant change in the competitive landscape for telecom services across the country. The last five years has seen rapid growth due to new players entering the market, the introduction of 3G services by the telecom operators and, very recently, duty being waived on new mobile handsets and the allowance of number portability. The official telecom regulatory body is Communications Commission of Kenya (CCK). The Kenya Communications Act (No. 2 of 1998) and as amended by the Kenya Communications (Amendment) Act, 2009, provides the framework for the regulation and development of the information and communications sector and electronic commerce in Kenya.

Mobile services in Kenya were pioneered with the launch of an ETACS network in 1993. But due to issues such as the high cost of handsets and high charges for the service, the number of mobile subscribers at the end of 1999 was only 20,000. The number of operators providing mobile services in Kenya has now increased to four and with improving mobile infrastructure there is coverage in all major towns and highways in the country. The price of handsets has reduced due to the duty being waived by the Government and the increase in operators has intensified competition leading to price competition in the market.

Kenya's mobile market has four key players - Safaricom, Airtel (was Zain), Telkom-Orange Kenya (Orange/France Telecom) and Essar Telecom Kenya (known as the brand Yu). In terms of market share by subscriptions, Safaricom still dominate the market with a market share of 68.6 per cent, Airtel Networks Kenya Limited had 14.3 while Essar telecom and Telkom-Orange Orange Kenya Limited had 6.3 and 10.6 per cent respectively. The market share profile by subscriber base of the four mobile operators shows Safaricom leading with 68.6% followed by Airtel with 14.3%. Orange and Yu-Essar command 10.6% and 6.3% respectively (CCK, 2011)

3

The total number of mobile subscribers in Kenya at the end of 2009 was 19.11 million, resulting in a penetration rate of approximately 48 percent (c.Blycroft, 2011) denoting an increase of approximately 459 percent from 3.42 million at the end of 2004. The corresponding increase in the penetration rate during this period has been from around 5 percent to 48 percent.The country's mobile subscriber base is expected to increase further over the next few years, resulting in a mobile subscriber base of 30.58 million and a penetration rate of 68 percent by the end of 2014.Table 1 shows the forecasts for mobile subscribers in Kenya for the 10-year period from 2002 to 2011.

| Year End | Subscribers | Year End | Subscribers |
|----------|-------------|----------|-------------|
| 2002 | 1.25 | 2008 | 16.24 |
| 2003 | 1.95 | 2009 | 19.11 |
| 2004 | 3.42 | 2010 | 21.97 |
| 2005 | 5.33 | 2011 | 24.24 |
| 2006 | 7.27 | 2012 | 26.35 |
| 2007 | 11.35 | 2013E | 28.47 |

Table 1 Forcasted mobile subscription in Kenya. (Source: industry sources, Blycroft estimates c. Blycroft 2011).

Latest quartely report from operators' returns compiled by the regulator (CCK, Q1 July-Sep 2011/12) showed an increase of 4.8 per cent mobile subscriptions to 26.49 million from 25.22 million reported in the quarter ending June 2010/11. Compared to the same period of the previous year, Q1 2010/11, this is 20.2 per cent increase representing 4.46 million new subscriptions registered between these two periods. This growth could be attributed to aggressive customer acquisition strategies and marketing by operators as competition in the market intensified.The four mobile operators experienced gains in subscriptions during the quarter reviewed. The highest gain was recorded as 593,177 by Safaricom Limited followed by Airtel Networks Kenya Limited with 557,567 new subscriptions. Essar telecom Kenya Ltd and Orange Telkom-Orange recorded 46,742 and 16,686 gains respectively.

Mobile Money Transfer services have continued to gain popularity among mobile phone subscribers.The money transfer initiatives have gained global acceptance with Safaricom's

4

Mpesa winning several global awards.Each of the operators has a mobile money transfer brand namely Mpesa (Safaricom),Yu cash (YU),Airtel money (Airtel),and Orange money (TKL Orange).

## 1.2 Statement of problem

Kenya's mobile telecommunication industry has experienced unprecedented growth, increased investment and competition among the existing mobile phone service operators.Subscribers enjoy a wide range of excellent, attractive and innovative products and services offered by these operators in the quest to attract them.Further, the launch of mobile number portability by the regulator in April 2011 gave subscribers opportunity to switch operators while retaining number identity perceived initially as a hindrace.However, Kenyas' mobile telecommunications market has remained static with market share in terms of subscriptions skewed towards one operator Safaricom which command 68.6% (CCK,2011).Other operators have made numerous attempts to change the situation by attracting customers with enticing offers.The biggest challenge to these operators is how to attract a bigger market share whereas for the market leader Safaricom the challenge is how to retain the existing subscriber base and continue being profitable. Strategies that focused on cutting down calling rates have not yielded long-term results.This research study investigates Kenyas'mobile market from the consumers' point of view in order to know the factors they consider as they choose to remain loyal to an operator by focusing on subscribers in Kakamega municipality.The factors are many but the study considers price of products and services,service quality, Switching barriers,and customer satisfaction and how they affect.

## 1.3 Purpose of the study

The purpose of the study was to establish the key determinants of customer loyalty among the mobile phone subscribers in Kakamega municipality on all the existing mobile service operators.

## 1.4 Research objectives

The objectives of the research study included the following:

1. To determine relationship between the price factor and customer loyalty among mobile phone subscribers in Kakamega municipality
2. To find out how service quality influence customer loyalty among mobile phone subscribers in Kakamega municipality
3. To determine how switching barriers influence the loyalty of the customers in the mobile telecommunications industry among subscribers in Kakamega municipality.

## 1.5 Research hypothesis

The study sought to ascertain the following hypothesis:

1. There is no significant relationship between the prices of services and customer loyalty among mobile phone subscribers in Kakamega municipality.
2. Higher level of service quality does not lead to higher levels of customer loyalty among mobile phone subscribers in Kakamega municipality
3. Switching barriers has no effect on customer loyalty among mobile phone subscribers in Kakamega Municipality.

## 1.6 Significance of the study

With increased levels competion in the telecommunications sector in Kenya and the saturation of the market, the findings of the study will help MSPs in coming up with policies, strategies, procedures that was help them in retaining and acquiring new markets by increasing investment into areas that subscribers value most.This was help spur the dwindling average revenue per user (ARPU) leading to increased profitability.

The national regulator CCK can use the results of the study in the formulation of policies that was enable providers deliver acceptable level of services to the subscribers. If the study reveals for instance service quality as a most valued determinant then the regulator should be able to set new targets and mete stringent penalties for non-compliance.The existing surveys conducted by CCK primarily focuses on technical aspects of parameters, about which customer have no experience and detailed knowledge. Customers are concerned with functional dimension of mobile services, the manner in which the services are providedand

the experience of customers based on interaction with service provider. This research facilitates identification of the gaps and help organizations and regulator in initiating necessary steps for improving the gap between expectation and perception of these parameters by customers.

This study was also contribute invaluable information and knowledge to the academic world since it is an area that has not been researched extensively particularly in in the developing considering that the technology is a decade old.

## 1.7 Delimitation of the study

This study on the determinants of customerloyalty among mobile phone subscribers was conducted between April 2012 and July 2012 through descriptive research sample survey.The research exercise was conducted in Kakamega municipality and sample selected among mobile phone subscribers who own and use the services offered by the existing mobile operators on GSM platform.The study focused on GSM platform as it is the technology that is widely adopted in Kenya and more so in the area of study Kakamega municipality.Data was collected by the researcher with aid of some research assistants using questionaires.The study specifically sought to determine the effect of price,service qaulity,satisfaction,and switching cost on customer loyalty among mobile phone subscribers in Kakamega municipality.

## 1.8 Limitations of the study

One limitation of this study was the lack of a database indicating the number of mobile phone subscribers on each of the existing service providers at regional level particularly for the area of study Kakamega Municipality.This was attributed to the rapidly changing telecommunications environment that allows ease of connection,switching,and disconnection.However,the study was employ scientific methods with higher precision to enhance accuracy of the findings.Secondly,although mobile phone adoption rate was high in Kenya with a penetration rate of 67.2 % (CCK,2011),mobile telecommunications technology is still a new technology and that certain terms used in this study may not be easily comprehended by the respondents meaning a lot of time was be spend during data collection per respondent.This also adds on the total costs incurred.However,to avoid this the researcher designed a simple questionaire and was train research assistants to help respondents as needed.Thirdly, the number of subscribers in the Kakamega municipality is so large therefore

a sample was be selected.The sample was be determined using a statistical sample calculator formula as proposed by Nassiuma.

## 1.9 Basic assumptions

This research study was based on the assumption that the CCK data from operator's reports are accurate and are presented with utmost faith without any manipulations.Secondly, it was assumed that the respondents were understanding, willing to participate and fill the questionnaire accurately and honestly.Also, since the research was conducted by survey method, the outcome from the sample was be considered to represent population characteristics.

## 1.10   Definition of significant terms

**Customer care:** Customer care refers to the quality of the information exchanged between customer and supplier or network provider in response to enquiries and other activities initiated by the network provider, for example presentation of invoices.

**Billing:** cost of refilling credit or airtime

**Global System for Mobile communication (GSM):** is a standard set and developed by the European Telecommunications Standards Institute (ETSI) to describe technologies for second generation (2G) digital cellular networks.

**Interconnection fee/Mobile Termination Rates:**refer to a fee agreed by the regulator with mobile operators and is charged by an operator who puts through a call originating from another network.For instance, if a Safaricom subscriber calls Airtel subscriber,then Safaricom was pay Airtel for terminating the call on its network.The figure now stands at 2.21 shillings.

**Loyalty:** refer to repeat purchasing frequency towards services offered by one operator

**Mobile penetration rate:** refer to the number of mobile phone connections for every 100 people.The figure stands at 67.2 per 100 people in Kenya as per CCK's latest statistics.

**Off-net:** Calls between two different networks for instance from Airtel to YU

**On-net:** calls within one network for instance Safaricom to Safaricom.

**Quality of service:** mechanism that controls the performance, reliability and usability of a telecommunications service. Technically it refers to aspects such as call drop rates, call setup success rates, call waiting time, handover success rates, and call blocking rates.

**Service quality:** measure of how well a requested service is delivered to the customer

**Subscribers:** refer to the mobile service consumers who are contracted to the operators and are either postpaid or prepaid.

**Switching barriers:** refer to the technical, psychological or financial barriers that make it difficult for subscribers to change providers.

**Price:** Price refers to what is paid to obtain access to use the network.

**Determinants:** refers to the factors that affect loyalty

**Mobile:** portable, hand-held communication device that works on the GSM standard

**Telecommunication industry:** refer to the mobile phone communication industry

**Network quality:** The network quality refers to excellent indoor and outdoor coverage, voice clarity, and no connection breakdowns.

# CHAPTER TWO
# LITERATURE REVIEW

## 2.1 Introduction

This chapter reviews literature related to the determinants of customer loyalty in the mobile telecommunications industry with a focus on subscribers in Kakamega municipality. The review is conceptualized under the objectives of the study and focuses mainly on calling rates, service quality, and switching costs and how they relate to customer loyalty.

## 2.2 Customer Loyalty

According to Wong and Sohal (2003) customer loyalty appears to consist of three separate dimensions, namely, the behavioral, attitudinal and cognitive dimensions. Customer loyalty has been generally described as occurring when customers: repeatedly purchase goods or service over time, and, hold favorable attitudes towards goods or service, or towards the company supplying the goods or service (Wong and Sohal, 2003). Customer loyalty has been studied for several decades by marketers but it is not a well understood phenomenon (Gremler, 1995). Furthermore, there is no consensus on the most appropriate way to measure loyalty.

Three groups of studies reflect both the major approaches to defining and/or measuring customer loyalty and the limitation of these approaches. These three groups are: loyalty as repeat purchase behavior (Liljander and Strandvik, 1993) a composite approach of repeat patronage combined with an attitudinal component (Dick and Basu, 1994), and a psychological state of loyalty (Czepiel, 1990). The first approach is to treat loyalty as either actual purchase behavior or repeat purchase intentions. This approach has long been criticized for leading to spurious loyalty (Day, 1969) while the composite approach lacks theory (Jacoby and Chestnut, 1978).Customers may be loyal due to high switching barriers or lack of real alternatives. Customers may also be loyal because they are satisfied and thus want to continue the relationship. History has proven that most barriers to exit are limited with regard to durability; companies tend to consider customer satisfaction the only viable strategy in order to keep existing customers. Several authors have found a positive correlation between customer satisfaction and loyalty (Bearden, Teel et al. 1980; Bolton and Drew 1991; Fornell 1992; Anderson and Sullivan 1993).

Customer loyalty is a buyer's overall attachment or deep commitment to a product, service, brand, or organization (Oliver, 1999). Customer loyalty fall into two broad categories: the behavior and the attitude. As a behavior, customer loyalty has been measured as the long-term choice probability for a brand, including hard-core loyalty, repeat purchase probability. Attitudinal approaches focused mainly on brand recommendations, resistance to superior products, repurchase intention, and willingness to pay a price premium. Oliver, (1999) defines loyalty as a deeply held commitment to re-buy product/service consistently in the future, thereby causing repetitive same brand or same-brand set purchasing. The customer attitude toward a service or product (brand) including attitudinal preference and commitment has a greater impact on forming loyalty (Goodwin and Gremler, 1996) cite quality in a relationship as a necessary element in defining loyalty.

Loyalty as a concept has its roots from the consumer behaviour theory and is something that consumers may exhibit to brands, services or activities. Often customer loyalty is used as opposed to brand loyalty to emphasise that loyalty is a feature of people, rather than something inherent in brands. Unfortunately, there is no universally agreed definition of loyalty (Jacoby & Chestnut, 1978; Dick & Basu, 1994; Oliver, 1999).According to Beerli et al (2002), loyalty has been, and continues to be defined as repeat purchasing frequency or relative volume of same-brand purchasing. Jacoby and Kyner (1973) from a different perspective saw loyalty as the biased (i.e. non-random) behavioural response (i.e. purchase), expressed over time, by some decision-making unit, with respect to one or more alternative brands out of a set of such brands. This means that it is necessary to distinguish between exclusivity and loyalty and a function of psychological processes which involves the evaluation of different alternatives using specific criteria.Thus in the view of Day (1969); Jacoby and Kyner (1973) and Berne (1997), loyalty is a concept that goes beyond mere repurchase behaviour as it presents two perspectives - behaviour and attitude, with all leading to commitment.Accordingly the combination of these two components enables us to distinguish two types of customer loyalty concepts:

- Loyalty based on inertia, where a brand is bought out of habit merely because this takes less effort and the consumer was not hesitate to switch to another brand if there is some convenient reason to do so. That is, the consumer is buying the same brand, not because of true brand loyalty, but because it is not worth the time and trouble to search for an alternative; and

- True brand loyalty, which is a form of repeat purchasing behaviour reflecting a conscious decision to continue,buying the same brand, must be accompanied by an underlying positive attitude and a high degree of commitment toward the brand.

To measure customer loyalty, a subset of the original measures in Narayandas (2005) and Lee et al (2001) was be modified and used such as repurchase intent, resistance to switch to competitors' product that is superior to the preferred one, and wasingness to recommend preferred products to friends and associates, length of association and the complexity of contractual plans. This can be augmented with the dimensions presented by Anton & Christian (2000) in the figure below.



Fig 2.0 Indicators of customer Loyalty, Anton & Christian (2000)

## 2.3 Determinants of customer Loyalty

Customers' loyalty usually expresses an intended behaviour related to the service, product and/ or the company. This includes the likelihood of future renewal of service/products or contracts. Customers may be loyal due to a number of factors – high switching barriers, lack of real alternatives, satisfaction with currents services/products, price, words of mouth and so forth. However, in this research study four determinants of loyalty namely pricing, service quality, and switching costs was be investigated.

The customer loyalty is characterized by repurchasing and not transferring by the fluctuation of the market. There are many factors that affect the customer loyalty. In the telecommunication industry, according to opinions of the experts and literatures previous

12

studies, the effects of customer loyalty can be assessed in these aspects: service quality, switching barriers, and brand image "the customers' switching cost requirement, quality requirement and service requirement for the telecommunication business" (LI Li, 2005).

### 2.3.1 Price and customer loyalty

In business, price is often used as an effective tool not only to attract new customers but at the same time maintain existing ones. An organisation can reduce or increase its product's price as a strategic move to outmanoeuvre its rivals. But, what is the best price which is acceptable for both customers and providers? This is very difficult question to answer. On the one hand, customers are wasing to pay if they found price offered by an organisation is worth of the service or product that it delivers. In other words, right price motivates a customer to part with his or her money in exchange for something that he or she wants. On the other hand, the acceptable price for providers is the price that they can gain some profits. If they set price too low, it was need more number of customers to break-even. On the contrary, if they set price too high it is difficult to attract customers. This is a tricky issue to be faced by providers. Sometimes, it is more complicated when in a number of cases, price is associated with quality.

Another thing that needs to be considered is the type of customers who use a company product? Price sensitive or non-price sensitive customers.In the former, even smaller differences in price motivate them to shift to the ones who offer lower price. In the latter, differences in price is secondary, they are not wasing to move to other services even though price offered is quite cheaper. In this sense it is paramount important for businesses to know what type of their customers and then offer the best price to them. By so doing both parties benefit.It is not common to see customers who are satisfied with price offered by businesses to remain loyal.Choi (2006) investigated shopping on net customers' loyalty in South Korea. They divided their respondents into loyal and disloyal customers. They found disloyal customers had a significance influence on price sensitivity but not for loyal customers. In other words, as for loyal customers they are not affected by price, but for disloyal customers changes in price motivated them to move to other organisations. A further study on the relationship between price and loyalty was conducted by David Martı́n-Consuegra D, Molina A and Esteban A (2007) on 721 airline passengers in Spain. The results from the study provide empirical support, suggesting that perceived price fairness not only influences customer satisfaction but loyalty as well. Another study was conducted by Santonen (2007)

where Empirical tests were conducted with survey data from nearly 1,700 consumers in Finland. The research findings support the above-mentioned research that customer loyalty can be determined by price dimension.

### 2.3.2   Service Quality and customer loyalty

Service quality involves a comparison of expectations with performance. According to Lewis and Booms (1983) service quality is a measure of how well a delivered service matches the customers' expectations. The main reason to focus on quality is to meet customer needs while remaining economically competitive at the same time. This means that satisfying customer needs is very important for the enterprises to survive. The outcome of using quality practices is in the understanding and improving of operational processes, identifying problems quickly and systematically, establishing valid and reliable service performance measures, measuring customer satisfaction and other performance outcomes. Service with reference to the mobile telecommunication industry refer to the subscribers experience relating to quality of service parameters such as call drops, call set up success rate, billing, and how the operators utilizes feedback in improving processes.

Service is a form of attitude which is related to satisfaction and also leads to consumer loyalty and future purchase (Johnson and Sirikit, 2002). In particular consumers prefer service quality when the price and other cost elements are held constant (Boyer and Hult, 2005). Perception of service quality could occur at multiple levels in an organization for example, with the core service, physical environment interaction with the service providers (Bitner and Hubert, 1994). Customer expectations and perceived performance of services have been found to be the main antecedents of perceived service quality.

Customer loyalty can be gained by increasing the customer satisfaction through raising the offered service quality (Fornell, 1996; and Brady and Robertson, 2001). The relationship between the service quality and customer preference loyalty have been studied by various researchers (Cronin and Taylor, 1992; and Boulding et al., 1993). Perceived service quality is often viewed as a pre-requisite for loyalty and frequently, loyalty is included in models as an outcome variable (Cronin and Taylor, 1992; and Boulding et al., 1993).

A recent study of the relationship between perceived service quality and customer loyalty in the Turkish mobile telecommunication by Aydin and Özer (2005) showed perceived service quality as positively and significantly related to customer loyalty. Also, a recent study by Ndubisi, Wah and Ndubisi (2007) who investigated the impact of quality (relationship) on customers' loyalty of banks in Malaysia found that customers anchored loyalty to the bank's quality. Those who satisfied with the quality service of the bank were more likely to be a loyal customer to the bank.

A study was conducted by Smith and Wright (2004) on the relationship between product quality and customers' loyalty of the six largest computer manufacturers namely Apple, Dell, Compaq, Gateway, Hewlett-Packard and IBM consumers in the USA. Contrary to their prediction, they found product quality was negatively related with customer loyalty. Their further analysis of the result revealed three interesting results. First, Apple computer consumers typically report high levels of product quality but ranked very low on customers loyalty. They argued, while Apple users may be happy with the quality of their PCs, but unwasing to purchase another nonstandard PC. This is reasonable as Apple is the only PC manufacturer in the world that does not use the Microsoft Windows operating system and Intel microprocessor standard.Secondly, early in their sample period, both Dell and Gateway had problems with product quality but compensated with high levels of customer support. Hence, they were able to achieve high loyalty rankings while product quality was below average. Third, the product quality scores of all the vendors in their sample were quite good with a score of 8.3 on a ten-point scale.

Service quality is measured using the variables suggested in the SERVQUAL model (Parasuraman, Zeithmal & Berry, 1988, Ndubisi, Chan, & Chukwunonso, 2004). In applying the SERVQUAL model, statements was used to measure service quality across these elements, based seven point Likert scale. The service dimensions as per SERVQUAL model with weighted relative importance include reliability, responsiveness, assurance, empathy, and tangibles.This study adopts reliability, responsiveness, and assurance in assessing service quality in the telecommunications industryu in area of study.

### 2.3.3 Switching Barriers and customer Loyalty

As defined by Jones et al. (2002), a switching barrier is any factor that makes it difficult or costly for customers to change providers. Another brand loyalty determinant is known as switching costs, which can be defined as the technical, financial or psychological factors which make it difficult or expensive for a customer to change brand (Shergill and Bing, 2006 & Selnes, 2007). For this reason, a switching cost can be seen as a cost that deters customers from demanding a rival firm's brand (Aydin and Ozer, 2005). When the costs of switching brand are high for the customer, there is a greater probability that the customer was remain loyal in terms of repeat purchase behavior, because of the risk or expenses involved in switching and because of the accompanying decrease in the appeal of other alternatives (Kon, 2004).Switching costs has been identified as a factor contributing to maintaining a relationship (Morgan & Hunt, 1994).Morgan and Hunt state switching costs to be of an economic nature only

A number of academic disciplines like marketing, strategy and economics has researched and documented the model of customer switching costs (Burnham, Frels, Mahajan 2003; Klemperer 1987; Porter 1980). Research has specified that customer switching costs are becoming even extra strategic in the progressively and more networked competitive surroundings (Shapiro & Varian 1999) and they are acknowledged as a basics key in achieving competitive development. A cost that put off customers from switching to a competitor's manufactured goods or service is defined as switching costs.

Customer switching costs are recognized to be one of the solution sets of antecedents to customer loyalty and their meaning is highlighted in the literature (Bateson And Hoffman 1999; Lee And Feick 2001; Oliver 1996). Firms are more likely to challenge, in their attempts to keep their market share, by focusing on retaining existing customers either when the market growth slows or markets development is more aggressive.Further, the switching barrier is made up of switching cost, the attractiveness of alternatives, and interpersonal relationships. Switching cost means the cost incurred when switching, including time, money and psychological cost. (Jackson, 1985) categorized switching costs as psychological, physical, and economic in nature. Switching costs can be divided in several sub-categories; Transaction costs,compatibility costs ,contract cost,learning costs,risk and uncertainty costs, psychological cost,and Search costs.However, some authors (Wilson, 2006) do not regard them as switching

costs. While the above switching costs are usually additives, an increase in search costs may decrease other costs, such as uncertainty.

Furthermore, search costs are not necessarily connected to switching, as they also emerge, when the customer searches for options but finally decides to remain with the original product or service.The empirical study of Burnham et al (2003) identified three categories of switching costs, in which the elements highly correlate. These are: procedural costs, which include managing transactions, learning costs, comparing alternatives and uncertainty; financial costs, which incorporate penalties for canceling a contract and loosing loyalty discounts; relational costs, which comprise the psychological and emotional costs of breaking the existing relations.Another possible division about switching costs is whether they are induced by the operator (endogenous), or they are the consequence of the switching itself (exogenous). This distinction is important when analyzing, whether they restrict competition.

## 2.4 Conceptual Framework

The study is based on the conceptual framework to assess the influence of the indicated determinants on customer loyalty in Kakamega municipality. The independent variables the study focuses on are: calling rates, service quality, customer satisfaction and switching barriers.

**Moderating variable**

**Independent variables**                                    **Dependent variable**
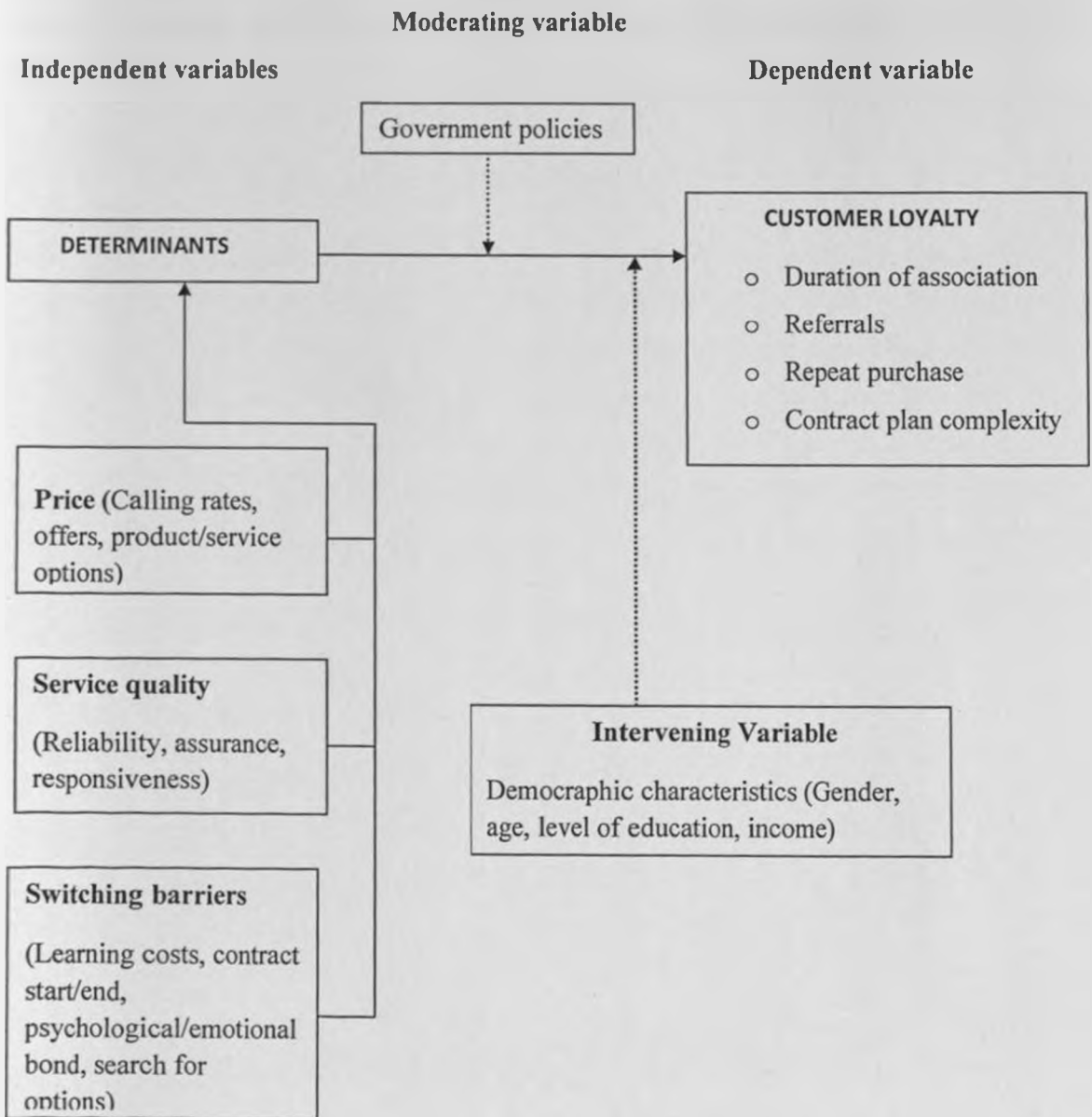


Figure 2.3 Conceptual Framework

The conceptual framework depicted in figure 2.3, the determinants are hypothesised to influence customer loyalty. The determinants are defined as the price, service quality, and switching barriers whereas customer loyalty defined as length of association, repeat purchase,c ontract plan complexity, referrals likelihood and cooperation towards the service provider of choice .The framework postulates that the status of price , service quality and switching barriers directly affect the period a customer relates to an operator, frequency of repeat purchase, referrals and the type of contract plans.However the relationship may be modified by changes in policies, advertisements, promotional offers, and family and friends.

# CHAPTER THREE
# RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter presents the research methodology adopted for the study and discusses the research design, population, target population, sample and sampling techniques, data collection, instrumentation, research procedure, data analysis, and ethical consideration.

## 3.2 Research design

This study adopted a descriptive survey design.According to Mugenda and Mugenda (1999), descriptive research survey enables the researcher to get information directly from the respondents about the problem. Descriptive studies basically deals with describing characteristics of a particular individual or a group and interprets what it is. It is concerned with conditions or relationships that exists, opinions that are held, processes that are going on, effects that are evident, or trends that are developing (Best & Khan, 2009).Descriptive survey designs are used in preliminary and exploratory studies to allow the researcher to gather information, summarize, present and interpret data for the purpose of clarification. The main purpose of surveys is to find out how the members of the population distribute themselves on one or more variables Orodho (2002).It is for this reason that descriptive survey method is chosen for this study as it seeks to get opinions, experiences, and generally the consumer preferences towards the mobile service operators based on the variables outlined in the study.

## 3.3 Target population

According to Mugenda and Mugenda (1999) target population refers to the one which a researcher wants to generalize the results of a study. The survey targeted users of GSM mobile phone services connected to any of the existing operators in Kakamega municipality. According to national population and housing census conducted in 1999 Kakamega municipality had a population 91,768 people (KNBS, 1999).Taking into consideration the national mobile penetration rate which currently stands at 67.2 % that is about 67 people in every 100 own and use a mobile phone in Kenya (CCK,2011).Based on this, the target population taken as proportion of mobile ownership is (0.672×91,768)=61,668 people.Kakamega municipality has ten locations namely Amalemba,Bukhulunya,Central, Mahiakalo,Maraba,Matende,Milimani,Musaa,Shibiriri and Sichilayi.The area of study has a strong presence of all the four mobile operators.This means that service provision to the

subscribers is competitive. Also Kakamega municipality has a heterogeneous setting with both rural and urban, diverse economic, social, and political backgrounds. Thus the findings can be generalized to other regionds in Kenya.

## 3.4 Sample size and sampling procedure

This section discusses the how the sample was obtained and the procedure followed in conducting the actual sampling exercise.

### 3.4.1 Sample size

The sample consisted of 110 respondents selected from a target population of 61,668 people in Kakamega municipality. The sample size was determined using a formula proposed by Nassiuma (2000) which uses coefficient of variation and standard error. Further, Nassiuma, (2000) asserts that for most surveys or experiments, coeffiecient of variation in the range of $21\% \leq c.v \leq 30\%$ and standard error in the range of $2\% \leq e \leq 5\%$ is usually acceptable. This study adopted a coefficient of variation of 21% and standard error of 2%. The lower limits were selected to boost the precision of the findings. Based on a population of 61,668, the sample size of was arrived at as shown below.

$$n = \frac{N \times C.V^2}{C.V^2 + (N-1)e^2}$$
(Nassiuma, 2000)

Where,

$n$ = sample size

$c.v$ = coefficient of variation

$N$ = Target population

$e$ = standard error margin.

Therefore, the sample to be selected;

$n = \{61668 \times 0.21^2\} / \{0.21^2 + (61668-1)0.02^2\} = 110$ respondents.

### 3.4.2 Sampling procedure

The study employed simple random sampling and convenience sampling techniques in picking the 110 respondents. Simple random sampling and convenience sampling was used to select the respondents during the actual field study.Simple random sampling is a technique that selects a sample without bias from the target population and ensures that each member of the target population has an equal and independent chance of being included in the sample. The non-probability sampling called Convenience, is the most common form of sampling design in social science research (Mohr, 1990) and provides researchers with an acceptable database to use statistical inference techniques. This approach to sampling design is also common in services marketing.Convenience sampling selects, on first come first served basis, those who happen to be available at the time of data collection. It involves choosing the nearest member of the population who are conveniently available to provide the information required. This method is sometimes referred to as accidental sampling.That is, a population is selected because it is readily available and convenient. It may be through meeting the person or including a person in the sample when one meets them or chosen by finding them through technological means such as the internet or through phone. In this study the sample was picked randomly and conveniently at market places, mobile phone dealer shops, customer retail outlets, along main roads/streets within Kakamega municipality and any other point the researcher found condusive for the study exercise.

### 3.5 Method of data collection

A Questionnaire was used as the main tool for collecting data.The selection of the tools was guided by the nature of data to be collected, the time available as well as the objectives of the study. The overall aim of this study was the analysis the determinants of customer loyalty: a case study of the mobile phone subscribers in Kakamega municipality. The study was mainly concerned with the views, perceptions, feelings, opinions and attitudes and such information can be collected through the use of questionnaire and interview techniques (Bell, 1993; Touliatos & Compton, 1988). Further, the study was concerned with variables that could not be observed; such information is best collected through questionnaires (Touliatos & Compton, 1988).The sample size was large (110) and given the time constraints,a questionnaire was ideal tool for collecting data especially the literate respondents who would not have difficulties in responding to questionnaire items with interview being applied for illiterate respondents.

22

There were two main sections in the questionnaire; the first section detailed the demographic characteristics of the respondents. These characteristics were: age, gender, highest level of education attained, occupation and the income. The second section of the questionnaire detailed issues dealing with variables namely; dependent variable as customer loyalty and independent variables as service quality, price, and switching barriers.

The constructs in the demographic were measured using a multiple-item measurement scale. Measures for independent and dependent variables was use ordinal scale with a five-point Likert-type response format, like "strongly disagree" and "strongly agree" as the anchors. The respondents were to record the assessment of the items on a five-point Likert-type scales.

### 3.5.1 Pilot testing of the instrument

Piloting refers to the testing of the questionnaire on a small sample of respondents in order to identify and eliminate potential problems. In this survey, the questionnaire was pre-tested on a number of respondents who were similar to those who to be included in the survey in order to ensure that the instructions and the meanings of the questions are simple, clear, unambiguous and beneficial to the subjects. A total of twenty (20) mobile phone subscribers participated in the pilot study and was selected conveniently from subscribers outside Kakamega municipality.The questionaire was piloted in Mumias municipality.Changes were made accordingly and the input of this pilot group was taken into consideration

### 3.5.2 Validity of the instrument

Validity is the extent to which research instruments measure what they are intended to measure (Oso &Onen, 2008).It is basically asking a relevant question framed in the least ambiguous way (Mugenda & Mugenda, 1999).Further, validity refers to the accuracy and meaningfulness of the inferences made based on the results obtained (Mugenda & Mugenda, 2002). In research, validity has two essential parts that is internal and external validity. Internal validity encompasses whether the results of the study are legitimate because of the way the groups were selected, data was recorded or analysis performed. External validity, often called "generalizability", involves whether the results given by the study are transferable to other groups that is populations of interest (Last, 2001).Content validity enables data being collected to be reliable in representing specific content of a particular concept.To validate the

23

instrument, it was presented to project research experts from the University of Nairobi to the check the relevance of each item in the instrument in relation to the objectives.

### 3.5.3 Reliability of the instrument

The reliability of an instrument is a measure of how consistent the result from the instrument is (Kombo & Tromp, 2006).Mehreins & Lehman (1984) concur with the above definition in that reliability of an instrument is the consistency between two measures of the same thing. It measures the accuracy and precision of the questions included in the questionnaire.The reliability test was conducted and Coefficients of Cronbach's Alpha which is a measure of reliability or internal consistency was determined. Values of Cronbachs' Alpha ($\alpha$) of 0.7 or above were acceptable as stated by Nunnally (1978).). Cronbach's alpha indicating reliability for each factor: customer loyalty: .778, service quality: .785, switching barriers: .757, brand image: .810. Therefore the research results can be accepted as related by Nunnally (1978).

**Table 3.1**: Reliability Results

| Variables | Items No. | alpha | Std. D | Mean |
|---|---|---|---|---|
| **Independent Variables** | | | | |
| • Service Quality | 11 | .785 | 4.919 | 40.24 |
| • Switching Barriers | 8 | .757 | 5.551 | 29.30 |
| • price | 8 | .810 | 4.505 | 28.00 |
| **Dependent Variable** | | | | |
| • Customer Loyalty | 8 | .778 | 5.210 | 27.47 |

### 3.6 Data collection procedure

A research proposal was developed and upon approval by the superviser, the researcher proceeded to get necessary authorization to conduct the study.Authorization forms were obtained from the University offices,filled and sent to the National Council of Science and Technology.Data was collected from a sample of 110 respondents from a target population of 61,668 among GSM mobile phone users in Kakamega Municipality during the last week of June 2012 using a questionaire.The data was collected with the aid of research assistants because a sample of 110 was large for one person to administer the questionnaires. Consequently, a total of three research assistants were recruited and trained, specifically on how to administer questionnaires. When choosing my research assistants the local language and culture was important.Atleast they had to speak or understand the local language or the national languages Swahili and English and must have attained education level equivalent to grade twelve.

### 3.7 Data analysis technique

The collected data was analyzed to determine how the sample of the research respondeds to the items under investigation using both descriptive and inferential statistics techniques with the help of computer packages like excel and SPSS 16.0.Data collected on demographic characteristics of the respondents was analaysed descriptively whereas data relating dependent and independent variables was analysed using correlation and regression techniques.Correlation is a statistical tool which studies the degree of relationship between two variables. Regression on the other hand predicts or estimates an unknown value of one of the variable from the known value of the other variable.Thus degree of relationship between customer loyalty, service quality,price and switching barriers was be established and expressed as a coefficient through hypothesis testing.It is worth to note that prediction is one of the major problems in almost all the spheres of human activity that is estimation of future production,consumption,prices,investments,sales,profits,income etc.A model of customer loyalty was be developed.

### 3.8 Ethical considerations

The research exercise involved direct interaction with subscribers and thus ethical issues was considered throughout the exercise.As suggetsed by Mugenda (2008),the researcher assured the respondents that the information provided was to be treated with confidentiality and that

the data obtained was to be used for research purposes and at no time was their identity revealed.Further,all necessary permits and appointments were sought in time so as to legitimize the research exercise.Also the researcher ensured that the questionnaire designed was simple so that respondents could not have difficulties answering questions.Finally,the researcher ensured no personal biases influenced the responses from subscribers and that all steps befitting a credible research exercise was adhered to without manipulations.

## 3.9 Operationalization of the Variables

The table below show how the variables were operationalized.

Table 3.2 operationalization of variable

| Objectives | Variables | instrument | Indicators | Scale | Analysis |
|---|---|---|---|---|---|
| Objective 1 | Price | Questionaire | >Tariff plans <br> >price fairness | Ordinal | Quantitative <br> >Correlation <br> >Regression |
| Objective 2 | Service quality | Questionaire | >Reliability <br> >Responsiveness <br> >Assurance | ordinal | Quantitative <br> >percentages <br> >Correlation <br> >Regression |
| Objective 3 | Switching barriers | Questionaire | >procedural costs <br> >Financial costs <br> >relational costs | Ordinal | Quantitative <br> >percentages <br> >Correlation <br> >Regression |
| DV | Customer loyalty | Questionaire | >Duration <br> >referrals <br> >contracts <br> >repeat purchase | | Quantitative |

# CHAPTER FOUR

## DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

### 4.1 Introduction

This chapter presents the results of the research findings and ends with a discussion. The sub-sections included; the questionnaire response rate expressed as percentage, presentation of the findings beginning with the demographic characteristics of the respondents, the relationship between the independent and dependent variables, computation of the correlation and regression coefficients and the detailed discussions of findings as per set objective.

### 4.2 Questionnaire response rate

This section presents the response rate of the study respondents. Table 4.1 shows the respondents who were targeted, the number who were obtained and the response rate of the study.

**Table 4.1: Study response rate**

| Respondents | Targeted | Obtained | Response rate |
|---|---|---|---|
| Mobile subscribers | 110 | 102 | 92.73 % |

The study targeted a total of 102 respondents who were subsribers of the different mobile phone operators namely: Safaricom, Airtel, Yu – essar and Telkom-Orange Orange. The study succesfully got a 93 % response rate. This was accredited to the proper field preparation done by the researcher and the ease of getting mobile phone subscribers.

### 4.3 Demographic characteristics of the respondents

The research investigated gender, age, occupation, respondents' monthly income and their highest level of education as the demographic characteristics. This was important for the study to have proper background information of the respondents.

The first demographic characteristic that the study explored was gender. The study did an analysis of gender and presented in a gender distribution as shown in table 4.2. Knowing the gender of respondents was important in establishing whether the study was representative of all the gender and therefore not biased.

**Table 4.2: Gender of the respondents**

| Gender | Frequecy | Percentage |
|--------|----------|------------|
| Male | 55 | 53.92 |
| Female | 47 | 46.08 |
| Total | 102 | 100 |

From table 4.2, of the total 102 respondents 55 (53.92 %) respondents were male while the rest 47 (46.08 %) were female. These findings indicate that gender balance was observed in selecting the study respondents therefore study was not biased towards one gender. There was a more or less equal number of male and female in the study.

The second demographic characteristic that the study explored was age. The researcher saw it important to explore the age distribution of the respondents because different age groups may have different levels of subscribing to the mobile phone subscribers. Table 4.3 shows the results of the age distribution.

**Table 4.3: Age distribution of the respondents**

| Age of respondents | Frequency | Percentage |
|--------------------|-----------|------------|
| 18 – 20 years | 25 | 24.50 |
| 31 – 40 years | 35 | 34.31 |
| 41 – 50 years | 33 | 32.35 |
| Over 50 years | 9 | 8.82 |
| Total | 102 | 100 |

From the table 4.3 above respondents who fell between age 18 and 20 were 25 (24.50%), those between 31 and 40 years were 35 (34.31%). A total of 33 (32.35%) respondents fell between age brackets of 41 to 50 yrs and finally respondents who were above 50 years were 9 (8.82%). Majority of the respondents fell between ages 31 and 40 years. From these results it is clear that the study followed a normal distribution where by there are fewer respondents in the middle low and higher ages and more respondents in the middle segments. From this it can be inferred that in deed the study was representative of the population.

The study also sought to know the occupations of its respondents. Findings are given in the table 4.4.

**Table 4.4: Occupation of respondents**

| Occupation | Frequency | Percentage |
|---|---|---|
| Student | 24 | 23.53 |
| Business / self employed | 24 | 23.53 |
| Employed / salaried | 42 | 41.18 |
| No formal employment | 12 | 11.76 |
| **Total** | **102** | **100** |

From table 4.4, 24 (23.53 %) respondents were students, another 24 (23.53%) respondents were self employed. The number of salaried employees who responded to the study was 42 (41.18%) and lastly 12 (11.76%) respondents did not have any formal employment. Majority of respondents in the study were salaried employees. The employed respondents were actually had a bigger response rate of 41.18%. Generally a bigger percentage of respondents had some source of income and therefore could subscribe to the mobile operators services.

Further, the study investigated the monthly income of the respondents and presented the findings as shown in table 4.5. Knowing the monthly income was important in ascertaining the purchasing power of the respondents.

**Table 4.5 Monthly income distribution of the respondents.**

| Monthly income | Frequency | Percentage |
|---|---|---|
| Less than 10,000 shillings | 26 | 25.49 |
| Between 10,000 and 30,000 shillings | 39 | 38.23 |
| Between 30,000 and 50,000 shillings | 30 | 29.41 |
| Over 50,000 shillings | 7 | 6.86 |
| **Total** | **102** | **100** |

From table 4.5, the respondents who received less than 10,000 shillings were 26 (25.49%). Those whose monthly income fell between 10,000 and 30,000 shillings were 39 (38.23%). 30 (29.41%) respondents had income fell between 30,000 and 50,000 shillings with only 7

(6.86%) receiving 50,000 shillings and above at the end of the month. On average most respondents had a capacity to meet the demands that come with being mobile phone subscriber.

The study further investigated the level of education of the respondents. The levels investigated were; high school, diploma degree, degree and post graduate education the response is as shown in the table below.

**Table 4.6: Highest level of education of the respondents**

| Highest level of education | Frequency | Percentage |
|---|---|---|
| High school | 48 | 47.06 |
| Diploma level | 28 | 27.45 |
| Degree | 14 | 13.73 |
| Post graduate | 2 | 1.96 |
| No formal education | 10 | 9.84 |
| **Total** | **102** | **100** |

Half of respondents, 48 (47.06%), had a high school certificate, diploma was the second most dorminant level of education. It came second with 28 (27.45%) respondents having attained it. Another 14 (13.73%) had a degree and finallly 2 (1.96%) respondents had the post graduate degree. 10 (9.84%) did not have any formal education.

The study also sought to find out the preferred service provider of the respondents. This was the mobile phone operators they were subscribed with. Their response was as presented in table 4.7.

**Table 4.7: Respondents' preferred mobile service provider.**

| Preferred service provider | Frequency | Percentage |
|---|---|---|
| Safaricom | 65 | 63.73 |
| Airtel | 18 | 17.64 |
| Essar – Yu | 12 | 11.76 |
| Telkom-Orangen-Orange | 7 | 6.86 |
| **Total** | **102** | **100** |

Among the service providers safaricom had the most respondents 65 (63.73%). Airtel came second with 18 (17.64%) respondents. Essar – Yu had 12 (11.76%) subscribers among the respondents with 7 (6.86%) respondents out of the total respondents preferring Telkom-Orange. These findings actually bring out the fact that Safaricom is the most dominant mobile service provider followed by Airtel, then Essar – Yu and finally telcom.

**4.4 The relationship between the price factor and customer loyalty among mobile phone subscribers**

The first objective of the study investigated how the price factor affected customer loyalty among the mobile phone subscribers. To achieve this objective, the study began by investigating how likely safaricom subscribers would switch to other operators if the competitor offered the same service at the same or lower price. Their response is given in table 4.8. The respondents were presented with two questions seeking to know the likelihood they were to switch from their preferred operator to another. The respondents were to respond as either very likely which was given a score of 5, likely which was give a score of 4, neutral which was given a score of 3, unlikely which was given a score of 2 and very unlikely which was given a score of 1. For each respondent the scores for each question were summed up and devided with the total number of respondents to give a mean score. A mean less than 1.5 meant that the respondents were of the opinion that it was very unlikely for them to switch, a mean score between 1.5 and 2.5 meant that it was unlikely that they switch the operators, a mean score between 2.5 and 3.5 meant that the respondents were neutral to switching from one operator to another, a mean score between 3.5 and 4.5 meant that the respondents were likely to switch and lastly a mean score greater than 4.5 meant that the respondents were very likely to switch. Table 4.8 shows the likelihood of switching by mobile phone operators.

**Table 4.8: Likelihood to switch from Safaricom when:**

| | VL | | L | | N | | U | | VU | | Mean |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Freq. | % | Freq. | % | Freq. | % | Freq. | % | Freq. | % | score |
| Other operators offer same service, same price | 0 | 0 | 4 | 6.15 | 11 | 16.92 | 27 | 41.54 | 23 | 35.38 | 1.926 |
| Other operators offer same service, lower price | 4 | 6.15 | 8 | 12.31 | 11 | 16.92 | 23 | 35.38 | 19 | 29.23 | 2.353 |

Out of the total 65 respondents who preferred safaricom as their mobile phone subscriber operator, 4 (6.15%) were likely to switch operators if the competing operator offered the same service at the same price as a safaricom, 11 (16.92%) were not sure if they would or would not switch to competing operator offering the same service at the same price, 27 (41.54%) were unlikely to switch with 23 (35.38%) respondents very unlikely to switch from safaricom to the competing operator. The likelihood mean score of switching from safaricom to the competing operator offering the same service at the same price was 1.926 meaning that the respondents would on average be unlikely to switch to the competing operator, this is further supported by the fact that most 27 and 23 respondents out of the total 65 respondents were unlikely and very unlikely to switch operators.

If the prices were lowered and the same service offered by competing operators; 4 (6.15%) were very likely to switch, 8 (12.31%) were likely to switch, 11 (16.92%) not sure if they would or would not switch, 23 (35.38%) were unlikely to switch with respondents 19 (29.23%) very unlikely to switch from safaricom to the competing operator. The likelihood mean score of switching from safaricom to the competing operator offering the same service

at lower price was 2.353 meaning that the respondents would on average be unlikely to switch to the competing operator even if the same services was offered at a lower price.

Investigation of how likely Airtel subscribers would switch to other operators if the competitor offered the same service at the same or lower price. Their response is given in the table 4.9 below

**Table 4.9: Likelihood of switching from Airtel when:**

|  | VL | | L | | N | | U | | VU | | Mean |
|---|---|---|---|---|---|---|---|---|---|---|---|
|  | Freq. | % | Freq. | % | Freq. | % | Freq. | % | Freq. | % | score |
| Other operators Offered same service, same price. | 1 | 5.56 | 2 | 11.11 | 4 | 22.22 | 3 | 16.67 | 8 | 44.44 | 2 |
| Other operators offer same service, lower price. | 1 | 5.56 | 3 | 16.67 | 5 | 27.78 | 5 | 27.78 | 4 | 22.22 | 2.667 |

From the 18 respondents who preferred Airtel as the operator of their choice respondend that; if the competing operator offered the same service at the same price, 1 (5.56%) would very likely to switch,2 (11.11%) were likely to switch, 4 (22.22%) were neutral about switching operators,3 (16.67%) were unlikely to switch operators with 8 (44.44 %) respondents very unlikely to switch.The likelihood mean score of respondents preferring Airtel services to switch to other competing operators offering the same service at the same price was 2. This mean score was interprated as respondents preferring Airtel as their service operator were unlikely to switch to operators with the same service at the same price.

Suppose the competing operators offered the same service at lower price, 1 (5.56%) would very likely to switch, 3 (16.67%) were likely to switch, 5 (27.78%) were neutral about switching operators,5 (27.78%) were unlikely to switch operators with 4 (22.22%)

respondents very unlikely to switch. The likelihood mean score of respondents preferring Airtel services to switch to other competing operators offering the same service at a lower price was 2.667. This mean score was interprated as respondents preferring Airtel were neutral about switching to operators with the same service at lower price.

The study also sought to identify the likelyhood of Yu essar subscribers switching to other operators if the competing operators offered the same service at the same or lower price. Their response is given in the table 4.10 below.

**Table 4.10: Likelihood to switch Yu essar when:**

| | VL | | L | | N | | U | | VU | | Mean |
| | Freq. | % | Freq. | % | Freq. | % | Freq. | % | Freq. | % | score |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Other operators offer same service, same price. | 1 | 8.33 | 1 | 8.33 | 3 | 25 | 3 | 25 | 4 | 33.33 | 2.214 |
| Other operators offer the same service, lower price. | 4 | 33.33 | 3 | 25 | 2 | 16.67 | 2 | 16.67 | 1 | 8.33 | 3.571 |

Out of the total 12 respondents who preferred Yu-Essar as their mobile phone service operator;1 (8.33%) were very likely to switch operators ,1 (8.33%) were likely to switch,3 (25%) were not sure if they would or would not switch to competing operator, 3(25%) were unlikely to switch with 4 (33.33%) respondents very unlikely to switch from Yu-Essar to the competing operator. The likelihood mean score of switching from Yu_Essar to the competing operator offering the same service at the same price was 2.214 implying that the respondents would on average be unlikely to switch to the competing operator, this is further supported by

the fact that the highest percentage of respondents responded as either unlikely or very unlikely to switch operators.

If the competing operators lowered prices but maintained the same service offered by Yu-Essar; 4 (33.33%) respondents were very likely to switch, 3 (25%) were likely to switch, 2 (16.67) not sure if they would or would not switch, 2 (16.67%) were unlikely to switch with 1 (8.33%) very unlikely to switch from Yu_Essar to the competing operator. The likelihood mean score of switching from Yu essar to the competing operator offering the same service at lower price was 3.571 implying that the respondents would on average be likely to switch to the competing operator offering the same services but at a lower price.

The study also investigated the likelyhood of Telkom-Orange subscribers switching to other operators if the competing operators offered the same service at the same or lower price. Their response is given in the table 4.10.

**Table 4.11: Likelihood to switch from Telkom-Orange when:**

| | VL | | L | | N | | U | | VU | | Mean |
| | Freq. | % | Freq. | % | Freq. | % | Freq. | % | Freq. | % | score |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Other operators offer same service, same price. | 0 | 0 | 0 | | 1 | 14.29 | 2 | 28.57 | 4 | 57.14 | 2.429 |
| Other operators offer same service, lower price. | 4 | 28.57 | 3 | 21.43 | 0 | 0 | 0 | 0 | 0 | 0 | 4.571 |

From the 7 respondents who preferred Telkom-Orange as their operator of choice responded that; 1 (14.29%) was neutral about switching operators, 2 (28.57%) were unlikely to switch operators with 4 (57.14%) respondents very unlikely to switch customers even if the

35

competing operators offered the same service at the same price. The likelihood mean score of respondents preferring Telkom-Orange-Orange services to switch to other competing operators offering the same service at the same price was 2.429. This mean score was interprated as respondents preferring Telkom-Orange as their service operator were unlikely to switch to operators with the same service at the same price.

Suppose the competing operators offered the same service at lower price 4 (28.57%) were very likely to switch, 3 (21.43%) were likely to switch from Telkom-Orange. The likelihood mean score of respondents preferring Telkom-Orange Orange services to switch to other competing operators offering the same service at a lower price was 2.667. This mean score was interpreted as respondents preferring Telkom-Orange Orange were neutral about switching to operators with the same service at lower price.

Customer loyalty was captured using as set of four questions whose answers produced ordinal responses. The questions were the likelihood to which the customers would corporate with their current operator in case of sudden changes, the likelihood to which the customers would continue doing business or buying products or services of the operator, the likelihood with which the customers would share a good idea with the operator and the likelihood with which the respondents would recommend the mobile provider to friends or relatives.

The respondents were to either respond as either highly likely, likely, neutral, unlikely or highly unlikely. Highly likely had a score of 5, likely was given a score of 4, neutral was given a score of 3, unlikely was given a score of 2 and highly unlikely was given a score of 1. For each respondent the scores for the four questions were summed up to give a value ranging between 4 and 20. This value was the measure of the customer's loyalty. Price on the other hand was captured using a question presented to the respondents asking them to state the way they viewed the fairness of the prices the operators charged them in using their services. They responded as either very fair, fair, moderate, unfair or very unfair. Very Fair was given a score of 1, fair was given a score of 2, moderate was given a score of 3, unfair was given a score of 4 and very unfair was given a score of 5. The customers' loyalty was correlated with prices and the findings of the correlation were as presented in table 4.12.

**Table 4.12: Correlation between customer loyalty and prices**

|  |  | Customer loyalty |
| --- | --- | --- |
| Prices | Pearson Correlation | 0.100 |
|  | Sig. (2-tailed) / P value | 0.368 |
|  | N | 102 |

The correlation between customer loyalty and price charged by the mobile operator was 0.1 with a p – value of 0.368, since the P – value was a value greater than 0.05, then we conclude that at 5% level of significance we conclude that fairness in price has no relationship or influence on customer loyalty.

## 4.5 The influence of service quality on customer loyalty among mobile phone subscribers in Kakamega municipality

The second objective sought to determine how quality of services offered by the mobile phone operators influenced the customer loyalty among subscribers. The researcher presented questions seeking to know the satisfaction of the customer with certain aspects of service such as delivery of SMS, MMS, call clarity, customer care support services and network coverage. The informant responded as very satisfied which had a score of 5, satisfiede with a score of 4, average with a score of 3, disatisfied with a score of 2 and very disatisfiede with a score of 1. The scores for each of the respondent's responses were summed up and devided with the total number of respondents giving a mean score. A mean less than 1.5 meant that the respondents were of the opinion that the respondents were very disatisfied with the particular aspect, a mean score between 1.5 and 2.5 meant that the respondents were disatisfied with the particular aspect, a mean score between 2.5 and 3.5 meant that the respondents were neutral with the particular aspect, a mean score between 3.5 and 4.5 meant that the respondents were satisfied and lastly a mean score greater than 4.5 meant that the respondents were very satisfied to a very high extent with the particular aspect. The study investigated the extent of satisfaction of respondents by a numbers of services offered by operators. The results are as shown in the table 4.13.

**Table 4.13 Satisfaction of respondents by the quality of services offered by each operator.**

| | Mean scores | | | | |
|---|---|---|---|---|---|
| | Safaricom | Telkom-Orange | Airtel | Yu – Essar | Total sample |
| Delivery of SMS, MMS, Voice, data, billing errors | 3.988 | 3.803 | 3.526 | 3.744 | 3.765 |
| Call clarity | 4.626 | 3.783 | 4.297 | 2.334 | 3.76 |
| Customer care support services | 3.549 | 3.453 | 3.221 | 3.623 | 3.462 |
| Network coverage | 4.732 | 3.492 | 3.212 | 2.104 | 3.385 |
| Level of service quality | 4.224 | 3.633 | 3.564 | 2.951 | 3.593 |

From the results in table 4.13, in delivering of SMS, MMS, Voice, Data and billing errors Safaricom had the highest mean score of 3.988 level of satisfaction, Telkom-Orange came second with a mean score of 3.803, Airtel was third with a mean score of 3.744 then followed by Yu-Essar at a mean score of 3.765. The general response by respondents towards the mobile operators in delivering of SMS, MMS, Voice, Data and billing errors was satisfactory as indicated by the mean score of 3.765.

Respondents were very satisfied with call clarity offered by Safaricom; this is shown by mean score of 4.626, followed closely by Airtel with a mean score of 4.297.Telkom-Orange came third with a mean score of 3.783 showing satisfaction from respondents. Respondents were disatisfied by Yu-Essar operator on call clarity; this is indicated by a mean score of 2.334.Generally, the respondents were satisfied by call clarity offered by mobile phone operators as shown by mean of 3.76.

On customer care support services; Safaricom came top with a mean of 3.549 signifying satisfaction, Yu-Essar came second with a mean score of 3.623. Telkom-Orange followed with a mean score of 3.453 showing that respondents were neutral on this service. Airtel came fourth with a mean score of 3.221 indicating neutrality by respondents on this service. The total mean score of the operators for this service was 3.462 representing that the respondents were neutral.

On network coverage Safaricom had the highest mean score of 4.732 signifying that respondents were very satisfied, Telkom-Orange came second with a mean score of 3.492 showing satisfaction. Airtel was third with a mean score of 3.212 also indicating satisfaction from respondents, finally Yu-Essar followed with a mean score of 2.104 indicating dissatisfaction by respondents. The general response by respondents towards the mobile operators on network coverage was neutral as indicated by the mean score of 3.385.

From the results in table above safaricom was the mobile phone operator that most satisfied its customers in terms of quality with a total mean score of 4.224. Telkom-Orange came second with a mean score of 3.633 also showing that respondents were equally satisfied. Airtel was third with a mean score of 3.564 indicating satisfaction, the Yu-Essar followed with a mean score of 2.951 indicating that respondents were neutral about the services offered.

The study also sought to know the period the respondents had taken as subscribers at their preferred operators. The finding is shown in figure 4.14 .

Table 4.14: respondents' length period as subscribers at their preferred operators

| How long have you been a subsciber with your preferred operator | Frequency | Percentage |
|---|---|---|
| Less than 6 months | 3 | 2.94 |
| Between 6 and 1 years | 9 | 8.82 |
| Between 1 and 2 years | 12 | 11.76 |
| Between 2 and 5 years | 30 | 29.41 |
| Above 5 years | 48 | 47.06 |
| Total | 102 | 100 |

From table 4.14, 3 (2.94%) respondents had taken less than 6 months as susbscribers. 9 (8.82%) had taken between 6 months and 1 year. 12 (11.76%) respondents had been subscribers for around 1 to 2 years. 30 (29.41%) respondents were 2 to 5 years old as subscribers, with respondents who were above 5 years as subscribers being 48 (47.06%) and were the majority.

Customer loyalty was captured using as set of four questions whose answers produced ordinal responses. The questions were the likelihood to which the customers would corporate in case of sudden changes, the likelihood to which the customers would continue doing business or buying products or services of the operator, the extent to which the operators shares the ideas of the customer and the likelihood to which the respondents would recommend the mobile provider to friends or relatives. The respondents were to either respond as either highly likely, likely, neutral, unlikely or highly unlikely. Highly likely had a score of 5, likely was given a score of 4, neutral was given a score of 3, unlikely was given a score of 2 and highly unlikely was given a score of 1. For each respondent the scores for the four questions were summed up to give a value ranging between 4 and 20. This value was the measure of the customer's loyalty. Service quality on the other hand was captured using a question presented to the respondents asking them to state the way they viewed the quality of the services the operators offered to them. The customers' loyalty was correlated with service quality and the findings of the correlation were as presented in table below.

**Table 4.15: Correlation between customer loyalty and services quality**

|  |  | Customer loyalty |
| --- | --- | --- |
| **Service quality** | Pearson Correlation | .675 |
|  | Sig. (2-tailed) | .001 |
|  | N | 102 |

The correlation between customer loyalty and service quality by the mobile operator was 0.675 with a p – value of 0.1, since the P – value was a value less than 0.05, then we conclude that at a 5% level of significance we conclude that service quality has significant relationship or influence on customer loyalty.

## 4.6 The influence of switching barriers on customers' loyalty

Another objective of the study was to investigate the extent to which the switching barriers would influence the customers' loyalty. Table 4.19 presents the findings on what were the barriers encountered when one sought to change from one operator to another.

The study sought to establish the extent factors such as search for offers, cancelling and making new contracts et cetera affected switching from one operator to another. The table below displays the findings.

**Table 4.16: Switching barriers between operators**

| Extent of effort would it demand when the doing the following prio to switching? | Mean scores | | | | |
|---|---|---|---|---|---|
| | Safaricom | Airtel | Yu – Essar | Telkom- Orange | Whole sample |
| Search / compare offers | 1.546 | 1.432 | 1.731 | 2.975 | 1.921 |
| Cancel old contracts | 3.721 | 3.123 | 2.228 | 1.019 | 2.523 |
| Make new contracts | 3.726 | 3.517 | 3.503 | 3.282 | 3.507 |
| Learn the use of new services | 3.617 | 2.124 | 1.491 | 3.986 | 2.805 |
| Loose touch contacts | 4.241 | 2.02 | 1.956 | 2.329 | 2.637 |

Searching and comparing offers required little effort for operators in safaricom shown by mean of 1.546. Airtel had a mean of 1.432 indicating no effort at all. Yu-Essar also had little effort from the mean of 1.731 and finally Telkom-Orange respondents were neutral as shown by a mean of 2.975. The whole sample mean of all operators was 1.921 indicating little effort was feltas they sought to for offers. Cancelling old contracts exerted some effort to safaricom respondents to switch operators as shown by the mean of 3.721 similar to Airtel with a mean of 3.123.For Yu-Essar, the respondents were neutral to effort required cancelling old contracts shown by a mean of 2.228. Orange respondents also thought that cancelling of old contracts had no effort at all 1.019. The mean effect to the all subscribers was neutral as shown by this mean score 2.523.

To switch from safaricom, some effort was needed when making new contracts as indicated by mean score of 3.726. When switching from Airtel, some effort was required to make new

contracts as shown by the mean of 3.157. YU- Essar respondents required some effort in making new contracts with a mean of 3.503.Lastly Telkom-Orange respondents made effort to make ne contracts.Generally to switch from one operator to the other; some effort was needed in making new contracts.

Some effort was required to learn the uses of new services for safaricom respondents as depicted by a mean score of 3.617. Little effort for Airtel respondents to learn new services (2.124), no effort at all for Yu-Essar subscriber respondents and finally respondents from Telkom-Orange required some effort to learn the new service. On average, the respondents required effort to switch operators (2.805).

An investigation about the extent of effort for loosing touch with old contacts; safaricom's mean of 3.617 showed that a subscriber thought lose of old contacts would deter them from switching. On the other hand Airtel, Yu-Essar and Telkom-Orange Subscribers, had mean scores of 2.02, 1.956 and 2.329 respectively, meaning they were not bothered with losing old contacts if they switched.

The study also sought to know whether the respondents had any loyalty programs with their operators. The finding is shown in table 4.20.

**Table 4.17 Subscriptions to loyalty programs.**

| Do you have any loyalty programs with your provider? | Safaricom | | Airtel | | Yu – Essar | | Telkom-Orange Orange | | Whole sample | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Freq | % | Freq | % | Freq | % | Freq | % | Freq | % |
| Yes | 54 | 83.08 | 11 | 61.11 | 2 | 16.67 | 1 | 14.29 | 48 | 47.06 |
| No | 11 | 16.92 | 7 | 38.89 | 10 | 83.33 | 6 | 85.71 | 54 | 52.94 |
| Total | 65 | 100 | 18 | 100 | 12 | 100 | 7 | 100 | 102 | 100 |

From table 4.20 above out of the respondents who preferred safaricom as their operator, 54 (83.08%) had loyalty programs with while the remaining 11 (16.92 %) did not have any loyalty program. From the 18 respondents who preferred Airtel, 11(61.11%) had loyalty program with the remaining 7 (38.89%) respondents did not have any loyalty programs. 2 (16.67%) of the total 12 had loyalty program with Yu-Essar while 10 (83.33%) did not have loyalty programs. Finally Telkom-Orange had only 1 (14.29%) respondents confirming that

they had a loyalty program while 6 (85.71%) refuting. Generally it is only Safaricom that had majority of the respondents having a loyalty program. On the other hand, Yu-Essar and Telkom-Orange had less than half of the respondents agreeing to have loyalty programs, with Telkom-Orange having the biggest percentage of respondents, amounting to 85.71%, saying there was no loyalty program.

The study then investigated how easy it was for the respondents to switch to another operator. The table below displays the results.

**Table 4.18: The ease of switching operators inspite of loyalty programs**

| How easy it is to switch to another operator despite the loyalty program? | Service providers | | | | |
|---|---|---|---|---|---|
| | Safaricom | Airtel | Yu – Essar | Telkom-Orange | Whole sample |
| Mean scores | 4.588 | 3. 342 | 1. 371 | 1. 597 | 2.812 |

Table 4.21 Shows that switching from Safaricom was very difficult given by amean of 4.588, switching from Airtel was difficult as displayed by their mean of 3.371. It was easy to switch from Telkom-Orange shown by a mean of 2.597 same for Yu-Essar with a mean of 1.597. The whole samples mean score was 2.812 indicating switching from one operator to the other in this industry was difficult with loyalty programs subscribed. This may be a pointer that loyalty program was a determinant for the customers sticking to an operator.

Customer loyalty was captured using as set of four questions whose answers produced ordinal responses. The questions were the likelihood to which the customers would corporate in case of sudden changes, the likelihood to which the customers would continue doing business or buying products or services of the operator, the extent to which the operators shares the ideas of the customer and the likelihood to which the respondents would recommend the mobile provider to friends or relatives. The respondents were to either respond as either highly likely, likely, neutral, unlikely or highly unlikely. Highly likely had a score of 5, likely was given a score of 4, neutral was given a score of 3, unlikely was given a score of 2 and highly unlikely was given a score of 1. For each respondent the scores for the four questions were summed up to give a value ranging between 4 and 20. This value was the measure of the customer's loyalty.

Switching barriers on the other hand was captured using a question presented to the respondents asking them to state the ease of switching from one operator to the other in terms of effort needed. They responded as No effort, little effort, Neutral, Much effort and Very much effort. Very much effort difficult was given a score of 1, much effort was given a score of 2, Neutral was given a score of 3, Easy was given a score of 4 and lastly Very Easy was given a score of 5. The switching cost was correlated with customers' loyalty and the findings of the correlation were as presented in table below.

**Table 4.19: Correlation between switching barriers and customer loyalty**

|  |  | Customer loyalty |
|---|---|---|
| Switching barriers | Pearson Correlation | .355 |
|  | Sig. (2-tailed) | .001 |
|  | N | 102 |

The correlation between switching barriers and customer loyalty was 0.355 with a p – value of 0.001, since the P – value was less than 0.05, and then we conclude that at 5% level of significance level switching barriers had significant relationship or influence on customer loyalty.

Finally the study sought to establish from the respondents the overall factors they felt would determine loyalty to an operator amongst the key elements. Table 4.22 displays the finding.

**Table 4.20: Factors that determine loyalty**

| Factor that determines loyalty according to the customers | Frequency | Percentage |
|---|---|---|
| Good quality of service | 52 | 50.98 |
| Calling rates | 31 | 30.39 |
| Switching difficulties | 19 | 18.63 |
| Total | 102 | 100 |

Respondents who thought that good quality service offered would determine the loyalty of a subscriber were 52 (50.98%).Calling rates determined loyalty as 31 (30.39%) respondents had

suggested and 19 (18.63%) respondents felt the difficulties usually undergone during switching of operators contributed to loyalty.

## 4.7 Regression analysis

Regression analysis was used in this study to determine the influence of selected factors on customer loyalty. The selected factors namely service quality, switching barriers, and price were the indipendent variables while the customer loyalty was the dependent variable.

The table of coefficients of the regression analysis is as shown in table 4.22.

**Table 4.21: Regression Coefficients**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std.Error | Beta | | |
| 1 | (Constant) | -47.412 | 12.906 | | -3.674 | .000 |
| | $X_{11}$ | 0.971 | .144 | .619 | 6.722 | .000 |
| | $X_{12}$ | 0.738 | .832 | -1.486 | -6.896 | .000 |
| | $X_{14}$ | 7.254 | 1.044 | 1.669 | 6.948 | .000 |

Key

$X_{11}$ = Service quality

$X_{12}$ = Price charged by the mobile operator

$X_{13}$ = Swithching barriers

The linear regression model is shown below as:

$Y_1 = -47.412 + 0.971X_{11} + 0.738X_{12} + 7.254 X_{13}$

The model was highly significant and all the variables were important in the model.

In table 4.22, the Beta column indicates the values of the standardized regression coefficients. Beta represents the effect that a standard deviation difference in the independent variable

45

would have on the dependent variable in standard deviation (the standardized scores of the dependent variable). The results presented in table 4.22 suggest that all the independent variables had significant regression coefficients.

Table 4.23 presents the coefficient of multiple determinations

**Table 4.22: The coefficient of multiple determinations**

| Model | R | R Square | Adjusted R | Square | Std. Error of the Estimate |
|-------|------|----------|------------|--------|----------------------------|
| 1 | .753 | .5672 | | .5628 | 14.8393 |

The analysis produced a regression model summary where R explains the correlation between the observed and predicted values of the dependent variable as values ranging from -1 to 1. The sign of R indicates the direction of the relationship (positive or negative). The absolute R value indicates the strength, with larger values indicating stronger relationships.

The proportion of the variation in the dependent variable explained by the regression model is represented by $R^2$ The values of $R^2$ range from 0 to 1. Small values indicate that the model does not fit the data well. $R^2$ is also used to determine which model is best. A model with a larger regression sum of squares in comparison to the residual sum of squares indicates that the model accounts for most of the variation in the dependent variable.

As observed in Table 4.23, the multiple R is a correlation between the dependent variable (Customer loyalty) and the independent variables. The correlation between the dependent variable and independent variable was as high as 0.753. The R Square ($R^2$), which is an indicator of how well the model fits the data, is 0.5672. R Square is the proportion of the variance in the dependent variable associated with variance in the independent variables. In other words, the independent variables explain 56.72% of the variance in the dependent variable. The combination of the independent variables predicted 56.72% of the dependent variable with other factors predicting 43.28 % of the dependent variable. This indicated that a big part of the dependent variable is predicted by the combination of independent variables..This was demonstrated by the coefficient of determination (R square) in table 4.23.

The regression model produced an ANOVA table to show the significance of the joint contribution of the independent variables on the dependent varible as shown in the table 4.26.

**Table 4.23: ANOVA Table for the Multiple Regression Model**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|-----|-------------|---------|------|
| 1 | Regression | 104156. 51 | 5 | 20831.250 | 127.657 | .000 |
| | Residual | 79469.481 | 487 | 163.182 | | |
| | Total | 183625.732 | 492 | | | |

It can also be demonstrated in the p - value of the analysis of variance of the regression model above in table 4.24 which has a p - value of 0.000, indicating that the independent variables have a significant effect on the dependent variable. This indicates that the combination of independent variables have a significant effect on the dependent variable.

### 4.8 Hypothesis testing

This section presents the summary of three hypothesis that were tested in the study namely: to test for the significance of the relationship between the price factor and customer loyalty among mobile phone subscribers in Kakamega municipality; to test for the significance of the relationship between the service quality and customer loyalty among mobile phone subscribers in Kakamega municipality and to test whether switching barriers had some effect on customer loyalty among mobile phone subscribers in Kakamega Municipality.

### Hypothesis 1

Null hypothesis ($H_0$): There is no significant relationship between the price and customer loyalty among mobile phone subscribers in Kakamega municipality

Alternative hypothesis ($H_1$): There is significant relationship between the price and customer loyalty among mobile phone subscribers in Kakamega municipality.In testing hypothesis one the study employed correlation analysis as shown in table 4.27.

**Table 4.24: Correlation between customer loyalty and prices**

|        |                    | Customer loyalty |
|--------|--------------------|------------------|
| Prices | Pearson Correlation | .100             |
|        | Sig. (2-tailed)    | .368             |
|        | N                  | 102              |

From table 4.27, the correlation between price and customer loyalty was 0.1 with a p – value of 0.368. Since the P – value is a value greater than 0.05, then it can be concluded that at 5% level of significance we fail to reject the null hypothesis and conclude that there is no significant relationship between the price and customer loyalty among mobile phone subscribers in Kakamega municipality.

**Hypothesis 2**

Null hypothesis ($H_0$): Higher level of service quality does not lead to higher levels of customer loyalty among mobile phone subscribers in Kakamega municipality

Alternative hypothesis ($H_1$): Higher level of service quality leads to higher levels of customer loyalty among mobile phone subscribers in Kakamega municipality

In testing hypothesis 2 the study as well used the correlation analysis and presented the findings as shown in table below.

**Table 4.25: Correlation between customer loyalty and service quality**

|         |                    | Customer loyalty |
|---------|--------------------|------------------|
| Service | Pearson Correlation | .675             |
| quality | Sig. (2-tailed)    | .001             |
|         | N                  | 102              |

From table above, the correlation between customer loyalty and service quality was 0.672 with a p – value of 0.001. Since the P – value is a less than 0.05, then at 5% level of significance we reject the null hypothesis and accept the alternative hypothesis that higher level of service quality leads to higher levels of customer loyalty among mobile phone subscribers in Kakamega municipality.

**Hypotheis 3**

Null hypothesis (H₀): Switching barriers has no relationship with loyalty among mobile phone subscribers in Kakamega Municipality.

Alternative hypothesis (H₁): Switching barriers has relationship with loyalty among mobile phone subscribers in Kakamega Municipality.

**Table 4.26: Correlation between customer loyalty and switching barriers**

|  |  | Customer loyalty |
|---|---|---|
| Switching | Pearson Correlation | .355 |
| barriers | Sig. (2-tailed) | .001 |
|  | N | 102 |

From table above, the correlation between customer loyalty and switching cost was 0.355 with a p – value of 0.001. Since the P – value is a value less than 0.05, and then at 5% level of significance we reject the null hypothesis and accept the alternative hypothesis that switching barriers has relationship with loyalty among mobile phone subscribers in Kakamega Municipality.

**4.9 Discussions**

The first objective was to determine the relationship between the price factor and customer loyalty among mobile phone subscribers. The study examined the likelyhood of switching from one operator to another when same service was offered at the same price or at a lower price. The study found out that; the likelihood mean score of switching from safaricom to another competing operator offering the same service at the same price was very low. The same was the case if the competing operator lowered the price and offered the same service the mean score would stand at 2.353 meaning that respondents would on average be unlikely to switch to the competing operator even if the same services were offered at a lower price.Responses from the respondents who preferred Airtel gave a mean score of 2. This mean score was interprated to mean respondents preferring Airtel as their service operator were unlikely to switch to operators with the same service at the same price. Suppose the competing operator offering the same service reduced the price, the likelihood mean will

increase by 0.667 to rest at 2.667 this implied that respondents preferring Airtel services were open to switching to other competing operators offering the same service at a lower price.

The mean score of switching from Yu-Eessar to another competing operator offering the same service at the same price was 2.214, meaning that the respondents would on average be unlikely to switch to the competing operator, though if the competing operator lowered the price and offered the same service the likelihood mean score would increase to 3.571 meaning that respondents would on average be likely to switch to the competing operator.Lastly investigations for Telkom-Orange when competing operators offered the same service at the same price was 2.429. This mean score was interprated as respondents preferring Telkom-Orange were unlikely to switch to operators with the same service at the same price. Though when the same service is offered at a lower price by a different competing operator the likelihood mean would increase to 2.667 and is interpreted as respondents preferring Telkom-Orange were neutral about switching to operators with the same service at lower price.

On average, if the operators offer the same service with lower prices there would be no much change that is subscribers will not switch to new operators. This is again supported by a correlation analysis between customer loyalty and prices. The correlation between customer loyalty and price charged by the mobile operator was found out to be 0.1 with a p – value of 0.368, since the P-value was a value greater than 0.05, then we conclude that at 5% level of significance fairness in price has no relationship or influence on customer loyalty.

The second objective was to establish how service quality influence customer loyalty among mobile phone subscribers. This objective was achieved by establishing the extent of satisfaction from respondent by the services offered by operators. In delivering of SMS, MMS, Voice, Data and billing errors Safaricom had the highest mean score of 3.988 level of satisfaction while Yu essar had the least mean score of 3.765. The general response by respondents towards the mobile operators in delivering of SMS, MMS, and Voice, Data and billing errors was that they were satisfied by the services as indicated by the mean score of 3.765. Respondents were very satisfied with call clarity offered by Safaricom operators which was confirmed from the mean score of 4.626. The Yu-Essar operator call clarity did not satisfy the customers; this is indicated by a mean score of 2.334.On average, the respondents were satisfied by call clarity offered by operators as shown by mean of 3.76. On customer care support services; Safaricom came top with a mean of 3.549 signifying satisfaction while Airtel came last with a mean score of 3.221 indicating neutrality by respondents on this

service. The total mean score of the operators for this service was 3.462 representing that the respondents were neither satisfied nor dissatisfied with the customer care. On network coverage Safaricom had the highest mean score of 4.732 signifying that respondents were very satisfied, Telkom-Orange came second with a mean score of 3.492 showing satisfaction. Airtel was third with a mean score of 3.212 also indicating satisfaction from respondents, finally Yu-Essar followed at a mean score of 2.104, indicating dissatisfaction by respondents.

The general response towards the mobile operators' network coverage was neutral, i.e. they were neither satisfied nor dissatisfied, as indicated by the mean score of 3.385. From the result Safaricom was the mobile phone operator that was most satisfying with a total mean score of 4.224 indicating that respondents were satisfied. Telkom-Orange came second with a mean score of 3.633 also showing that respondents were equally satisfied. Airtel was third with a mean score of 3.564 indicating satisfaction, the Yu-Essar followed with a mean score of 2.951 depicting that respondents were neutral about the services offered.

The study also found out service quality influenced customer loyalty since there was a correlation of 0.675 between customer loyalty and price charged by the mobile operator with a p – value of 0.001, that was less than 0.05, that concluded to; that at 5% level of significance that service was a significant relationship between quality of service offered and customer loyalty.

The third objective was to determine how switching barriers influenced the customers' loyalty in the mobile telecommunications industry .The study examined the amount of effort that the customers needed to switch from one subscriber to another. The study found out that the customers thought they needed some effort to leave their current operators for other operators. To switch from one operator to the other, the customer encountered difficulty in learning new services. This was indicated by a mean score of 3.507. Averagely the respondents faced some difficulty arising from lose of contacts from the previous operators. This was read from the mean response of 2.805.

The study also sought to know if the respondents had any loyalty program with their operators. Generally it's only Safaricom that had more than half of its' current respondents agreeing to have a loyalty program. Switching from Safaricom and Airtel was difficult. It was however easier to switch from Telkom-Orange and Yu-Essar. For the whole sample it was difficult for a person to switch operators. This was signified with a mean score of 1.588 indicating switching from one operator to the other in this industry was difficult. The

correlation between switching barriers and customer loyalty was 0.355 with a p – value of 0.001, since the P – value was a value less than 0.05, then we conclude that at 5% level of significance we conclude switching barriers had significant relationship or influence on customer loyalty.

# CHAPTER FIVE

## SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Introduction

This chapter presents a summary of the findings, conclusions and recommendations of the research findings.

### 5.2 Summary of research findings

The study made the following contribution to the body of knowledge:

| Objectives | Findings |
| --- | --- |
| • To determine relationship between the price factor and customer loyalty among mobile phone subscribers in Kakamega municipality | There was no significant relationship between price and customer loyalty at 5% level of significance. The correlation between customer loyalty and price charged by the mobile operator was found out to be 0.1 with a p – value of 0.368 |
| • To establish how service quality influence customer loyalty among mobile phone subscribers in Kakamega municipality | There was a correlation of 0.675 between service quality and customer loyalty with a p – value of 0.001. There was a significant relationship between service quality and customer loyalty at 5% level of significance. |
| • To determine how switching cost influence the loyalty of the customers in the mobile telecommunications industry among subscribers in Kakamega municipality. | There was a correlation of 0.355 between service quality and customer loyalty with a p – value of 0.001. There was a significant relationship between customer loyalty and switching cost at 5% level of significance. |

## 5.3 Conclusions

The purpose of the study was to investigate the key factors that determine customer loyalty in telecommunications industry in Kenya with a focus on Kakamega municipality. The study found out that prices did not affect customer loyalty a great deal though it also influences loyalty. Factors that mobile operators need to consider so as to achieve customer loyalty were to; improve qualities of services they offer, and placing switching barriers.

The factor that had the highest influence on customer loyalty was service quality with a correlation of 0.675.The factor that had the seond highest influence on customer loyalty was the presence of switching barriers with a correlation of 0.355. Price had the least influence on customer loyalty with a correlation of 0.1. It was established that the combination of pricing, switching barriers and service quality predicted upto 56.72% of the customer loyalty with other factors predicting 43.28 % of customer loyalty.

Customer loyalty is the dependent variable in the regression analysis. The objective of regression analysis was to determine which of the three factors would have the most important influence on customer loyalty. The three relations were hypothesized to influence customer loyalty; there are two significantly and positively- service quality and switching barriers, but price not significantly important.

## 5.4 Recommendations

Several new ideas arose while pursuing the purpose of this research with following recommendations:

- Service quality and switching barriers are two important routes to customer loyalty for most service companies, either in retaining or attracting customers. Research related to the importance of service quality and switching barriers in attracting new customers to the company and how this may change between different service industries is in dire need. In the emerging paradigm of relationship marketing,there is need to understand the importance of service quality and switching barriers in

retaining customers. The researcher focused on the impact price, switching barriers, and service quality on customer loyalty.

- The Kenyan telecommunication market has in the past witnessed price wars in attempt to win customers.The outcome has not been satisfactory and profitable in the long run.The study confirmed that pricing of calling was not a significant determinant of customer loyalty,therefore operators should shift focus away from price wars.

- The study recomends that mobile phone operators should seek to improve the quality of services they offered to their subscribers as this increases customers loyalty and reduce the immense focus on price wars as the only method of gaining competitive advantage.

## 5.5 Recommendation for further studies

This research just covered a small portion of the factors that affecting on customers' loyalty, so these are some of the recommendations:

- This research study should be extended to include other variables such as commitment, value added services, and trust as the factors affecting customer loyalty.
- Further, this study considered only mobile phone subscribers in Kakamega municipality and therefore there is need to replicate the investigation to other regions or countries in order to obtain a broader view and analysis.
- Lastly,it is important to conduct an in-depth research about the profitability of loyal customers in comparison to the costs incurred in retaining them.This will help in future profit forecasting.

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## LETTER OF INTRODUCTION

P.O BOX 2815-50100,

KAKAMEGA.

Mobile: +254720967136.

Email:*crokichy11@gmail.com*

Date: 28th June, 2012.

### TO WHOM IT MAY CONCERN

**Dear Sir/Madam,**

I am a student at the University of Nairobi pursuing a masters' degree course in project planing and management.I am carrying out a research work on "An investigation into the key determinants of customer loyalty in mobile telecommunications industry :a case of mobile phone subscribers in Kakamega Municipality, Kenya".

You have been identified as a potential respondent in this research and requests you to fill the attached questionaire.I assure you that the information you provide will be used for research purpose and treated confidentially.

Your response is highly appreciated.

Thank you for your cooperation.

Yours faithfully,

Sign: ...........................

**Christopher K. Rotich**

**L50/66019/2010**

Kindly spare your valuable time to provide your independent response to the questions provided by marking your choice appropriately within the box.The information you provide will be used for the purpose of the study and treated confidentially.

## SECTION ONE:Demographic characteristics of the respondents

1. Kindly indicate your name (Optional).............................................

2. What is your gender?

    Female        {    }        Male        {    }

3. Please indicate where you age falls.

    18-30        {    }    31-40            {    }    41-50        {    } 50+        {    }

4. What is your occupation?

    Student    {    } Business/self employed    {    } Employed/salaried    {    }

    Others (please specify)...............................

5. On average, what is your monthly income (Ksh.)?

    Less than 10000    {    }10000-30000    {    } 30000- 50000    {    }Above 50,001    {    }

6. Please indicate your level of education.

    High school    {    }Diploma    {    }Degree    {    }Postgraduate    {    }Others{    }

7. Please indicate your top preferred mobile services provider in Kenya from the list below.

    Airtel    {    } Yu-Essar    {    } Telkom-Orange    {    } Safaricom    {    }

(Questions below will be based on your experience with your preferred choice in 7 above)

<u>**SECTION TWO:Effect of service quality on customer loyalty among mobile phone subscribers**</u>

1. Are you satisfied with the quality of services offered by your operator?Mark in the box against your rating.{**Very satisfied (VS )=5, Satisfied (S )=4, Neutral (N) =3,Disatisfied (D )=2, Very Disatisfied (VD) =1**}

|  | VS | S | N | D | VD |
|---|---|---|---|---|---|
| Customer care/support service |  |  |  |  |  |
| Delivery of sms,mms,voice,data,billing errors |  |  |  |  |  |
| Network coverage |  |  |  |  |  |
| Call clarity |  |  |  |  |  |

<u>**SECTION THREE:The role of the price factor on customer loyalty among mobile phone subscribers**</u>

1. Do you think the calling rates charged by your operator are fair? (Indicate as :**Very Fair (VF)=5,Fair(F)=4,Neutral(N)=3,Not Fair(NF)=2,Very Unfair(VU)=1**
   VR { }      F { }      N { }         NF { }         VU { }

2. With your operator of choice in mind, how are you likely to:(**Indicate as Very Unlikely (VU)=5,Unlikely(U)=4,Neutral(N)=3,likely(L)=2,Very likely(VL)=1**)

|  | VU | U | N | L | VL |
|---|---|---|---|---|---|
| Switch to competing operator offering same service,same price? |  |  |  |  |  |
| Switch to competing operator offering same service,lower price? |  |  |  |  |  |

## SECTION FOUR: The effect of customer satisfaction on customer loyalty among mobile phone subscribers

1. Will you rate your current operator as a first choice anytime?

   YES   {   }   NO   {   }

2. Do you have any negative experience/emotions against your operator based on previous interactions?

   YES   {   }        NO   {   }

3. If YES in (9) above indicate the negative experience........................................................

   ............................................................................................................................................

4. Are you likely to switch to another operator in the near future even if the prevailing conditions remain unchanged ?(Indicate as; Very Unlikely (VU) = 5 ,Unlikely(U) =4,Neutral (N) =3,Likely (L) = 2,Very Likely(VL) =1)

   VU  {   }      U  {   }    N  {   }       L  {   }       VL  {   }

## SECTION FIVE: The role of switching barriers on customer loyalty among mobile phone subscribers

1. When switching from one operator to another, what extent of effort would it demand from you in doing the followinf:

   {Indicate ;No effort  (NE)=5, Little Effort (LE)=4 ,Neutral (N)=3, Much Effort (ME)=2,Very Much Effort (VME)=1}

|  | NE | LE | N | ME | VME |
|---|---|---|---|---|---|
| Search and compare offers |  |  |  |  |  |
| Cancel old contracts |  |  |  |  |  |
| Make new contracts |  |  |  |  |  |
| Learn the use of new service |  |  |  |  |  |
| Lose of contacts of family, friends etc. |  |  |  |  |  |

2. Do you have any loyalty programs contracts with your provider?

   YES  {   }        NO  {   }

3. If YES in (15) above, how easy will it be for you to switch to another operator despite the loyalty contract? {Indicate as;Very Difficult (VD)=5, Difficult (D)=4, Neutral (N)=3, Easy (E)=2, Very Easy (VE)=1}

    VD { }    D { }    N { }    E { }    VE { }

## SECTION SIX:Customer Loyalty

1. How long has the first ranked mobile service provider been your preferred operator?
Less than 6 Months { }  6 Months-1 year { }  1-2 years { }  2-5 years { }
Above 5 years { }

2. Which of these criteria best determines your loyalty to your number ONE preferred mobile operator?
- o Good quality of service       { }
- o Calling rates       { }
- o Switching barriers       { }

3. With your preferred operator in mind, how likely are you to:

{Indicate as;Highly Likely (HL)=5, Likely (L)=4, Neutral (N)=3, Unlikely (U)=2, Highly Unlikely (HU)=1}

| | HL | L | N | U | HU |
|---|---|---|---|---|---|
| Cooperate incase of sudden changes | | | | | |
| Continue doing business/buying products and services? | | | | | |
| Share an idea that you liked at another operator with your preferred operator. | | | | | |
| Recommend this mobile service operator to friends or relatives. | | | | | |

## TIME FRAMEWORK

| Month | Feb 2012 | | | | Mar 2012 | | | | Apr 2012 | | | | May 2012 | | | | June 2012 | | | | July 2012 | | | | Aug 2012 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Week No. | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 |
| Chapter One | ■ | ■ | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Chapter Two | | | ■ | ■ | | | | | | | | | | | | | | | | | | | | | | | | |
| Chapter Three | | | | | ■ | ■ | | | | | | | | | | | | | | | | | | | | | | |
| Corrections | | | | | | | ■ | ■ | | | | | | | | | | | | | | | | | | | | |
| Proposal presentation | | | | | | | | | | ■ | | | | | | | | | | | | | | | | | | |
| Piloting of instrument | | | | | | | | | | | ■ | | | | | | | | | | | | | | | | | |
| Data collection | | | | | | | | | | | | | ■ | | | | | | | | | | | | | | | |
| Coding and entry | | | | | | | | | | | | | | ■ | | | | | | | | | | | | | | |
| Data analysis, inter-pretation | | | | | | | | | | | | | | | ■ | ■ | | | | | | | | | | | | |
| Report writing | | | | | | | | | | | | | | | | | | | ■ | | | | | | | | | |
| editing/report writing | | | | | | | | | | | | | | | | | | | | | ■ | ■ | | | | | | |
| presentation | | | | | | | | | | | | | | | | | | | | | | | | ■ | | | | |
| Graduation | | | | | | | | | | | | | | | | | | | | | | | | | | | ■ | |

# APPENDIX E

## BUDGET FOR RESEARCH STUDY

| NO. | ITEM | PARTICULARS | Qty | Cost/Qty (KES) | Estimated Amount (KES) |
|-----|------|-------------|-----|----------------|------------------------|
| 1. | Stationery | Notebooks/Markers | 2 | 150 | 800 |
| | | Printing papers (rims) | 5 | 500 | 2,500 |
| | | Toners/cartriges | 2 | 3000 | 6,000 |
| | | Binding | 8 | 100 | 800 |
| | | Memory stick (Flash disk,4GB) | 1 | 2000 | 2,000 |
| | | CD-ROMs | 2 | 100 | 200 |
| 2. | Personnel | Transport (piloting) | 3 | 1000 | 1,000 |
| | | Transport (Data collection) | 3 | 2000 | 6,000 |
| | | Meals/Lunch | 25 | 200 | 5,000 |
| | | Field assistants (3 for 2 days) | 3 | 4000 | 12,000 |
| | | Typists | 50 | 20 | 1,000 |
| | | Data analyst | 1 | 12000 | 12,000 |
| 3. | Contingencies (10%) | | 1 | 4000 | 4,000 |
| | | | | TOTAL | 53,300 |