

**AN EVALUATION OF THE BONUS REWARD SYSTEM AND  
CUSTOMER RETENTION IN TELECOMMUNICATION  
INDUSTRY: THE CASE OF SAFARICOM LIMITED**

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## **DECLARATION**

This research project proposal is my original work that has not been presented for a degree in any other University, for any other award.

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This research project proposal has been submitted as part fulfilment of the requirements for the award of a Masters of Business Administration degree, University of Nairobi with my approval as the University Supervisor

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## **DEDICATION**

This research project is a special dedication to my dear mom Eunice Otieno, my Dad Frank Kapere, my family and CG family who gave me the necessary support and encouragement to complete this research project without so much strain.

Special thanks to my friend Ceasor Basil for being there for me and inspiring me and nudging me to complete this project

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## **LIST OF ABBREVIATIONS**

|            |                                   |
|------------|-----------------------------------|
| <b>CCK</b> | Communication Commission of Kenya |
| <b>KYC</b> | Know Your Customer                |
| <b>RDT</b> | Resource Dependency Theory        |
| <b>CA</b>  | Communication Authority           |

## **ABSTRACT**

The business world is facing an unprecedented competition between the various organizations which has compelled the organizations to adopt different strategies to retain customers. Implementing a strategy requires changes in an organization. This may take the form of developing new processes of doing things, improving on the existing process and building capacity among employees and customers to enable them work inherently with new processes and systems implemented in an organization. The study main objective was to evaluate of the bonus reward system and customer retention in telecommunication industry: the case of safaricom limited. This study adopted a case study design. The study used primary which was collected by use of questionnaires. This study targeted 100 respondents who are Safaricom Ltd staff serving in various customer centres based in Nairobi City. Data was analysed using descriptive and inferential statistics. The study found that there is a relationship between bonus rewards system and customer retention in Safaricom ltd. The study concludes that rewards can and do build customers' retention.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Businesses are known to gain a strong competitive advantage based on their quality of service delivery (Bacon & Pugh, 2003). In this fast paced business and economic environment businesses and firms that adopt the right customer retention strategies tend to survive and remain competitive especially with the rising costs of customer acquisition. Well thought out and clear strategies enhance and boosts the performance of businesses, by identifying trends and opportunities in the future and helps create a vision and direction for the whole organisation. Customer profitability tends to increase over the life of a retained customer which forces business to allocate more resources to widening their customer retention strategies (Ross Beard, 2015). The quality of services creates a customer preference inducing high purchases and witnessing repeat customers (Allen & Higgins, 2006). The higher the customer base or retention for business implies increased market performance and share held.

This study is anchored on the Ansoff's Matrix theory, the Porter's Forces of competition and resource dependence theory. The Ansoff's Matrix theory posits the nature of one making decisions with an anticipated outcome or path of the decision in output. The decision may include un/certainty outcomes as and when made (Grant, 2005). Porter offers five distinct strategies in market performance for the industrial players (Gupta & Lehman, 2003). The manner in which industrial players choose to design the products and services to meeting the customer preferences determines the repetitiveness of the customers and the performance in the market including the leadership in competition (Ferell & Hartline, 2008). Firms depend on the resources and their value creation to maximizing the returns in the market as explained by the resource

dependence theory. The theory posits that each individual firm bases reliance on the available resources invested in generating or developing a specific strategy or decision (Porter, 2000).

Telecoms rely on the behavioural nature of the consumers to determine their loyalty. This extends with performance in terms of the rewards offered or the expected growth in terms of retention basis. Telecommunications industry is strategy dependent for existence owing to presence of competition and entry of new players in the industry. The industry witnesses new strategies aimed at boosting product performance and retaining customers. Diversification in strategies is common to counter the competition witnessed in the industry (Evan, 2010).

### **1.1.1 The Concept of Bonus Reward System**

Bonus reward system is defined as the after service loyalty gifting to clients for enhancement in the buyer and seller relationships (Cao & Gruca, 2005). Reward system further is the loyalty pay for the consistency in usability or repetitive use of goods and services from a specific buyer (Cahill, 2007). Enterprises perform well with high customer retention rates and quality of service delivery. Customer retention may further mean the sustainable activity of ensuring the current client is a repeat client progressively (Cao & Gruca, 2005). More often, customer retention is enhanced through initiatives taken by individual corporate organizations, companies or persons to ensuring customer growth are on the rise.

Service based firms are compelled to formulate new strategies of sustaining performance and growth in their market whereas satisfying their clients' demands (Levesque et al, 2010). Bonus rewards system is a technique strategically aimed at retaining consumers and appreciating the power of buyers purchasing a specific commodity (Ferrell & Hartline, 2008). Bonuses are a form of rewards commonly added usage of a particular service or commodity at zero pricing. The system mainly enhances additional consumption and instils a competition edge over other sellers in the same market (Evan, 2010). The scheme is designed uniquely to capture different kinds of consumer preferences as well as strategically to increase product or service penetration and gain a market share (Hill, Roche, & Allen, 2007). Hill et al, (2007) further note that institutions that have adopted the bonus reward system have either increased the performance in output or the customer delivery in terms of the portfolio growth.

Telecommunications sector is in the service industry that is quality sensitive and led in growth and expansion (Hoffman & Bateson, 2010). This requires proper managerial decisions in order to exist. Telecommunications industry has stiff competition with exist and entry of new players witnessed in the sector. For growth and expansion, a telecommunication firms compete through rewarding consumers with bonuses and other rewards. This strategy is aimed at increasing the market share through growth portfolio sales that is attributed by targeted consumers. Managers in this sector are quality sensitive in formulating reward decisions as they ensure (Ferrell & Hartline, 2008).

### **1.1.2 The Concept of Customer Retention**

Every business or organization is in tandem with the Know Your Customer Policy compliance framework (Hill et al, 2007). This is meant to instil good relationships and understanding of the customer needs. Customer retention therefore requires that proper and clear strategies are put in place so that a business can have a competitive advantage over others through retaining customers. Like the KYC, the customer retention is inclusive of many other assessment factors to attain high retention rates. The initiatives employed to maximize the customer utility in terms of service and product provision is based on the previous and industrial trends and change in tastes by all the players. Institutions attaining high customer retention have basis on strategies and strategic measures like exclusive customer service and delivery practices, instilled policies to ensuring efficiency in work delivery and showing adequate concern to customer needs and prompt responses.

Customer retention requires a combination of strategies to maximize high growth of repeat customers (Hill et al, 2007). Industrial changes and the diversification of products and services may in one way disrupt the customer retention bases for various institutions (Proctor, 2000). Customer retention rate signifies the efficiency and effectiveness of the services and products provided to clients over a given period of time (Nankervis, 2005). Low customer retention rate may signify a lagged increase in customer base with a high rate implying a growth in the numbers of customers buying or seeking to be offered services or products (Moore, 2010). The customer retention rate with combination of customer taste diversification in service provision determines a forecast in profitability and performance spread in the market (Moine & Lloyd, 2002). Customer retention is dependent on the customer acquisition strategy each firm places

on the market to increase the number of repeat customers (Hill et al, 2007). This would require independent or group initiatives to achieve a high retention rate progressively.

### **1.1.3 Evaluation of Bonus Reward System and Customer Retention**

Every business requires a working customer retention strategy while also gaining a competitive advantage in the market (Levesque et al, 2010). Such strategies encompass the pricing of products, introduction of new products in the market or rewarding loyal customers for consistency. Rewarding customers would require a decision making process with analysis to determine the loyalty and them meeting the company terms and conditions in line with the service usage (Hill et al, 2007). Businesses that practice the reward systems are customer led by the retention rate assesses by the growth or reduction in the customer numbers of a given period of time (Sheth, 2008). Sheth, (2008) further states that the choice and preference and consumption of the products of the firm by the customers are based on the quality, the delivery and consistency touch to the needs the customer requires.

Management in the service sector requires proper understanding of the consumer needs and realizing their satisfaction levels and therefore employ proper strategies aimed at catering for these needs (Levesque et al, 2010). Strategies applied to ensure all consumers' utility is met encompass the ability of the consumer to respond to reward strategies or decisions based on the preferred product or service of choice (Saxena, 2009). Consumers express repetitive trends in purchasing a product or service with regard to customer service delivered to them or the existing rewards they will benefit in return for buying the product. The bonus rewards system may be applicable to maintain the customer retention rate and the loyalty of the customers to the firm's

services. In essence the customer retention relies on the rewards initiatives in place by the individuals or organization progressively or over a given period of time. A bonus reward system is a strategy in nature creatively in place to ensure there is an improved competitive advantage over other firms through high customer retention rates.

#### **1.1.4 Telecommunication Industry**

Kenya's telecommunication sector has undergone considerable changes since the landing of the four fibre optic international submarine cables (Henry Lancaster, 2015). The telecoms sector continues to be a critical component of Kenya's economic growth, performing strongly in terms of mobile money and ICT infrastructure expansion, Kenya's telecoms sector has continued to experience substantial growth in coverage across the population. According to the Kenya National Bureau of Statistics in its 2015 Economic Survey findings, Kenya's telecoms operators invested a total KSh32.5bn (\$357.5m) in 2014, with a 6.9% increase in revenue. Mobile revenue totalled KSh172.5bn (\$1.9bn) for 2014, up from KSh140.2bn (\$1.54bn) in 2013, an increase of 23%, according to the CA's numbers for the sector.

The CA, known prior to 2013 as the Communications Commission of Kenya, is responsible for the regulation of telecoms, broadcasting, multimedia and e-commerce, as well as postal and courier services. The CA is also the entity responsible for developing and implementing policy, and licensing operators and service providers. The CA, known prior to 2013 as the Communications Commission of Kenya, is responsible for the regulation of telecoms, broadcasting, multimedia and e-commerce, as well as postal and courier services. The CA is also the entity responsible for developing and implementing policy, and licensing operators and service providers.

### **1.1.5 Overview of Safaricom Limited**

Safaricom Limited founded in the late 1990s is the leading telecom in Kenya with a customer subscription spread of more than 25 Million (CCK, 2016). The company provides voice call, data bundle, security management, taxi services, corporate telecommunication and mobile money and savings services to its customer subscribers in Kenya and around the globe. The company with customer based interests and preferences have grown over the years taking in consideration of the different customer income bases in its services provision. Distinctively is the bonus in voice calls through rechargeable airtime plans and mobile money service use by the subscribers (Safaricom, 2015).

Duped as Bonga Points, the bonus points for using the Safaricom voice and mobile data services over a given period of time are redeemable for data, airtime, on/off net minutes and text messages alias SMS for the subscribers (CCK, 2011). The higher the number of Bonga Points, the higher the redeemable rewards. Further, the points could be redeemed for accessories and other commercial based sales by Safaricom Limited subject to the terms and conditions appended to the promotions and progressive flash sales (Safaricom, 2016). The bonus rewards are instrumental in influencing intensive use of Safaricom Limited products as key strategy in maintain high customer retention base and creating a competitive advantage in the telecoms market in Kenya and Africa. This study seeks to examine exclusively the bonus reward system strategy by Safaricom Limited in creating a strong customer retention base and the existing effects in the telecommunications industry in Kenya.

## **1.2 Research Problem**

Firms globally have employed different strategies to win the customers to buy or provide their services to (Hill et al, 2007). The business world is facing an unprecedented competition between the various organizations which has compelled the organizations to adopt different strategies to retain customers. Implementing a strategy requires changes in an organization. This may take the form of developing new processes of doing things, improving on the existing process and building capacity among employees and customers to enable them work inherently with new processes and systems implemented in an organization (Thompson & Strickland, 2007).

Institutions in the business industry are customer led with most creating a competitive advantage in accordance to the customer retention or the extent to which they reward their customers (Hitt, Ireland & Hoskisson, 2010). This is in variation to the traditional schemes that relied on the traditional marketing approaches to win the customers (Bryson, 2006). Firms in the telecommunication industry have experienced tremendous change in the recent past, triggered by new entrants, introduction of new technologies of product development, differentiation of products, segmenting and targeting of customers more and improved customer services. A limited customer retention rate by telecommunication sector players is a concern. Managers in the industry have presented alternative means to counter the low competitive advantage witnessed by some players through rewarding bonuses however, in vain (Moore, 2010). this is a strategy meant to ensure that loyal customers are rewarded and maintained with an aim of encouraging continued purchase and use of the company's products and services.

In Kenya, the telecommunication industry has witnessed sudden growth. Telecommunication firms that have employed the right strategies to retain its customer and client base have had an edge towards ensuring profitability. Nding'ori (2015) opines that this is attributed by adoptable technologies, user friendly services and ease of mobile transactions. Consumers in the telecommunication sector are glued to high quality and standard of customer service, ease of access of the network systems and ability to transact more than one service on a single platform. Retaining consumers in this sector has had various firms for facing high competition from rivals and recording low customer response to their products and services. Provision of rewards and promotional gifting is common in the industry, however, there's still a nonlinear competitive advantage gained by most industrial players (Nding'ori, 2015). With less than 10 firms in the industry and minimal subscriptions rates from suffrage persons, each firm endures to provide bonuses to gain a competitive advantage. This is a concern to majority decision makers tasked with monitoring the performance of goods and services, market share and customer base owned.

Telecommunications industry being a customer and service led industry with quality assurance and affordability concerns. This is a lead carrier in customer retention and combined progressive competition for the available clientele. Bonus reward system is a process in application to maximize the loyalty placed and increase the retention of the customers. Bonus rewarding has been on the increase with cumulative firms in the telecoms industry presenting a high rate in subscriptions over time (Moore et al, 2010). The performance of the sector is on the rise with disruptions in maintaining the surge in customer services requests and maintaining a customer retention base with limited customer switches and loyalty. Differentiation in product and services creates

inconsistency in presenting a singular reward system however, to include varied to meet client differentiation in tastes and preferences (Saxena, 2009).

Locally, fewer, studies have been conducted in relating to this study. Joan (2015) studied Competitive Strategies Adopted by Airtel Kenya for Success in the Telecommunications Industry and Nding'ori (2015) studied Factors Affecting Outsourcing of Customer Service of Airtel Networks Kenya Limited conducted studies in the telecoms industry. However, none of the studies categorically evaluates the bonus reward system effect on the customer retention in the industry. This study therefore sought to provide solutions to one research question: what is the evaluation of bonus reward system and customer retention by Safaricom Limited in the telecommunication industry in Kenya?

### **1.3 Objective of the Study**

The study seeks to evaluate the bonus reward system and customer retention by Safaricom Limited in the telecommunication industry in Kenya.

### **1.4 Value of the Study**

Like other studies, this study is significant in many ways. The study findings will be significant contribution in theory to the concept of bonus reward systems and customer retention with specific assessment input to the identifiable application in the telecommunications industry. The study will seek to provide wealth of knowledge contribution in the two conceptual areas and current trend in the industry including the strategy focus.

The study will benefit the industrial players in the telecoms industry and in realizing the significance of the bonus reward systems and the customer retention magnitude in the industry. The study will further provide knowledge and empirical segment input to industrial policy formulation and in charge statutory authorities such as the Competition Authority of Kenya and the Communication Authority in the assessment, regulation and trend behaviour in the telecommunication industry.

The study will be of great input and interest to the scholarly areas. The study will provide new empirical evidence input, identify areas for further research and fill gaps in the reviewed literature. Further, the study will be a scholarly reference text with recommendations for implementation by the relevant authorities.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This section covers the theoretical foundation of the study, review of the literature on variables, empirical review, research gaps and the summary and presents key aspects of the study.

### **2.2 Theoretical Foundation**

Theories are basis for which the applicable knowledge and study investigations are founded. This section seeks to discuss theories that are relevant to the study. The study seeks to discuss the Ansoff's Product Development Matrix, Porter's Forces of Competition-Theory and the Resource Dependence Theory with relevance of the theories to the study.

#### **2.2.1 Ansoff's Product Development Matrix**

Ansoff (1957) undertook a framework development to aid the senior managers and executive staff to devise the strategic planning processes for future growth. This was in form of a product mix. In the need to overcome environmentally attributed barriers, Ansoff developed a product matrix that included growth alternatives that included market penetration, market development, product development and diversification necessary to mitigating the obstruction to the attainment of organizational goals (Mintzberg, 1994). Market penetration includes the organizations using their internal mechanisms and offerings in the market they are in existence. This is to increase the market share and in the specific market segment.

To achieve this, most firms try to sell the product and services to the existing clientele base and create new customers from the existing market (Hitt, et al., 2007). In the need to increase the portfolio performance in sales, each firm provides enabling resources to facilitating the promotions and distributions. This is associated with the reduction in the price, increased promotional rewards, in further needs to acquire a rival firm in the same market and refinement of the current products-standardization in terms of attributes. Market development strategy is essential for service based industries. This includes the significant geographical expansion to gain more customers and spread the consumption of the products and services.

Most firms have unique approach to the market development strategy as many choose to focus on the foreign markets, associate different customer based market segments and industrialisation of buyers from the household sale only and within country regions-territories in market sales (Levesque et al, 2010). This is achievable by the level of technology inclusion, economies of scale, when the new market is not such different from the existence and market is profitable. The creation of new products to suit the market needs would require research and development and understanding the customer needs. This is the product development strategy. It requires investment of resources and acquisition of the intellectual rights for the product innovation, jointly developing the product and by this would lead to new introduction of new products in the market. Further to achieve this, diversification both related and unrelated is required.

### **2.2.2 Porter's Forces of Competition-Theory**

Institutions that provide services and goods sale in the market have the Porter's Five Force Model very significant (Levesque et al, 2010). It enriches in explaining the

performance, entry and exit with the sustainability or existence in the same market. Porter (1985) formulated the model that includes bargaining power of the buyers, the threats of the new entrants, and the substitution threat by the alternative products, the existing rivalry of the competing firms. This theory well explains the competitive advantage in the organization whose participation is market based (Levesque et al, 2010). Like the banking organization, the threat levels of performance and customer retention competition are drastic and common with progressive changes (Ogori, 2010). The banking sector is described by the ability to design, make a produce and sustain the sales of the products and services that make an increase in the superiority of the competition (Mnjala, 2014). An external influence in the environment of operation may guide the performance of a strategy (Kathumi & Mugenda, 2012).

A reduction in the rates and the fees charged on the services offered, benefits extended are meant to gear the differentiation of services and products (Darshani, 2013). The forces do interplay to present an intensity of competition depending on the industry nature. Porter (2008) opined further strategies that include broad versus focused strategies market signalling, switching costs, barriers to exit, and cost versus differentiation. Sustainable competitive advantage is based on a firm's capacity to build a unique and inimitable capability or competence that can be transported into desired products and service offerings (Nemati & Barko, 2004); and that remains relevant regardless of environment development (Porter, 1980). This is derived from the ability to build, at lower costs and faster than competitors, the core competencies that bring forth unanticipated products (Pock, 2007). Product and service differentiation in the telecoms industry is essential in terms of sales and marketing, research and development in the industry.

### **2.2.3 Resource Dependence Theory (RDT)**

RDT is a theory based on control and exchanges within an organization. RDT explains how organizations have to obtain resources from external environments. The theory focuses on the control and power placed on the resources owned by the organization (Barringer and Harrison, 2010). This theory explains how institutions and individuals require adequate rather intensive utilization of resources to meet the organizational demands. RDT explains the resources are not substitutable, very rare and are able to create a competitive market (Barringer and Harrison, 2010).

Resources control by the organization would determine the competitive advantage in the market (Sohn et al, 2003). Ability to create a competitive advantage depends on the manner the control, power imposition on the available resources (applicability) (Mintzberg, 1994). This theory relates with this study as the reward systems employed by the telecommunication companies are unique and control based (intellectually and applicability). Companies rolling out their reward systems are strategically creating the competitive advantage by the times of rewards, the quantity and attainment terms for the rewards (Levesque et al, 2010).

### **2.3 Determinants of Bonus Reward System**

Bonus reward system is based on a process and outcomes subject to specific indicators for determination. Firms are guided by the indicators to determine the kind of bonus reward system to apply to customers and the employees or involved parties. This section discusses the following determinants as bonus reward system indicators.

### **2.3.1 Productivity and Output**

Telecommunication industry in the service area is largely resource led with all departments in work to ensure high portfolio performance. Many companies are extending their bonus schemes to cover a wider range of factors, reflecting a broader set of business objectives (Hitt, et al., 2007). This can help avoid the potentially distorting effect of focusing too much on a single measure. In addition to financial and output considerations, bonus schemes increasingly take into account factors such as attendance, customer service, quality, safety, team and individual performance measures. However, some companies operate successful schemes that focus on one particular key objective-most often profits or productivity.

The effort each player in the industry plays alongside technological input provides the efficiency in increasing the output. Service based businesses gain competitive advantage than others in the manner they provide services as largely quality and ease of receiving services ranks first (Barringer and Harrison, 2010). High productivity and output requires a bonus reward in motivation and appreciation for performance growth. Retailers and other responsible staff in ensuring high productivity in the telecoms industry require progressive appreciation to facilitate their continuity in performance (Hitt, et al., 2007).

### **2.3.2 Quality and Customer Service Delivery**

When purchasing goods, the customer employs many tangible aspects to judge quality; style, hardness, color, label, feel and package. However, when purchasing services fewer tangible aspects exist. In the absence of tangible evidence on which to evaluate quality, customers must depend on other aspects. Service quality dimensions are the

aspects/characteristics which customers use to evaluate service quality. Parasuraman, (2009) identified reliability, responsiveness, tangibility, communication, credibility, security, competence, courtesy, understanding and access as factors that influence customers perceptions of service quality.

Quality of service and high standard of service delivery leads to increased customer retention and preference for services and increased profitability. Bonuses are rewarded to quality and good customer service delivery provided (Barringer and Harrison, 2010). In addition, the level of standards may offer inclusive performance growth in the customer spread leading to high portfolio performance. Customers will remain loyal and continue the purchase of products and services that they deem to be of high quality (Hitt, et al., 2010). Customers are moved by high standard of service delivery. Therefore, customer retention will be possible for firms that have high quality standards.

### **2.3.3 Customer Loyalty and Individual Service Use**

Customer loyalty is defined as the willingness of any given customer to purchase the company's goods or services over competitive ones available in the marketplace. (Singh, Khan, 2012). Due to the fact that loyalty is the result of developing past positive experiences with the customers and having them return to the company various times due to these experiences, customers will return again and again to do business with the company; regardless of whether it may not have the best product, price or service delivery (Ghavami & Olyaei, 2006)

Customer loyalty is a progressive than instant process powered by the response of customers to the firm. It encompasses many factors such as service delivery, the quality inclusion and the promptness in addressing the customer needs (Hitt, et al., 2007). Each customer has a product perception and easily would make a referral based on satisfaction gained from using a service. Telecommunication industry players take seriously the responses from customers. These contribute towards the formulation of strategies. Firms ensure there is proper customer service delivered in order to gain loyalty from the consumer (Barringer and Harrison, 2010).

### **2.3.4 Profitability Performance**

A firm profitability performance has to induce raft of bonus in appreciation and performance motivation to customers and employees (Barringer and Harrison, 2010). Gain-sharing bonus schemes particularly focus on cost reduction and efficiency savings. Gain-sharing is a formula-based type of bonus scheme that enables employees to share in the financial gains and efficiency savings made by a company as a result of improved performance. The formula determines how the gains are to be shared between the company and its employees. Many financial services organisations have bonus schemes based on the collection of bad debts.

Telecommunication industry players are sectorial inclusive from the staff, to outsourced service personnel, retailers and the customers who cumulatively contribute to the firm's profitability (Barringer and Harrison, 2010). Bonuses are significant in instilling the loyalty placed on the firm. A firm's profitability encourages the industry players to give bonus rewards. This is mainly aimed at maintaining clients as a form of appreciation and partnership to an all-inclusive customer seller relationship.

Profitability performance enhances rewards and bonuses; the more profitable a company is the more enhanced their reward systems and bonus gifts will be (Hitt, et al., 2007).

### **2.3.5 Sales Portfolio**

Bonus reward system can be determined by the sales portfolio each firm makes in the market (Hitt, et al., 2007). Such targets the customers in providing rewards. Customers are the company wealth in generating high revenues and increasing the market share strength, thus responsive and loyal customers would be rewarded. Company sales are dependent on customer responsiveness to the product and as such encouraging customers through bonus rewards more than likely assures that customers remain loyal and therefore contribute to the growth of the sales portfolio.

Telecommunication industries have realised high sales due to the bonus rewards offered to customers for continued use of the products. A significant proportion of companies have bonus schemes based on financial targets (e.g. net asset growth) and some are based solely on profits. Sales revenue commonly features as a factor in bonus schemes operated by service sector companies, particularly retail and financial services organisations (Barringer and Harrison, 2010).

## **2.4 Customer Retention and Performance**

In the modern business dynamics, customer retention is significant to many of the enterprises for their going concern. Customer retention is the ability to sustain a customer who in this case makes repetitive purchases from the seller over a given period (Barringer and Harrison, 2010). Customer retention is resource intensive and requires

proper understanding of the customer requirements or preferences to match the rate expectations by the seller. Initial contact with the customer creates the customer retention successes. Impressive customer delivery and met demands as per the customers' needs creates ample customer retention base. Increased costs of acquiring and sustaining the customer are on the rise in the service industry. Private costs and fees inclusive in the service industry are considered as part of the customer rewards and awareness activities.

Repeat purchases by customers when on the increase do create higher customer retention. The probability of the buyer continuously maintaining loyalty to the seller or firm is assumed as sustainable increased customer retention. Customers often determine the level of retention and easily capable of winding up their allegiance to a specific firm or seller (Hookes, 2010). In contractual means, the firm has to ensure the customer is active. Customer aliveness is defined in most cases by the use of rule of the thumb by the firm. In modern times of enterprise development, customer acquisition and customer retention are complimentary for expected high customer growth by the firm. Firms' economic health is determined by the number of acquired customers and the retained ones for a given period. Often, the customer retention has unique and direct contribution to a company's profitability (Hookes, 2010). Firm value increases with the customer retention in place. Most customers' preferences change with their purchasing power thus creating fluctuation in rates. Acquisitions of customers rely on the intensiveness of the firm to gaining market appreciation through providing customer reach goods and services.

Customer loyalty facilitates the retention levels and acquisition schemes facilitate the loyalty levels (Hookes, 2010). High company returns and profitability levels are significant with high customer retention. Effective customer acquisition schemes increase the portfolio sales where the customer loyalty is created implying high customer retention levels (Thomson, 2005). Knowledge of customer needs and preferences are foundation to increased portfolio levels and acquisition successes. The possibilities of customer retention would increase with high customer referrals. Reward schemes facilitate the acquisitions and increase customer levels (Zeidler, 2008).

## **2.5 Bonus Reward System and Customer Retention**

Customer retention and performance of reward schemes are a concern to modern enterprise world. Businesses are guided by the customer levels as creating a competitive advantage which require progressive strategy application to attain high retention rates. Organizations are in need of workable strategies to acquire high customer numbers and effectively excel in the market. Customer retention studies indicate effective comprehension of customer needs. This facilitates performance of business with the expectation of high portfolio sales. Competition for consumers or customers in the market requires effective service provisions and proper decisions on the roll out of reward schemes.

Andrew (1971) discusses the influence strategy has on a firm's performance by enabling managers to be able to cope with external challenges through adopting appropriate strategies that will ensure customers are retained. Telecommunication industries adopt these strategies through such measures as bonus reward systems. Provision of rewards is common currently with enterprises in particular those in the

service industry aimed at retaining customers and create a competitive advantage (Cahill, 2007). Profitable firms have a well thought of and clearly outlined strategy (Thune & House, 1970). Industries that are expert in their fields and employ the right strategies no matter how big or small are likely to retain more customers (Ross Beard 2015).

Volatile markets are challenging areas of operation and sustainability of customers. This minimizes the expansion plans and increases the risks of operations. Jones (2004) studied the global market and the management decisions. The study findings provided that global markets are significant for high customer loyalty and retention levels. Global markets are diversified and different buyers and sellers are involved implying uniqueness in product and services sold or offered. Jones (2004) further argued high costs are involved in leveraging existence within the market and proper customer delivery. However, the study provided a general look on the performance of markets by the influence of customer loyalty and retention levels. The study never clearly indicates the influence of the reward systems in place to creating high customer retention scales.

Company objectives and missions are significant in decision making and strategy formulation (Thompson, 2005). Available market knowledge in the market dictates the thinking and decision making by the strategy makers. Customer service delivery and sustainability has gained concern in the service industry. According to Cahill (2007) on the customer retention, loyalty and existence of third parties in the logistics market, there is need to foster good relationships with customers. The study findings keenly describe the need for companies to reduce prices of services by spreading the costs to

gaining more customers in the same market. Cahill (2007) argues that proper strategies would increase the logistical service delivery and gain competition against other companies in the same market. Performance of supply market is dependent on the customer loyalty (Cahill, 2007). The study fails to clearly indicate the reward system contribution to customer retention.

Market share by a firm requires intensive reward schemes and sustainable relationships. Institutions strive to ensure there is customer repetition in product and service sales or provisions. According to Gustaffson, Johnson and Ross (2005) in their study on the satisfaction relationships and customer loyalty as engines for customer retention, it indicates that firms would excel in situations where the customers are fully satisfied. These findings match Thompson (2005) argument on the need for firms to ensure proper customer service delivery as an agent for increased customer retentions. Global markets in the modern world require customer repetitiveness to exist thus the satisfaction strategies. Competition is improved in the markets with how institutions satisfy their clients. However, the study fails to clearly indicate on the way reward systems in place add to customer retention levels, particularly the telecommunication industry.

## **2.6 Research Gaps**

This section highlights the reviewed summary of the literature and the knowledge gaps noted in the study. Cahill (2007) stated that customer loyalty leads to an increase in supply chain and performances of the logistics sector. This however addresses singularly the loyalty to customers and doesn't consider the bonus reward system which influences customer retention. Gustafsson, Johnson, and Ross (2005) customers gain

satisfaction over a period of time depending on how the seller places commitment to providing quality service; this however has no provision of reward system to the customer retention in telecommunication industry.

Jones (2004) on the study of managing in the global environment, contemporary management observed that global business environment would determine the number of customers retained or loyal to a particular business, however this only provides a general view of customer management with no relation to the reward system and contribution to the retention. Reinartz and Kumar (2000) on the profitability of long life customers in non-contractual setting found that business profitability is dependent on the repeat customers but did not provide the implications of reward system on customer retention.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter outlines the research methodology as a part of the review adopted by the study. This chapter seeks to discuss the adopted research design and population considered for this study. This chapter seeks further to discuss in depth the processes, procedures and methods for conducting this research study.

### **3.2 Research Design**

This study adopted a case study design. Cooper and Schindler (2003) describe a case study design as one which examines the entire unit or set of subjects embracing the depth than the study breadth. Kothari (2004) further notes that the case studies do place in-depth analysis on the contextual of events thus presenting interrelations.

The choice of case study for this research study is that it does allow the researcher to undertake, collect and analyse data in about bonus reward system strategy responses and customer retention rates at Safaricom Ltd. A case study has the benefit of not experiencing material doubt as it grants the researcher an opportunity to research intensively on the subject.

### **3.3 Data Collection**

The study used both primary and secondary data. The study collected primary data by use of questionnaires taking consideration of this study objectives under observation per the objectives. The study obtained the secondary data from Safaricom reports since the inception of Bonga Points in 2011. The structured questionnaires was provided to

the reward system beneficiary mainly in Nairobi City County in Kenya to obtain the relevant data.

Safaricom Ltd has over 15 million subscribers. This study targeted 100 respondents who are Safaricom Ltd staff serving in various customer centres based in Nairobi City. The researcher targeted the management of the Customer Care centres. These are responsible for Safaricom Ltd's monitoring activities on customer service utility and use. Customer Centres based in Nairobi City serve a wide spectrum of Safaricom subscribers thus staff serving in these centres have the relevant information about the bonus reward system and customer retention levels. Therefore, the researcher conducted a stratified random sampling covering 10 customer care centres operational within Nairobi City. Therefore, this study had 10 samples from each Customer Care Center making 100 samples which were examined. The researcher used drop and pick method to distribute the questionnaires to respective customer care centres in Nairobi.

### **3.4 Data Analysis**

Data analysis is the use of systematic methods that include logical and statistical techniques to find the relationships of indicators and variables examined (Resnik, 2003). Data collected from the field was cleaned, coded and categorized per the study objective. The study grouping consisted of the response, general information, performance of the reward system and outcome levels. The researcher analysed collected data using descriptive and inferential statistics. The study further used Statistical Package for Social Sciences (SPSS) to code and find out the relationship existence in the variables. Interpretations were provided and illustrations presented on graphs and charts.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents the research findings and interpretation of study data. The study evaluated the bonus reward system and customer retention by Safaricom Limited in the telecommunication industry in Kenya. The study targeted 100 respondents who are Safaricom Ltd staff serving in various customer centres based in Nairobi City.

#### **4.2 Response rate**

100 questionnaires were distributed out of which 94 were returned fully filled. This constituted a response rate of 94% which is good for the study. According to Mugenda and Mugenda (2003) this response rate was fair and representative since it surpasses the 50% threshold for analysis and reporting, a response rate of 70% is good while 77% and over is very good. The good turn up can be attributed to the data collection procedures, where the researcher notified potential participants in advance and utilized self-administered questionnaires in which respondents completed and the same was picked shortly. In addition follow up was made when some respondents delayed in handing over the questionnaires. Data analysis and the report of the findings were done using descriptive statistics in the form of tables, figures, frequencies and percentages.

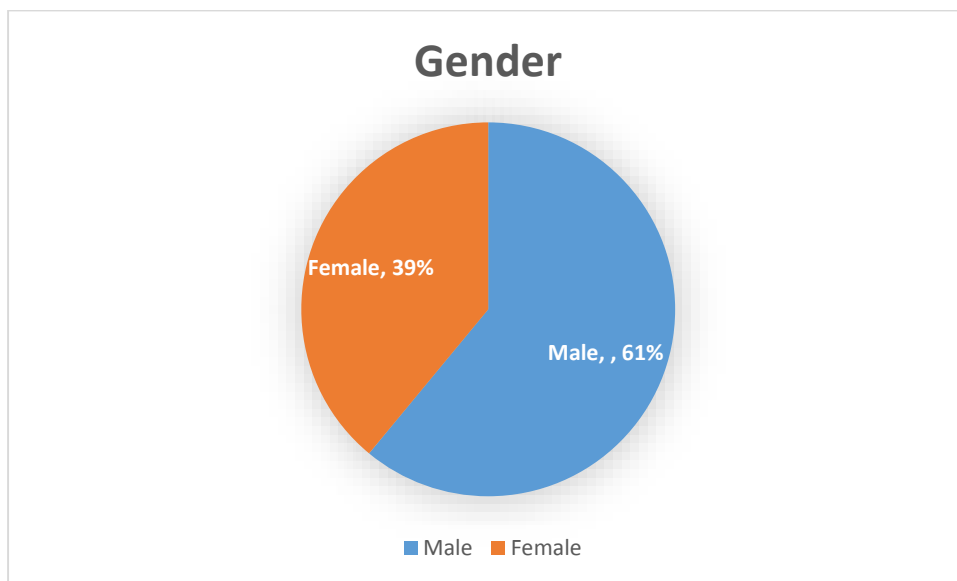
#### **4.3 Demographic Characteristics**

This section sought to identify the demographic characteristics of the respondents including gender, age, position, highest level of education, current position and the number of years worked. These characteristics are important because they are known

to influence perception of the respondents and their understanding of the content under research.

### 4.3.1 Gender of the Respondent

The research sought to know the gender of the respondents. Figure 4.1 shows the findings



**Figure 4.1: Gender of the Respondent**

The results were that 61% of the respondents were male while 39% respondents were female. This shows a fair distribution of the gender of the respondents. Therefore the results of the study are not skewed towards any gender.

### 4.3.2 Age Bracket of the Respondent

This study sought to establish the age of the respondents as age has been associated with experience which is important for this study. Table 4.1 shows the age distribution of the respondent.

**Table 4.1: Age Bracket of the Respondent**

| <b>Age Bracket of the Respondent</b> | <b>Frequency</b> | <b>Percent</b> |
|--------------------------------------|------------------|----------------|
| 20-25 Years                          | 3                | 3              |
| 26-30 Years                          | 12               | 13             |
| 31-35 Years                          | 31               | 33             |
| 36-40 Years                          | 28               | 30             |
| Above 41 Years                       | 20               | 21             |
| <b>Total</b>                         | <b>100</b>       | <b>100</b>     |

From table 4.1, 33% of the respondents who participated in the study were aged 31 – 35 years, 30% were 36 – 40 years, 21% were aged 41years and above, 13% were aged 26-30 years, while the rest were aged 20-25 years old. This implies that most of the staffs in Safaricom Limited centers are in their middle age. This is an indication that the respondents had adequate experience significant for the understanding of the variables under study.

### **4.3.3 Academic level of respondents**

The researcher sought to find out on the academic level of respondents. The table below shows the findings.

**Table 4.2: Academic level of respondents**

| Professional qualification        | Frequency | Percentage |
|-----------------------------------|-----------|------------|
| Professional Course Certification | 2         | 2          |
| Diploma                           | 11        | 12         |
| Degree                            | 60        | 64         |
| Post graduate                     | 21        | 22         |
| <b>Total</b>                      | <b>94</b> | <b>100</b> |

The table 4.2 shows that majority 64% of the respondents were degree holders, this was followed by 22% who had attained their post graduate degree, 12% were diploma holders while 2% were certificate holders. This implied that majority of the respondents were educated and could provide rich information required by the study.

#### **4.3.4 Current position**

The study sought to establish the positions held by the respondents. The table below shows the findings.

**Table 4.3: Current position**

| <b>Current position</b> | <b>Frequency</b> | <b>Percent</b> |
|-------------------------|------------------|----------------|
| Senior level            | 19               | 20             |
| Middle level            | 50               | 53             |
| Lower level             | 25               | 27             |
| <b>Total</b>            | <b>94</b>        | <b>100</b>     |

Table 4.3 shows that most (53%) of the respondent were in middle level position, 20% in senior management and 27% in lower level. This indicates that the respondents were distributed in all levels. This implies that they had considerable ability to respond to the questions in the study

#### **4.3.5 Length of service in the organization**

The respondents were asked to indicate the number of years they had worked in the organization. The results are shown in table below.

**Table 4.4: Length of service in the organization**

| Length of service in the organization | Frequency | Percentage |
|---------------------------------------|-----------|------------|
| Less than 1 years                     | 13        | 14         |
| 1-5 years                             | 55        | 58         |
| 6 – 10 years                          | 17        | 18         |
| 11– 15 years                          | 6         | 6          |
| 16 years and above                    | 4         | 4          |
| <b>Total</b>                          | <b>94</b> | <b>100</b> |

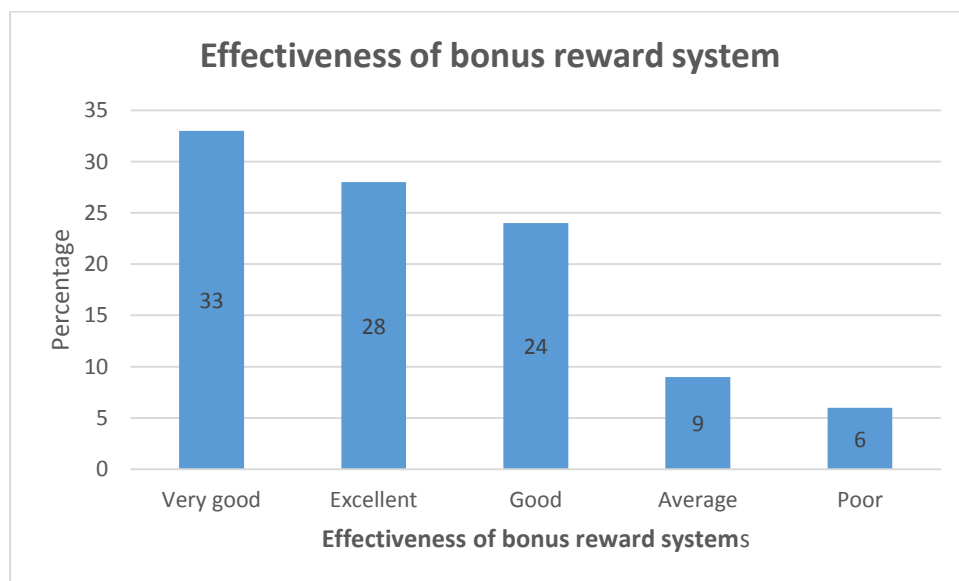
The table above shows that majority 58% of the respondent’s had served for 1-5 years, 18% had served for 6-10 years, 14% had served for Less than 1 years, 6% had served for 11 – 15 years while 4% had served for over 16 years. The findings therefore indicated that majority of the staffs had worked in the firm for a considerable period of time and thus were familiar about the bonus reward practices and its influence on the retention.

## 4.4 Bonus Reward System

This section sought to gather the opinions of the respondents in regard to bonus reward system components and employee retention in Safaricom Limited Kenya.

### 4.4.1 Effectiveness of bonus reward system

The researcher sought to find out the effectiveness of bonus reward system. The findings are shown in figure 4.2



**Figure 4.2: Effectiveness of bonus reward system**

Figure 4.2 shows that majority 33% indicated that the effectiveness of bonus reward system was very good, 28% indicated that the effectiveness of bonus reward system was excellent, 24% indicated that the effectiveness of bonus reward system was good, 9% indicated that the effectiveness of bonus reward system was average while 6% indicated that the effectiveness of bonus reward system was poor.

### 4.4.2 Bonus Reward System Factors

The respondents were asked to indicate the extent to which the bonus reward system influenced customer retention

**Table 4.5: Bonus Reward System Factors**

| <b>Statement</b>  | <b>Mean</b> | <b>Standard deviation</b> |
|---|-------------|---------------------------|
| Your organization awards bonuses based on the number of years a customer has been using your services | 4.0029      | 0.6653                    |
| Your organization rewards customers who undertake multiple service shopping                           | 4.4658      | 0.8688                    |
| Your organization rewards are based on voice and data plans   | 4.0517      | 0.7541                    |
| Your organization has special categories for rewarding customers                                      | 4.5154      | 0.6857                    |
| Your organization has different bonus rewards timelines for customers                                 | 4.2357      | 0.6648                    |
| Your organization sales performance has increased since customer rewards commenced                    | 4.6544      | 0.7548                    |
| Your organization profitability relies on the number of times a customer uses your service            | 4.6651      | 0.3271                    |
| Customer using your services are randomly reward  | 3.4257      | 0.4567                    |
| Your organization bonus rewards system has increased the number of customer using your services       | 4.2779      | 0.8655                    |
| Your organization uses technology to determine the customer qualification for a bonus rewards         | 4.6524      | 0.8651                    |
| Your organization bonuses are higher than those of the competitors                                    | 4.2625      | 0.3265                    |
| Your organization management makes decisions on bonus rewards to customers                            | 4.1741      | 0.5554                    |
| Bonus rewards to customers are not applicable to your organization staff                              | 4.3873      | 0.4124                    |
| Your organization customer number determines how bonus rewards are shared across                      | 4.2651      | 0.8647                    |

The findings in table 4.5 shows that some of the statements were rated to a great extent and they include; organization sales performance has increased since customer rewards commenced which was rated with a mean of 4.6544, organization uses technology to determine the customer qualification for a bonus rewards was rated with a mean of 4.6524, organization profitability relies on the number of times a customer uses your service was rated with a mean of 4.6651 and the organization has special categories for rewarding customers was rated with a mean of 4.5154. To great extent it was found that the organization rewards customers who undertake multiple service shopping was rated with a mean of 4.4658, organization bonus rewards system has increased the number of customer using your services was rated with a mean of 4.2779. Findings show that the organization bonuses are higher than those of the competitors as rated with a mean of 4.2625, organization has different bonus rewards timelines for customers was rated with a mean of 4.2357 and organization management makes decisions on bonus rewards to customers was rated with a mean of 4.1741. findings show that the organization awards bonuses based on the number of years a customer has been using your services as rated with a mean of 4.0029 and organization rewards are based on voice and data plans was rated with a mean of 4.0517. The respondents agreed moderately that customer using your services are randomly reward as rated with a mean of 3.4257.

#### **4.5 Customer Retention factors**

The respondents were asked to rate the statements on customer retention. Table 4.6 shows the findings

**Table 4.6: Customer Retention factors**

| <b>Statement</b>  | <b>Mean</b> | <b>Standard deviation</b> |
|---|-------------|---------------------------|
| Your organization services have increased the number of repeat customers                              | 4.4233      | 0.8101                    |
| Your organization customer service delivery team makes customer follow ups for satisfaction enquiries | 4.3215      | 0.3261                    |
| Your organization customer service delivery performance is enhanced by collective training of staff   | 4.1572      | 0.9517                    |
| Your organization staff are trained regularly how to handle customers and their needs                 | 4.0325      | 0.9654                    |
| Your organization has an automated response to customer enquiries                                     | 4.2653      | 0.4325                    |
| Your organization has in place technologies that enhance speed of service delivery                    | 4.3876      | 0.6758                    |
| Your organization management frequently engages customers on business to customer framework           | 4.0854      | 0.4356                    |
| Your organization has trained staff on how to select customers qualifying for rewards                 | 4.0876      | 0.8675                    |
| Your organization customer rates have exceeded those of your competitors                              | 4.1061      | 0.7502                    |
| Your organization uses the customer retention rates to gain competitive advantage in the market       | 4.2052      | 0.4673                    |
| Your organization customer retention levels are equivalent to the market share                        | 4.0029      | 0.6653                    |

Table 4.6 shows that the respondents agreed to a great extent with the statements provided. It was agreed that the organization services have increased the number of repeat customers as rated with a mean of 4.4233. It was agreed that the organization has in place technologies that enhance speed of service delivery as rated with a mean of 4.3876 and organization customer service delivery team makes customer follow ups

for satisfaction enquiries was rated with a mean of 4.3215. Findings show that the organization uses the customer retention rates to gain competitive advantage in the market as rated with a mean of 4.2653. The organization uses the customer retention rates to gain competitive advantage in the market was rated with a mean of 4.2052 and the organization customer service delivery performance is enhanced by collective training of staff was rated with a mean of 4.1572. The study found that organization customer rates have exceeded those of your competitors as rated with a mean of 4.1061 and the organization management frequently engages customers on business to customer framework was rated with a mean of 4.0854. It was also found that organization customer retention levels are equivalent to the market share as rated with a mean of 4.0029. Staffs have been trained on n how to select customers qualifying for rewards as shown with a mean of 4.0876 and also staffs are trained regularly how to handle customers and their needs as rated with a mean of 4.0325.

#### **4.6 Relationship Between bonus reward system and customer retention**

The study was based on the premise that there is a relationship between bonus reward system and customer retention. To establish the statistical significance of the respective hypothesis, regression analysis was conducted at 95% confidence level. Regression analysis is used to explore the predictive ability of one or more independent variables on one dependent measure (variable).

The regression model was as follows:

$$y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Where:

y = Customer retention

$\beta_0$  = Constant Term

$\beta_1$  = Beta coefficients

X<sub>1</sub> = Productivity and Output

X<sub>2</sub> = Quality and Customer Service Delivery

X<sub>3</sub> = Customer Loyalty and Individual Service Use

X<sub>4</sub> = Profitability Performance

X<sub>5</sub> = Sales Portfolio

**Table 4.7: Model Summary**

| Model     | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-----------|-------------------|----------|-------------------|----------------------------|
| dimension | .796 <sup>a</sup> | 0.633    | 0.594             | 0.00202                    |

Predictors: (Constant), Productivity and Output, Quality and Customer Service Delivery, Customer Loyalty and Individual Service Use, Profitability Performance and Sales Portfolio

Source: Reseachar (2017)

Analysis in table 4.7 shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R<sup>2</sup> equals 0.633 that is, Productivity and Output, Quality and Customer

Service Delivery, Customer Loyalty and Individual Service Use, Profitability Performance and Sales Portfolio practices leaving only 36.7 percent unexplained. The standard error is low 0.002 (Less than 0.05) implies that the model is reliable and effective.

**Table 4.8: ANOVA**

| Model |            | Sum of Squares | df | Mean Square | F      | Sig.              |
|-------|------------|----------------|----|-------------|--------|-------------------|
| 1     | Regression | 5.976          | 6  | 1.494       | 16.377 | .000 <sup>a</sup> |
|       | Residual   | 3.466          | 88 | .091        |        |                   |
|       | Total      | 9.442          | 94 |             |        |                   |

Predictors: (Constant), Productivity and Output, Quality and Customer Service Delivery, Customer Loyalty and Individual Service Use, Profitability Performance and Sales Portfolio.

b. Dependent Variable: customer retention

ANOVA findings (P- value of 0.00) in table 4.7 show that there is correlation between the predictor's variables (Productivity and Output, Quality and Customer Service Delivery, Customer Loyalty and Individual Service Use, Profitability Performance and Sales Portfolio) and response variable (customer retention). An F ratio is calculated which represents the variance between the groups, divided by the variance within the groups. A large F ratio indicates that there is more variability between the groups (caused by the independent variable) than there is within each group, referred to as the error term. A significant F test indicates that we can reject the null hypothesis which

states that the population means are equal. The P value is 0.000 which is less than 0.005 significance level.

**Table 4.9: significance of the Coefficients of the regression model**

| Model                                       | Unstandardized |            | Standardized |       |      |
|---|----------------|------------|--------------|-------|------|
|   | Coefficients   |            | Coefficients |       |      |
|   | B              | Std. Error | Beta         | t     | Sig. |
| (Constant)                                  | 6.165          | .705       |              | 8.746 | .000 |
| Productivity and Output                     | .348           | .081       | .489         | 4.289 | .000 |
| Quality and Customer Service Delivery       | .436           | .084       | .635         | 5.187 | .000 |
| Customer Loyalty and Individual Service Use | .711           | .108       | .754         | 6.593 | .000 |
| Profitability Performance                   | .286           | .084       | .396         | 3.420 | .002 |
| Sales Portfolio                             | .332           | .084       | .589         | 4.256 | .000 |

Dependent Variable: customer retention

The established multiple linear regression equation becomes:

$$Y = 6.165 + 0.348X_1 + 0.436X_2 + 0.711X_3 + 0.286X_4 + 0.332X_5 + e$$

The study found that Productivity and Output, Quality and Customer Service Delivery, Customer Loyalty and Individual Service Use, Profitability Performance and Sales

Portfolio have significant influence on customer retention since Productivity and Output  $\beta = .348$ ,  $t = 0.489$ ,  $p < .000$ : Quality and Customer Service Delivery  $\beta = -.436$ ,  $t = -5.187$ ,  $p < .000$ : Customer Loyalty and Individual Service Use  $\beta = .711$ ,  $t = 6.593$ ,  $p < .000$ : Profitability Performance  $\beta = .286$ ,  $t = 5.445$ ,  $p < .002$  and Sales Portfolio  $\beta = .332$ ,  $t = 4.256$ ,  $p < .000$ .

#### **4.7 Discussion of Findings**

The study found that rewards affects customer retention. This is in line with study by Popovich (2003) who indicated that a rewards program can accelerate the loyalty life cycle, encouraging first-or second-year customers to behave like a company's most profitable tenth-year customers but only if it is planned and implemented as part of a larger loyalty-management strategy.

Duffy (2003) asserts that a company must find ways to share value with customers in proportion to the value the customers' loyalty creates for the company. The goal must be to develop a system through which customers are continually educated about the rewards of loyalty and motivated to earn them. Achieving sustainable loyalty, measured in years, requires a strategic sustainable approach.

The study found that a company has to work hard in order to retain customers by giving quality service and rewarding the customers based on their size of buying. This is in line with findings by Barringer and Harrison, (2010) who indicated that realizing the benefits of loyalty requires an admission that not all customers are equal. In order to maximize loyalty and profitability, a company must give its best value to its best customers. That is, customers who generate superior profits for a company should enjoy the benefits of that value creation. As a result, they will then become even more loyal and profitable.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary of the data findings on the bonus reward system and customer retention by Safaricom Limited in the telecommunication industry in Kenya, the conclusions and recommendations are drawn there to. The chapter is therefore structured into summary of findings, conclusions, recommendations, limitations and area for further research.

#### **5.2 Summary of Findings**

The study found that the bonus reward system has been effective. The findings show that the bonus reward systems affects customer retention. The organization sales performance has increased since customer rewards commenced. The organization uses technology to determine the customer qualification for a bonus rewards. The findings show that organization profitability relies on the number of times a customer uses the service and the organization has special categories for rewarding customers. It was found that the organization rewards customers who undertake multiple service shopping and organization bonus rewards system has increased the number of customer using their services. Findings show that the organization bonuses are higher than those of the competitors and the organization has different bonus rewards timelines for customers. The organization management makes decisions on bonus rewards to customers and the organization awards bonuses based on the number of years a customer has been using your services. The bonus reward is at times based on voice and data plans and at times customer using their services are randomly reward.

The study found that the organization services have increased the number of repeat customers as It was found that the organization has in place technologies that enhance speed of service delivery and organization customer service delivery team makes customer follow ups for satisfaction enquiries. Findings show that the organization uses the customer retention rates to gain competitive advantage in the market. The organization uses the customer retention rates to gain competitive advantage in the market and the organization customer service delivery performance is enhanced by collective training of staff. The study found that organization customer rates have exceeded those of your competitors as rated and the organization management frequently engages customers on business to customer framework. Fidings show that the organization customer retention levels are equivalent to the market share and staffs have been trained on how to select customers qualifying for rewards. The staffs are also trained regularly on how to handle customers and their needs.

### **5.3 Conclusions**

The study found that there is a relationship between bonus rewards system and customer retention in Safaricom ltd. The study concludes that rewards can and do build customers' retention, and most Safaricom now appreciate how valuable that loyalty can be. A company's most loyal customers are also its most profitable. With each additional year of a relationship, customers become less costly to serve. Over time, as the loyalty life cycle plays out, loyal customers even become business builders: buying more, paying premium prices, and bringing in new customers through referrals. The study concludes that bonus reward system is useful and important for building and maintaining customer retention. That means a company benefits by retaining customers which forms the basis of all bonus reward system initiatives.

## **5.4 Recommendations**

This study has direct practical implications for companies faced with the bonus reward system dilemma of how to build long-term relationships with their customers using their bonus reward system. This study suggests that bonus reward system properties that companies need to incorporate in their bonus reward system marketing efforts: the ability to distinguish the bonus reward system from others in a meaningful way and the ability to design program rewards that are relevant to the individual customer.

The results of this study are showing the importance of the personalization of the bonus reward programs. All the customers are not reacting or expecting the same concerning their bonus reward programs and are more or less loyal according to their socio-demographic factors. The advantage of bonus reward programs is that it is possible to obtain those information when the customer is joining. They can then create some promotional campaigns that are focusing on different expectations in accordance with the inclination of each category. An efficient Customer Relationship Management is necessary to be able to use all the information gathered by the use of a bonus reward program.

## **5.4 Limitations to Study**

The time needed to set the research title, search for information, design questionnaire, and data analysis using SPSS are time consuming. Furthermore, the researcher is a fulltime employee and that contributed to time pressure. The cost of printing and binding was a constraint as well.

The research was based on a case study on Safaricom limited. Some of the respondents were not very comfortable discussing some of the issues in the questionnaire when probed further the respondents said that in answering some of the questions it made them feel as if they were exposing internal matters to external parties. However the researcher assured them of their anonymity and explained that the study was only to be used for academic purpose only.

### **5.5 Suggestions for Further Research**

The study therefore recommends that further research should be done on evaluation of the reward system and customer retention by companies in other industries other than the telecommunication industry industry in Kenya. This is because the other sectors have different strategic approaches and thus allowing for comparison and allow for generalization on the reward system and customer retention in organizations in totality.

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## APPENDICES

### APPENDIX I: QUESTIONNAIRE

This questionnaire is meant for academic use only. You're required to answer all the questions in accordance to instructions on each question. Your cooperation is welcome.

#### SECTION A: DEMOGRAPHIC INFORMATION

**What is your gender?**

- a) Male [ ]
- b) Female [ ]

**What is your age bracket?**

- a) 20-25 Years [ ]
- b) 26-30 Years [ ]
- c) 31-35 Years [ ]
- d) 36-40 Years [ ]
- e) Above 41 Years [ ]

**What is your academic level?**

- a) College Diploma [ ]
- b) Bachelor Degree [ ]
- c) Master's Degree [ ]
- d) Professional Course Certification [ ]
- e) Others (please specify) .....

**What is your current position at Safaricom Limited? .....**

**How many years have you worked at Safaricom Limited?**

- a) Less than 1 Year [ ]
- b) 1-5 Years [ ]
- c) 6-10 Years [ ]
- d) 11-15 Years [ ]
- e) 16 Years and Above [ ]

**SECTION B: BONUS REWARD SYSTEM**

**To what extent do you rate the effectiveness of bonus reward system applied by your organization to customers?**

- a) Poor [ ]
- b) Average [ ]
- c) Good [ ]
- d) Very Good [ ]
- e) Excellent [ ]

**To what extent are the following statements true in the scale of 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5= Strongly Agree?**

| <b>Statement</b>  | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|---|----------|----------|----------|----------|----------|
| Your organization awards bonuses based on the number of years a customer has been using your services |          |          |          |          |          |
| Your organization rewards customers who undertake multiple service shopping                           |          |          |          |          |          |

|   |  |  |  |  |  |
|---|--|--|--|--|--|
| Your organization rewards are based on voice and data plans                                     |  |  |  |  |  |
| Your organization has special categories for rewarding customers                                |  |  |  |  |  |
| Your organization has different bonus rewards timelines for customers                           |  |  |  |  |  |
| Your organization sales performance has increased since customer rewards commenced              |  |  |  |  |  |
| Your organization profitability relies on the number of times a customer uses your service      |  |  |  |  |  |
| Customer using your services are randomly reward  |  |  |  |  |  |
| Your organization bonus rewards system has increased the number of customer using your services |  |  |  |  |  |
| Your organization uses technology to determine the customer qualification for a bonus rewards   |  |  |  |  |  |
| Your organization bonuses are higher than those of the competitors                              |  |  |  |  |  |
| Your organization management makes decisions on bonus rewards to customers                      |  |  |  |  |  |
| Bonus rewards to customers are not applicable to your organization staff                        |  |  |  |  |  |
| Your organization customer number determines how bonus rewards are shared across                |  |  |  |  |  |

## **SECTION C: CUSTOMER RETENTION**

**To what extent are the following statements true in the scale of 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5= Strongly Agree?**

| <b>Statement</b>  | <b>1</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>5</b> |
|---|----------|----------|----------|----------|----------|
| Your organization services have increased the number of repeat customers                              |          |          |          |          |          |
| Your organization customer service delivery team makes customer follow ups for satisfaction enquiries |          |          |          |          |          |
| Your organization customer service delivery performance is enhanced by collective training of staff   |          |          |          |          |          |
| Your organization staff are trained regularly how to handle customers and their needs                 |          |          |          |          |          |
| Your organization has an automated response to customer enquiries                                     |          |          |          |          |          |
| Your organization has in place technologies that enhance speed of service delivery                    |          |          |          |          |          |
| Your organization management frequently engages customers on business to customer framework           |          |          |          |          |          |
| Your organization has trained staff on how to select customers qualifying for rewards                 |          |          |          |          |          |
| Your organization customer rates have exceeded those of your competitors                              |          |          |          |          |          |
| Your organization uses the customer retention rates to gain competitive advantage in the market       |          |          |          |          |          |
| Your organization customer retention levels are equivalent to the market share                        |          |          |          |          |          |

**Thank You.**

## APPENDIX II: SUMMARY OF RESEARCH

**Table 2. 1 Research Gaps and Summary of the Literature**

| <b>Author</b>                       | <b>Focus of Study</b>   | <b>Methodology</b>            | <b>Major Findings</b>  | <b>Knowledge Gap</b>   |
|-------------------------------------|---|-------------------------------|--|--|
| Cahill (2007).                      | Customer Loyalty in Third Party Logistics Relationships   | Descriptive research design   | Customer loyalty leads to increased supply chains and performance of the logistics sector                                | Singularly addresses the loyalty to customer retention not the bonus rewards system and the influence on the customer retention. |
| Gustafsson, Johnson, & Roos (2005). | The effects of customer satisfaction, relationship commitment dimensions, and triggers on customer retention                        | Descriptive research design   | Customers gain satisfaction over a period of time with how the seller places commitment to providing quality services    | No provision of reward system to the customer retention in telecommunication industry  |
| Jones (2004)                        | Managing in the global environment. Contemporary Management   | Descriptive research design   | Global business environment would determine the number of customers retained or loyal to a particular business           | Provides a general view of customer management with no relation to reward system and contribution to the retention               |
| Epimach (2014)                      | The perceived influence of reward management practices in the retention of generation Y employees at G4S Kenya limited              | Description research design   | Generation Y is reward driven in the work place performance thus would imply their long term service in the organization | Singularly focuses on a customer segment limiting the overall customer retention by the reward system.                           |
| Reinartz & Kumar (2000).            | On The Profitability of Long-Life Customers in A No contractual Setting: An Empirical Investigation And Implications For Marketing. | Cross section research survey | Business profitability is dependent on the repeat customers  | Not providing the implications of reward systems on customer retention   |

**Source: Researcher (2017).**



