CUSTOMER LOYALTY RETENTION STRATEGIES IN THE KENYAN MOBILE TELEPHONY INDUSTRY

DOROTHY NAMBALA JUMBA

A MANAGEMENT RESEARCH PROJECT REPORT IN FULFILMENT OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

OCTOBER, 2010

DECLARATION

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

Signed: ______________________ Date: 11/11/2010

Dorothy N. Jumba

Registration No.D61/8438/2006

MBA Student

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

Signed: ______________________ Date: 11/11/2010

Dr. Zack Awino

Lecturer

Department of Business Administration

School of Business

University of Nairobi

ACKNOWLEDGEMENTS

I would like to sincerely thank the following people who have been greatly instrumental in assisting me to accomplish this task and in the writing of my thesis. First I want to thank God Almighty who has given me wisdom and enabled me to complete my project. I would also like to thank my family and my husband specifically for standing by me and encouraging me even when my spirit was very low. Last but not least I would like to really thank my Supervisor Dr. Zack Awino for his meticulous guidance without which I would not have excelled.

May God richly bless you all!

ABSTRACT

The mobile telephony industry in Kenya has been highly competitive more so in the recent past with calling price reductions triggered by one of the competitors. The problem stated in this paper is that due to the intense competition there is customer mobility across networks due to various products and services perceived by the consumer as fairly priced. With regards to this it is important for mobile telephony companies to have solid customer loyalty retention strategies so as not to loose their market share which is their source of revenue. Several authors whose work was reviewed strongly advised on the importance of retaining loyal customer as it is usually cheaper for the business to retain them than to acquire new ones. Various literatures was studied to identify gaps in previous similar researches done and it was clear that these strategies in the Kenyan mobile telephony industry have not been identified as empirical studies showed research in the Internet Service Provider industry and strategies used in mobile telephony industry in Tanzania. This research was designed to find out the various customer loyalty retention strategies that have been put in place by these service providers (if any) in Kenya and analyze their similarity across the industry. The findings of the study showed that most of the mobile telephony companies have similar strategies with some trying to differentiate themselves by packaging them in attractive products and services (for example different tariff plans for calls and short message services), use of customer loyalty retention programs and corporate social responsibility activities. One of the most common strategies that came about during the period of data collection was the sudden reduction in voice calls charges across network triggered by one service providers in a bid to capture a larger market share thus a price strategy. The use of technology and innovation was noted as key in coming up with differentiated products and services. All the service providers seemed to agree that the various strategies employed had led to increased revenue for the companies. It is also interesting to note that for most of the companies the strategies are formulated at both top and middle management with 40% of the respondents stating that it may also be done at the first line level of management. Recommendations made would include formulation of strategies that are not necessarily price related as price wars are usually detrimental to the survival of any business though it is beneficial to the customer. Embracing of technology and good/more customer care channels was also encouraged so as to create a sustainable competitive edge in the industry. There was recommendation for further research to be done in the area as data collection was a challenge and similar studies could also be replicated in other industries.

Key words: Customer loyalty, Retention, Strategies, Kenya, Mobile, telephony, industry.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The world has taken cognizance of the emergence of the service industry as a prominent contributor to its economy over the last century. The intensity of competition in an industry (in this case the Mobile telephony industry) determines the degree to which a firm's investment drive returns to the market level, and hence the ability of firms in that industry to sustain above average returns (Porter, 1980). The competition in mobile communication industry is becoming fiercer and therefore how to improve customer value is a very important issue for mobile communication operators.

Customer retention is very important because acquiring a new customer is far more expensive than keeping an existing one. This is even truer if the market the firms are operating in is saturated or saturating as is the case in the mobile telephony industry. The single most important thing in customer retention is to understand one's customers well enough: customers' expectations, satisfaction, demographic & geographic & psychographic customer tendencies, etc. If one understands more about customers and knows more about which customer groups are defecting to rival providers, more effective retention strategies can be developed. The mobile phone industry has matured to the point where companies have to take immediate steps to shift their emphasis from pure customer acquisition to product enhancement and customer centricity. The mobile companies must now use technical innovation to build a customer-centric culture, while continuing to invest in growth.

1.1.1 Customer Loyalty Retention Strategies

The environment is constantly changing making it imperative for organizations to constantly adapt their activities to it in order to succeed (Ansoff, 1987). The fast changing global business environment has led to more competition, increased choice for the customers, lower prices, telecommunications infrastructure and investment from analogue to digital (Muchira, 2005). This has necessitated and resulted to strategic changes in the way organizations carry out their business, the way they relate to their customers in the overall internal and external environment. In today's competitive environment companies are increasingly confronted with the threat of losing key customers to the competitors thereby necessitating the formulation and implementation of strategies that ensure the already acquired customers are retained. Johnson et al (2003) defines strategy as the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a changing environment to meet the needs of markets and fulfill stakeholder expectations. Customer retention implies a long-term commitment on the part of the customer and the firm to maintain the relationship.

Muturi (2004) has outlined that the marketing environment facing Kenyan firms has been very dynamic. Deregulation and globalization has turned around the Kenyan marketing environment. Globalization has spearheaded the integration of the Kenyan economy with other world economies such that Kenya is now part of the global village. According to Grant (1998), though the primary purpose of strategy is to guide management decisions towards superior performance through establishing competitive advantage, strategy also acts as a vehicle for communication and co-ordination within the organization.

According to Bucharan & Gilles (1990), the increased profitability associated with customer retention efforts occurs because the cost of acquisition occurs only at the beginning of the relationship. This and other theories of customer loyalty suggest that a business that retains its customers for longer results in more revenue at a lower cost than one that is constantly paying to acquire new customers. Factors that influence customer's loyalty are however, not definite but will depend on the industry and the specific customers and this research seeks to identify such factors. Some of the factors that are presumed to greatly affect an organization's ability to build loyal customer base include having products that are highly differentiated from those of the competition, higher end products where price is not the primary buying factor, products with a high service component and multiple products for the same customer among other things.

Due to recent developments in Kenya's economy e.g. liberalization, most business organizations are operating under increasingly turbulent environment. This has opened the door to several players in the mobile telephony industry each of which needs to adapt and rethink its strategies to respond to these environmental forces, charting direction for future growth, realigning operations in light of emerging markets and competitor dynamics. Customers have become very choosy in terms of where and how they make most of their purchases or purchasing decisions. As a result, organizations have to shift their customer focus from purely satisfying customers to creating loyalty and trust through mutually beneficial, long-term relationships as market competition demands firms to continuously seek to establish and maintain customer loyalty (Galbreath, 2002).

1.1.2 The Mobile Telephony Industry in Kenya

The mobile telephony industry in Kenya has been one of the fastest growing industries in Kenya. This has been both in terms of profits and customer base and therefore clearly marking an industry to look out for. This is quite interesting for an industry that came about from the late 1990's and has surpassed many traditional manufacturing, agricultural and even export industries to become as big as it is now. In Kenya, we currently have four strong players in the mobile telecommunications industry and these companies formed the basis of this paper in terms of strategies used in customer retention.

Before 1998, all telecommunications in Kenya were controlled by the state-owned monopoly Kenya Posts and Telecommunications Corporation (KP&TC). In the year 1998, the Kenyan Parliament passed the Kenya Telecommunications Act as proposed by the Communication Commission of Kenya (CCK).CCK then set up Telkom Kenya in 1999. Mobile phone telephony in Kenya started in the year 2000 when both Kencell (re-branded as Celtel in 2004 and Zain in 2008) and Safaricom were launched on 5th May and 19th October respectively. (www.cck.go.ke)

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

Until 20 December 2007, the Government of Kenya shares were held by Telkom Kenya Limited ("TKL"), which was a state corporation under the Act. Following the Offer and sale of 25% of the issued shares in Safaricom held by the Government of Kenya to the public through an Initial Public Offer in March 2008, the Government ceased to have a controlling interest in Safaricom under the State Corporations Act www.safaricom.co.ke .

Kencell Communications Ltd on the other hand, was a joint venture consisting of Vivendi Telecom International (a telecommunications operator in France)and Sameer Group (www.cck.go.ke). Zain was launched in Kenya in 2004 as Celtel and re-branded to Zain in 2008. It is part of the Zain Group (www.ke.zain.com). The two companies Safaricom and Kencell) started off with a lot of competition right from the beginning with the great challenge of how to approach an unpredictable market with a very new service that had never been in Kenya .Safaricom chose to target the low income earners then while Kencell chose the lucrative corporate group in the market, Mayaka (2005). This competition has continued all along with the two companies with Safaricom declaring after tax profits of Kshs.19 billion after taxes in the October 2009 and a customer base of approximately 14 Million customers (www.safaricom.co.ke). Zain Kenya on the other hand for last year registered a loss of Sh6.9 billion. The net lose increased to Sh6.9 billion from Sh1.67 billion in 2008 on lower revenues and increased administrative costs mainly due to costs related to network expansion (www.ke.zain.com).

The third strong player in the industry is Econet Wireless (YU) which is a diversified telecommunications group with operations in nine countries in Africa, Europe and the East Asia Pacific Rim, offering products and services in the core areas of mobile and fixed telephony services, internet and satellite.

The group is headquartered in South Africa and runs each operation as a stand-alone entity with full local board and management control. Econet currently has the brand name of YU in Kenya and is rapidly establishing itself in the telecommunications industry with its attractive call tariffs. (www.yu.co.ke) On 17 September 2008, Orange, which is the fourth mobile telecommunications giant in Kenya, became the commercial brand for Telkom Kenya, the country's historial landline operator, following France Telecom's acquisition of 51% of its capital in December 2007. The launch of the new GSM network, alongside new mobile and Broadband Internet offered under the Orange brand constituted a decisive step in Telkom Kenya's development (www.orange.co.ke).

All the above companies fall under the regulation of Communications Commission of Kenya (CCK) which is an independent regulatory authority for the communications industry in Kenya. Its role is to license and regulate telecommunications, radio communication and postal/courier services in Kenya. The Communications Commission of Kenya (CCK) is responsible for developing and co-coordinating the policies and strategies with respect to development and operation of telecommunications services in Kenya. In this regard, the Commission licenses telecommunications operators and service providers, and monitors their performance on a continuous basis to ensure that they discharge the obligations as stipulated in their licenses, and in keeping with the provisions of the Kenya Communications Act 1998 and the Kenya Communications Regulations 2001 (www.cck.go.ke/telecommunications).

1.2 Statement of the Problem

Customer Retention is a primary measure of loyalty. There is a positive relationship between changes in satisfaction and share of income that the customer is willing to spend on the company's products and services. Customer mobility has been evident in most of the mobile telephone companies in Kenya which is an indicator that there are strategies that are being applied by the companies that are not strong enough to entice the customers to remain loyal. This study was designed to look at the various strategies currently implemented by these service providers. A study by Siboe (2006) was designed to cover the Internet Service Providers industry in Kenya and detailed some of the strategies that the companies in the industry use. However, the study concentrated on complaints management through which the companies improved efficiency but did not show any proactive measures that such companies had put in place to mitigate complaints. Study findings from Nnnko (2008) on key success factors (market position, corporate image, technology, customer oriented personnel and customer satisfaction) showed that ensure customer loyalty in the mobile telephony industry contributes to good business performance. The study gave an insight of the mobile telephony industry in Tanzania but it fell short of addressing the factors that have a direct influence on customer loyalty and customer retention.

Oduori (2006) conducted a study on customer relationship strategies applied in classified hotels in Kenya which aimed at showing how effectively relationship management is used for customer retention. The findings of the study indicated that although many hotels were aware of the potential of relationship marketing, many were only prepared to selectively embrace the strategies despite anticipated rising expectations of the customers and the opportunities afforded by relationship marketing.

Recent literature has therefore suggested several strategies for retaining customers but does not explain the circumstances under which various strategies are most appropriate or why firms choose to adapt a particular strategy (Desouza, 1992; Reichfield, 1996). The research question that was most appropriate for the research to be carried out was:

What are the customer loyalty retention strategies in the Kenyan Mobile Telephony Industry?

1.3 Objectives of the Study

The objective of this research was to determine the customer loyalty retention strategies in the Kenyan Mobile Telephony Industry.

1.4 Value of the Study

The findings of the study will form a basis of further practical work by other scholars who will be able to carry out similar studies in other industries with a view to get similarities in strategies put in place by various companies. The study findings will also give an indication of the extent to which mobile phone companies in Kenya have embraced customer loyalty retention strategies and the impact on business for the industry players who have adapted these vis-à-vis those that do not. . The findings in the study would also be beneficial to the various policy makers in the industry where policies can be formulated that recognize retention strategies that companies put in place. The study findings will also be very instrumental in academic research as it will provide a source of information and literature for other scholars interested in this field.

1.5 Scope of the Study

This study looked at the four main mobile telephony companies in Kenya – Safaricom Ltd, Zain Kenya Ltd, Yu and Orange – with a view of finding out what retention strategies they have put in place to enhance customer loyalty. The study covered the operations of the mobile phone companies within the last 5 years within which competition has intensified with a view to isolating the customer retention strategies used.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

There are various concepts and theories that have been advanced in previous studies to explain what customer retention and loyalty are and their importance in various business operations. These concepts and theories will form the basis of this literature review with the aim of bringing out previous work done in this area of customer loyalty and retentions strategies and identifying gaps that this study will seek to address.

2.2 Customer Loyalty Retention Strategies

Various theories and concepts have been advanced in literature with regards to customer loyalty retention strategies in various industries. This section will review some of these concepts with the aim of identifying their relevance in the various industries they were studied in and how this can apply to this study.

2.2.1 The Concept of Strategy and the Importance of Strategies in an organization

The environment is constantly changing making it imperative for organizations to constantly adapt their activities in order to succeed (Ansoff, 1987).

The fast changing global business environment has led to more competition, increased choice for the customers, telecommunications infrastructure, investment from analogue to digital and lower prices.

This has necessitated and resulted to strategic changes in the way organizations carry out their business, the way they relate to their customers in the overall internal and external environment. In today's competitive environment companies are increasingly confronted with the threat of losing key customers to the competitors thus the need to put in place strategies to mitigate this. Johnson et al (2003) defines strategy as the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a changing environment to meet the needs of markets and fulfill stakeholder expectations. Customer retention implies a long-term commitment on the part of the customer and the firm to maintain the relationship. The development of mutual commitments is the same process as creating long-term buyer-seller relationships (Wilson et al, 1989).

According to Grant (1998), though the primary purpose of strategy is to guide management decisions towards superior performance through establishing competitive advantage, strategy also acts as a vehicle for communication and co-ordination within the organization. According to Porter (2001), a firm can achieve sustainable competitive advantage by focusing on operation efficiency and effectiveness and distinctive strategic positioning. Operational effectiveness is doing the same things your competitors do but doing them better.

2.2.2 The concept of Customer retention

According to Buttle F. (2008) customer retention is the maintenance of continuous trading relationships with customers over the long term.

Customer retention is the mirror image of customer defection or churn. High retention is equivalent to low defection. He goes on to state that customer retention is defined as the number of customers doing business with a firm at the end of a financial year, expressed as percentage of those who were active customers at the beginning of the year. The appropriate interval over which retention rate should be measured is not always one year as it may be dependent on the industry in which the business falls and the customer's repurchase cycle. Companies should focus on retaining customers that contribute value. Improving customer retention is an important objective for many companies. It is important to note that the fundamental purpose of focusing customer retention management efforts on customer retention is to ensure that the company maintains relationships with value-adding customers. It may not be beneficial to maintain relationships with all customers; some may be too costly to serve while others may be strategic switchers constantly in search of a better deal. Customers in an established relationship are also likely to be less responsive to price appeals offered by competitors. These conditions mean that retained customers are generally more profitable than newly acquired customers (Dawkins and Reichheld, 1996). In short, customer retention drives up customer lifetime value.

2.2.3 The concept of Customer Loyalty

Gould (1995) describes Customer Loyalty as the behavior of repeat customers, as well as those that offer good ratings, reviews, or testimonials. Some customers do a particular company a great service by offering favorable word of mouth publicity regarding a product, telling friends and family, thus adding them to the number of loyal customers.

However, customer loyalty includes much more and may be a process, a program, or a group of programs geared toward keeping a client happy so he or she will provide more business. Gould also stipulates that customer loyalty is the company's ability to retain satisfied customers. Other studies suggest that customer loyalty provides the foundation of a company's sustained competitive edge and that developing and increasing customer loyalty is a crucial factor in a company's growth and performance (Lee & Cunningham, 2001; Reichfield, 1996). Loyal customers bring several advantages as they usually lead to increased revenues for the organization, result in predictable sales and profit streams and are more likely to purchase additional goods and services (Gremler and Brown, 1998).

2.3 Customer Retention Management Strategies

Customer retention has been shown to be a primary goal in firms that practice relationship marketing (Gronroos et al, 2002). There is a general consensus that focusing on customer retention yields several economic benefits (Dawkins and Reichfield, 1990; Reichfield, 1996; Buttle 2004). As customer tenure lengthens, the volume purchased grows and customer referrals increase.

Simultaneously, relation maintenance costs fall as both the customer and supplier learn more about each other. In order to understand the concept of customer retention management strategies that should be put in place by various companies it is important to understand the concepts of strategy, customer retention and loyalty separately first. According to Johnson G et al (2008) strategy is the direction and scope of an organization over the long-term, which achieves advantage in changing the environment through its configuration of resources and competencies with the aim of fulfilling stakeholders' expectations. They continue to say that strategies exist at a number of levels in an organization. There is the corporate level strategy which is concerned with the overall scope of an organization and how value will be added to the different parts (the strategic business units) of the organization, for example, resource allocation. The second level is the business level strategy which is about how the various businesses included in the corporate strategy should compete in their particular markets. The strategies at this level are also known as competitive strategies. The third level of strategy is the operational strategies which are concerned with how the component parts of an organization deliver effectively the corporate and business level strategies.

Strategic management on the other hand is that set of managerial decisions and actions that determine the long-run performance of corporation (Wheelan T.L. and Hunger J.D 2008). This includes environmental scanning, strategic formulation, strategy implementation, evaluation and control. According to them strategic management entails four main processes which include basic financial planning, forecast based planning, externally oriented planning and strategic management of all the above. Planning is therefore a core aspect of strategic management.

They continue to say that research has shown that organizations that engage in strategic management generally outperform those that do not. Customer retention should constitute one of the organization's corporate objectives that would enable the organization formulate strategies aimed at achieving this. Proper planning and implementation of these strategies would therefore determine the organization's success or failure in meeting the objective.

Customer retention management strategies should therefore be part of the company's corporate strategies as they give direction on management of an organization's customer base which is their source of revenue. The major strategic purpose of Customer Retention Management is to manage, for profit, a company's relationships with customers through three stages of the customer lifecycle which includes customer acquisition, customer retention and customer development. A customer retention strategy aims to keep a high proportion of valuable customers by reducing customer defections (churn), and a customer development strategy aims to increase the value of those retained customers to the company.

Just as customer acquisition is focused on particular prospects, retention and development also focus on particular customers. Focus is necessary because not all customers are worth retaining and not all customers have potential for development (Bucharan & Gilles ,1990). According to Keller K.L. (2008) a number of important questions have to be answered when a company puts together a customer retention strategy: Which customers will be targeted for retention? What customer retention strategies will be used? How will the customer retention performance be measured? He further states that these issues need to be carefully considered and programmed into a properly resourced customer retention plan.

2.4 The use of customer loyalty in retention strategies

Buttle F. (2008) gives a detailed insight on some of the positive customer retention strategies that can be used by companies to improve loyalty and ensure retention. These can be summarized as providing excellent customer service, creating customer delight, innovation and adding customer-perceived value.

Customer delight is a key retention strategy in any business without which it is very difficult to build long-term relationships with customers if their needs and expectations are not understood and well met. It is a fundamental precept of modern customer management that companies should understand customers, and then acquire and deploy resources to ensure their satisfaction and retention. This is why customer relationship management is grounded on detailed customer-related knowledge. According to Buttle F. (2008) customers that the firm is not able to serve well may be better served by its competitors. Delighting customers, or exceeding customer expectations, means going beyond what would normally satisfy the customer. A consistent effort to delight customers shows the company's commitment to the relationship. Commitment builds trust which in turn begets relationship longevity. Buttle continues to say that customer delight occurs when the customer's perception of their experience of doing business with the company exceeds their expectation. In the service industries, customer delight requires frontline employees to be trained, empowered and rewarded for doing what it takes to delight customers. It is in the interaction with customers that contact employees have the opportunity to understand and exceed their expectations.

Excellent customer service is another key strategy in gaining customer loyalty. If a client has a problem, the company should do whatever it takes to make things right (Gould G, 1995). If a product is faulty, it should be replaced or the customer's money should be refunded. This should be standard procedure for any reputable business, but those who wish to develop customer loyalty on a large-scale basis may also go above and beyond the standard. Gould continues to stipulate that these businesses may offer even more by way of free gifts or discounts to appease the customer.

This is another immensely successful and ultimately a long-term strategy for keeping customers loyal to a service provider. This can be enhanced by the use of technology to come up with unique products and services in the market that are competitively priced (Duffy, D.L, 2003). Examples of these could include use of self-service facilities that enable the customers to access services without having to go a service centre, products and services that enable the customers to have better value for their money.

Customer loyalty can be achieved in some cases by offering a quality product with a firm guarantee. In this strategy customer loyalty is achieved through free offers, coupons, low interest rates on financing, high value trade-ins, extended warranties, rebates, and other rewards and incentive programs. The ultimate goal of customer loyalty programs is happy customers who will return to purchase again and persuade others to use that company's products or services. The overall goal is therefore to ensure customer retention. Customer loyalty may be a one-time program or incentive, or an ongoing group of programs to entice consumers. Gremler and Brown (1998) state that buy-one-get-one-free programs are very popular, as are purchases that come with rebates or free gifts.

They continue to state that another good incentive for achieving customer loyalty is offering a risk free trial period for a product or service (for instance download of certain software from a company free of charge for a certain period of time). Also known as brand name loyalty, these types of incentives are meant to ensure that customers will return, not only to buy the same product again and again, but also to try other products or services offered by the company.

Another major positive customer retention strategy highlighted by Buttle is adding customer-perceived value. Companies can explore ways to create additional value for customers without creating additional costs for the company. If costs are incurred then the value-adds may be expected to recover those costs. One of the ways companies may add value for customers is through the use of loyalty schemes and programmes (Mcllroy A. and Barnet S, 2000). Loyalty schemes reward customers for their patronage. Loyalty schemes or programmes can be defined as a scheme or programme that offers delayed or immediate incremental rewards to customers for their cumulative patronage. The more a customer spends, the higher the reward. Mcllroy and Barnet continue to state that the mechanics of these schemes have changed over time. For example in Kenya we have companies that run loyalty schemes such as R&R which allow the customers of participating outlets to redeem various merchandize from other participating outlets. Customers are issued with magnetic stripe cards which have chips embedded that carried a lot of personal and transactional data.

Loyalty programs are initiated by businesses with two main goals. Kandampully, J. (1998) in his book on customer loyalty says that the primary goal for most loyalty programs is the acquisition of information relating to their customers' spending habits, while the secondary goal is to actively cultivate loyalty amongst customers to ensure they continue patronizing the business.

From their book on Value managed relationships, Buchanan & Gilles (1990) stipulate that the use of sales promotions is another strategy that was cited by Buttle. Whereas loyalty schemes and clubs are relatively durable, sales promotions offer only temporary enhancements to customer value. Sales promotions can also be used for customer acquisition. Buchanan and Gilles continue to state that retention-oriented sales promotions encourage the customer to repeat purchase, so the form they take is different. Some examples of sales promotions include: In-pack or on-pack voucher where customers buy the product and receive a voucher entitling them to a discount off one or more additional purchases; Rebate or cash back whereby rebates are refunds that the customer receives after purchase; Patronage awards where customers collect proofs of purchase, such as store receipts or barcodes from packaging, which are surrendered for cash or gifts.

The next positive customer retention strategy is customer bonding which are usually characterized by high levels of trust and commitment between the customers and suppliers whereby the latter align their products development to meet the needs of the customers (Aaker A.D, 1996). Use of Technology can be a highly effective strategy by ensuring highly innovative products and services are developed in line with customer needs.

Due to high levels in competition in the Kenyan local mobile industry there has been a wide array of products and services churned out by the companies which have excited the market e.g. MPESA & ZAP money transfer services from Safaricom and Zain respectively. Other products include Okoa Jahazi, Super Ongea tariff which capitalizes on maximizing use of idle resources and various partnerships formed by other suppliers to the convenience of the customers (for example the online booking of bus tickets and subsequent payment using MPESA) (www.safaricom.co.ke). There are also computer programmes in the market that enable the company know their customers' purchasing behaviour; these are known as Customer Relationship Management Programmes. Others are used when the technologies of the relational partners are aligned, for example, with EDI and just-in-time logistics.

Another strategy that can be put in place has to do with Multi-products. According to Buchanan and Gilles (1990), when a customer buys several products from a supplier, the bond is more difficult to break. There are economies for customers when they deal with fewer suppliers. When a relationship with a supplier of several products is dissolved, the customer may incur significant money, search and psychic costs in identifying one or more replacements. Further, the level of perceived risk attached to a new relationship may become uncomfortable.

The other customer retention strategy is building customer engagement. Various studies have indicated that customer satisfaction is not enough to ensure customer longevity. For example, Reichheld (1996) reports that 65 to 85 percent of recently defected customers claimed to be satisfied with their previous suppliers. Another study reports that one in ten customers who said they were completely satisfied, scoring ten out of ten on a customer satisfaction scale, defected to a rival brand the following year. Having satisfied customers is, increasingly, no more than a basic requirement of being in the game. Highly engaged customers have levels of emotional or rational attachment or commitment to a brand, experience or organization that are so strong that they are highly resistant to competitive influence. The terms engagement, attachment and commitment tend to be used interchangeably to describe this phenomenon.

Gould (1995) argues that no business, unless it is a state monopoly, can stay in business without satisfied customers. Due to the fact that customer expectations are constantly increasing, organizations are now required to go beyond their primary need of satisfying the customers, to exceed their expectations (Kandampully, 1997). As earlier mentioned, market liberalization has led to the entry of many players in the market therefore increasing the product offerings. As a result, customers are faced with a myriad of choices on where to buy products as well as services as they have access to an ever widening range of competitive alternatives in nearly every shopping category and have a growing number of shopping options. They are seeking the best offers and are highly skeptical about those that do not provide clear quality / value.

2.5.1 Empirical Literature and knowledge gaps

The mobile telephony industry in Kenya has been one of the fastest growing industries in Kenya. This has been both in terms of profits and customer base and therefore clearly marking an industry to look out for (www.cck.go.ke).

In Kenya, we currently have four strong players in the mobile telecommunications industry and these companies shall form the basis of this paper in terms of strategies used in customer loyalty retention. Muturi (2004) has outlined that the marketing environment facing Kenyan firms has been very dynamic. Deregulation and globalization has turned around the Kenyan marketing environment.

Customer loyalty and satisfaction are an integral part of customer retention process. Customer Retention is a primary measure of loyalty. A study by Siboe (2006) was designed to cover the Internet Service Providers industry in Kenya and detailed some of the strategies that the companies in the industry use. However, the study concentrated on complaints management through which the companies improved efficiency but did not show any proactive measures that such companies had put in place to mitigate complaints.

Study findings from Nnnko (2008) on key success factors (market position, corporate image, technology, customer oriented personnel and customer satisfaction) showed that ensure customer loyalty in the mobile telephony industry contributes to good business performance. The study gave an insight of the mobile telephony industry in Tanzania but it fell short of addressing the factors that have a direct influence on customer loyalty and customer retention.

Oduori (2006) conducted a study on customer relationship strategies applied in classified hotels in Kenya which aimed at showing how effectively relationship management is used for customer retention. The findings of the study indicated that although many hotels were aware of the potential of relationship marketing, many were only prepared to selectively embrace the strategies despite anticipated rising expectations of the customers and the opportunities afforded by relationship marketing. Recent literature has therefore suggested several strategies for retaining customers but does not explain the circumstances under which various strategies are most appropriate or why firms choose to adapt a particular strategy (Desouza, 1992; Reichfield, 1996).

Previous studies in this area have not clearly shown any proactiveness on the part of the firms involved in the various industries in customer retention who should ideally anticipate customer complaints and put in place measures to address them. Therefore, replication of some of these studies is necessary in other industries and also the need to try and address the above gaps. Customer mobility has been evident in most of the mobile telephone companies in Kenya which is an indicator that there are strategies that are being applied by the companies that are not strong enough to entice the customers to remain loyal. This study was therefore looking at the various strategies currently applied by the companies in the Kenyan Mobile telephony industry.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter was concerned with the research methodology that was to be used in this study. The research design looks into the type of research that is used (in this case qualitative research). A census was done of the firms in the mobile telephony industry. Data collection and analysis methodologies are also described below which helped in coming up with viable conclusions and recommendations once the study was completed.

3.2 Research Design

Research design specifies a framework or blueprint for the research. This study utilized descriptive survey approach since the main firms in the mobile telephony industry were involved in the study. Anderson and Poole (2001) argue that it is difficult to generalize about research designs because of wide variety of types of research. One subdivision is according to whether the approach is predominantly quantitative or qualitative. Quantitative approach is typified by experimental studies in science-based disciplines where findings are usually expressed in numerical form.

Qualitative research on the other hand is used in disciplines or part of disciplines that utilize such methods as case studies, questionnaire surveys, personal interviews and participant observations. Descriptive studies are based on some previous understanding of the research problem (Cooper and Schindler, 2003). To achieve the objective of this study, survey method was utilized which allowed the researcher to collect data from several study units. Though surveys have been criticized for being costly and time consuming as compared to case studies, this method has been considered to be beneficial when investigating more than one study unit due to comparisons within the sample and generalization with the entire population (Mugenda and Mugenda, 2003). According to Glesne and Allan (1992) survey research is probably the best method available to social scientists who are interested in collecting data for purposes of describing a large population.

3.3 Population of the Study

The population of this study consisted of all the companies in the mobile telephony industry which are the licensed players out of those listed with the Communications Commission of Kenya and will be a census. This listing was considered to be the population (Appendix III). The companies that were featured in this study were categorized as the major industry players based on the types of licenses they have that include the Network Facilities Provider license, Application Service provider license, International Gateway systems license and Services and Content Service Providers license. They are the only companies with these licenses for provision of mobile telephony services in Kenya (www.cck.go.ke/licensing/telecoms/register.html, 2010) and in the list of Service providers licensed for provision of facilities and/or services.

3.3 Data Collection

This study utilized primary data through the use of a structured interview guide which had open and close-ended questions.

The respondents consisted of customer care team managers, customer care operational managers, customer care strategy development managers, marketing managers, corporate strategy managers, sales and marketing managers and retail centre managers of the marketing, corporate strategy, sales and customer care departments of the organizations who were randomly selected. The researcher administered the interview to the respondents although in some cases where the respondents were far the interview guides were either left for them to fill then the researcher went back for them or sent back through email. The use of interview was preferred for this study because it is the typical method through which descriptive data is collected (Gay, 1992). The suitability of using interviews is also outlined by Gay to include getting as much information as possible from respondents. It may however, attract bias characteristic of interviews where anonymity is no longer an advantage. It also allowed respondents enough time to answer questions to avoid hasty responses.

3.4 Data Analysis

The process for analyzing survey data depends on the type of data and the number of items or questions in the survey. In general, most interview and telephone surveys use primarily open and closed format questions with categorical response options. This type of data requires the use of statistical methods that are appropriate for categorical data. The analysis of data for a single question on a survey was fairly simple and began by describing how responses were distributed among the categories. With the help of a statistical software package, a frequency table of counts and percentages were calculated. SPSS tool of data analysis was used in this study and the analysis was done using means, averages and correlation analysis. Quantitative data analysis was therefore used.

The information has therefore been presented in the form of tables, graphs and charts for easier interpretation and deduction. The information from tables has also been shown in graphical form to add emphasis in presentation. It is argued that this method is scientific as the data collected can be developed and be verified though systematic analysis (Nachmias and Nachmias, 1996; Straus and Corbin, 1990).

CHAPTER 4

DATA ANALYSIS, FINDINGS AND INTEPRETATION

4.1 Introduction

This chapter shows how the data was analyzed, presented and interpreted. The data was first coded and then analyzed using Statistical Packages for Social Scientists (SPSS). It is from this analysis that the data has been summarized. Tables and charts are used to present the information. Response rate from the interviews was at 75%.

4.2 General information from analysis

The various questions on the questionnaires were analyzed so as to be able to get trends to analyze and be able to make inferences from the data collected. The various questions are broken down and the various response analysis represented in the form of tables and graphs for easier interpretation.

4.2.1 Departments involvement in Strategy Formulation

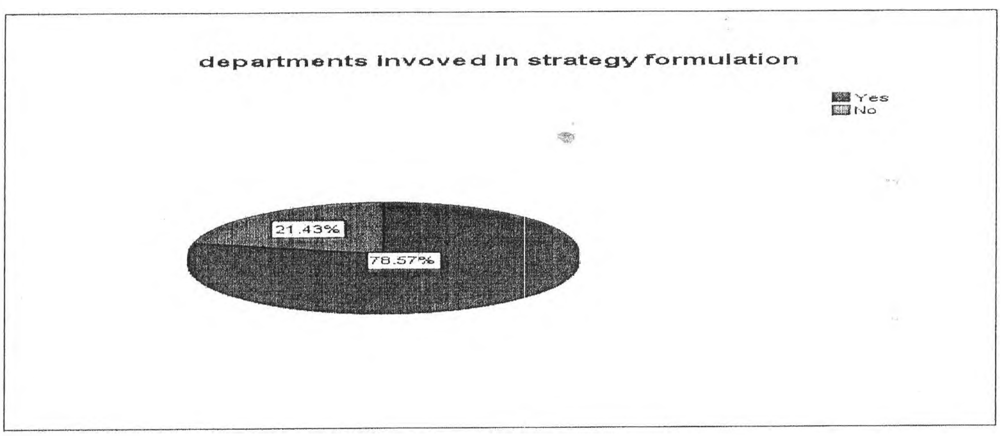

Figure 4.1: Departments involved in Strategy formulation

Figure 4.1 above shows that approximately 78.57 percent of departments surveyed in the research are involved in strategy formulation while 21.43 percent of the departments are not involved in strategy formulation.

4.2.2 People involved in strategy formulation

The figure below shows that 57.14 percent of the respondents are involved in Strategy formulation while 42.86 percent are not involved in company's strategy formulation. The ones not involved in strategy formulation were from those companies that do not involved first line managers in the process.

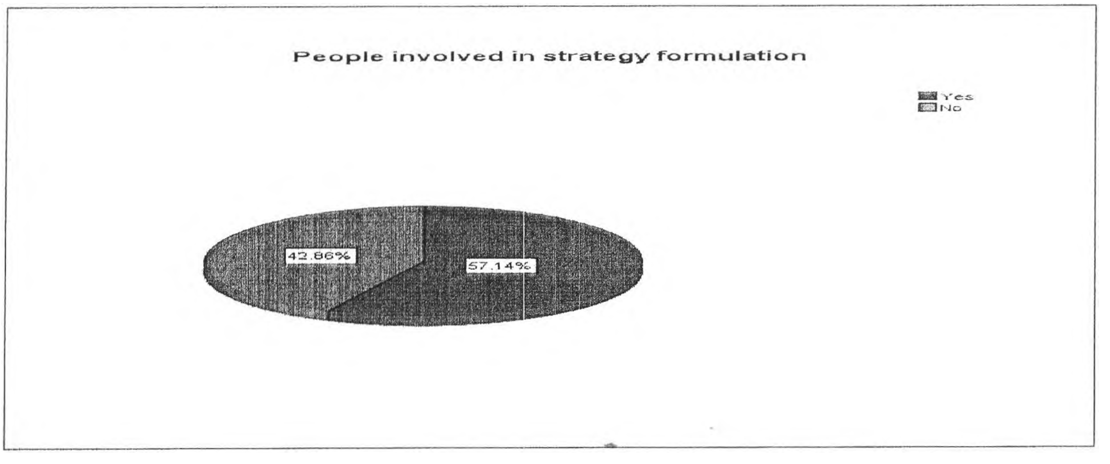

Figure 4.2: People involved in strategy formulation

4.2.3 Customer Loyalty Retention Strategies used

Table 4.1 shows the Customer loyalty retention strategies put in place by the different companies. From the study it is depicted that reducing call rates is the commonly used strategy at 19 percent with the promotion of airtime and handsets and earning Loyalty points second at 7.9 percent. The least used strategies include Merchandise Guarantee, Differentiating Products from those of Competitors, Customer Delight Index, Corporate Accounts, Borderless Roaming Across Other Countries and Bonus top ups all at 1.6 percent.

Table 4.1: Customer Loyalty Retention Strategies used

LOYALTY RETENTION STRATEGIES	Frequency	PERCENTAGE
Reduced Call Rates	12	19.0
Promotions on Airtime and Handsets	5	7.9
Loyalty Points	5	7.9
Bonga Points Retention	4	6.3
Anniversary Offers	4	6.3
Money Transfer Services	4	6.3
Corporate Social Responsibility	4	6.3
Value added services	3	4.8
Free SMSs	3	4.8
Superior Customer service	2	3.2
Free Talk time during Holidays	2	3.2
Free offers on Data	2	3.2
Favorable Tariffs	2	3.2
Customer Feedback Mechanisms	2	3.2
Customer care	2	3.2
Cash Money	2	3.2
Merchandise Guarantee	1	1.6
Differentiating Products from those of Competitors	1	1.6
Customer Delight Index	1	1.6
Corporate Accounts	1	1.6
Borderless Roaming Across Other Countries	1	1.6
Bonus top ups	1	1.6

4.2.4 Level of Management involved in strategy formulation

Table 4.2 shows that 86.7% of top management is involved in strategy formulation while 13% is not. 80% of the middle level management is also involved while 60% of the first line managers are involved. 20% of the middle level managers and 40% of the first line managers are not involved in strategy formulation. The percentage of involvement therefore seems to reduce as we go down the management hierarchy.

Table 4.2: Level of Management involved in strategy formulation

	Top Management		Middle Management		First Line Managers	
	Frequency	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**
YES	13	86.7	12	80	6	60
NO	2	13	3	20	4	40
Total	**15**	**100**	**15**	**100**	**10**	**100**

4.2.5 Consideration of customer sentiments in strategy formulation

From figure 4.3 it appears that 93.33% of the respondents said that customer sentiments are considered in customer loyalty retention strategy formulation while only 6.67% said they were not considered.

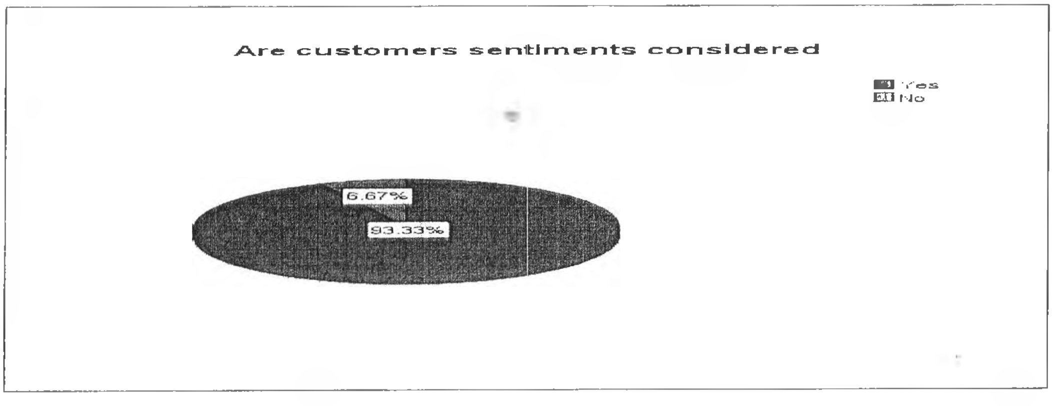

Figure 4.3: Consideration of customer sentiments in strategy formulation

4.2.6 Stakeholder Involvement in Strategy Formulation

Table 4.3 shows that there are various levels of stakeholder involvement in the strategy formulation process. 73.3% of the respondents said that employees were involved while 26.7% said that they were not. 27.3% of the suppliers were involved while 72.7% were not meaning that most of the time they were not involved in strategy formulation. The same percentages applied for customer involvement in strategy formulation. 53.8% of the shareholders were involved in strategy formulation while 46.2% were not therefore showing a more of less balanced involvement.

Table 4.3: Stakeholder Involvement in Strategy Formulation

	Employees		**Suppliers**		**Customers**		**Shareholders**	
	Frequency	**%**	**Frequency**	**%**	**Frequency**	**%**	**Frequency**	**%**
YES	11	73.3	3	27.3	3	27.3	7	53.8
NO	4	26.7	8	72.7	8	72.7	6	46.2
Total	**15**	**100**	**11**	**100**	**11**	**100**	**13**	**100**

4.2.7 Does the organization have customer loyalty retention strategies?

From figure 4.4 it is evident that most of the respondents interviewed confirmed that their companies have in place customer loyalty retention strategies with 86.7% confirming and 13.3% saying they did not have the strategies.

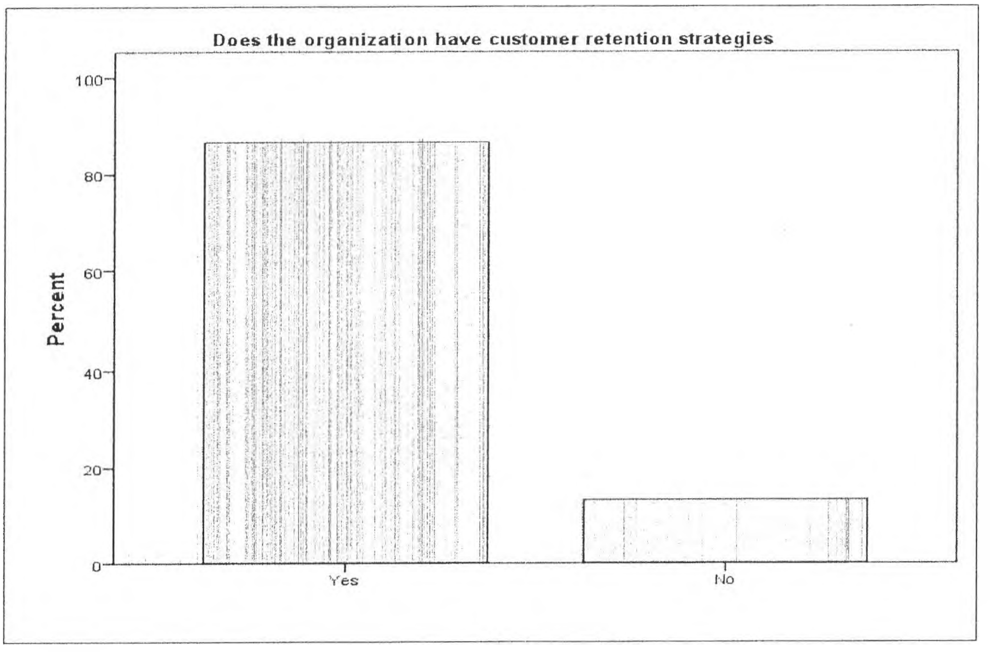

Figure 4.4: Does the organization have customer loyalty retention strategies?

4.2.8 Levels of Management involved in Customer Loyalty Retention Strategies Formulation

Table 4.4 indicates that customer loyalty retention strategies are mostly formulated at the top and middle management level at 86.7% and 84.6% respectively. 13.3% of the respondents said that top management is not involved while 15.4% of the middle management is not. 50% of the first line managers are involved in the strategy formulation which indicates half are not. This data is consistent with the previous data in table 4.2 earlier which showed that mostly the top and middle management levels are involved in general strategy formulation with a smaller percentage of first line managers being involved.

Table 4.4: Levels of Management involved in Customer Loyalty Retention Strategies formulation

	Top Management		**Middle Management**		**First Line Managers**	
	Frequency	**Percentage**	**Frequency**	**Percentage**	**Frequency**	**Percentage**
Yes	13	86.7	11	84.6	4	50
No	2	13.3	2	15.4	4	50
Total	**15**	**100**	**13**	**100**	**8**	**100**

4.2.9 **Customer loyalty retention programmes listed**

Table 4.5 above shows the respondents feedback on the use of the listed customer loyalty retention strategies in their organizations. 92.7% of the respondents confirmed that they have customer loyalty programmes in place while 7.3% do not. 93.3% of them said they have use innovative products as a loyalty strategy while 6.7% do not. In the third category 86.7% said they use free offers on voice products as a strategy while 13.3% do not. There were 66.7% of the respondents who agreed to using free offers on data products as a strategy while 33.3% did not. Another 84.6% use free offers on sms while 15.4% do not use this as a strategy. The last category was use of superior customer service as a customer loyalty retention strategy where 92.9% of the respondents agreed to using it while 7.1% said they did not. Using of innovative products and services seemed to be the most popular strategy used across the various companies.

Table 4.5 Customer loyalty retention programmes listed

	Loyalty Programs		Innovative products		Free offers on voice products	
	Frequency	**%**	**Frequency**	**%**	**Frequency**	**%**
Yes	12	92.7	14	93.3	13	86.7
No	1	7.3	1	6.7	2	13.3
Total	**13**	**100**	**15**	**100**	**15**	**100**
	Free offers on data		**Free offers on SMS**		**Superior customer service**	
	Frequency	**Percentage**	**Frequency**	**%**	**Frequency**	**Percentage**
Yes	10	66.7	11	84.6	13	92.9
No	5	33.3	2	15.4	1	7.1
Total	**15**	**100**	**13**	**100**	**14**	**100**

4.2.10 Measurement of Customer response to retention strategies

From the figure 4.4 below 60% of the respondents agreed that they have a mechanism of measuring customer response to the retention strategies they have in place.

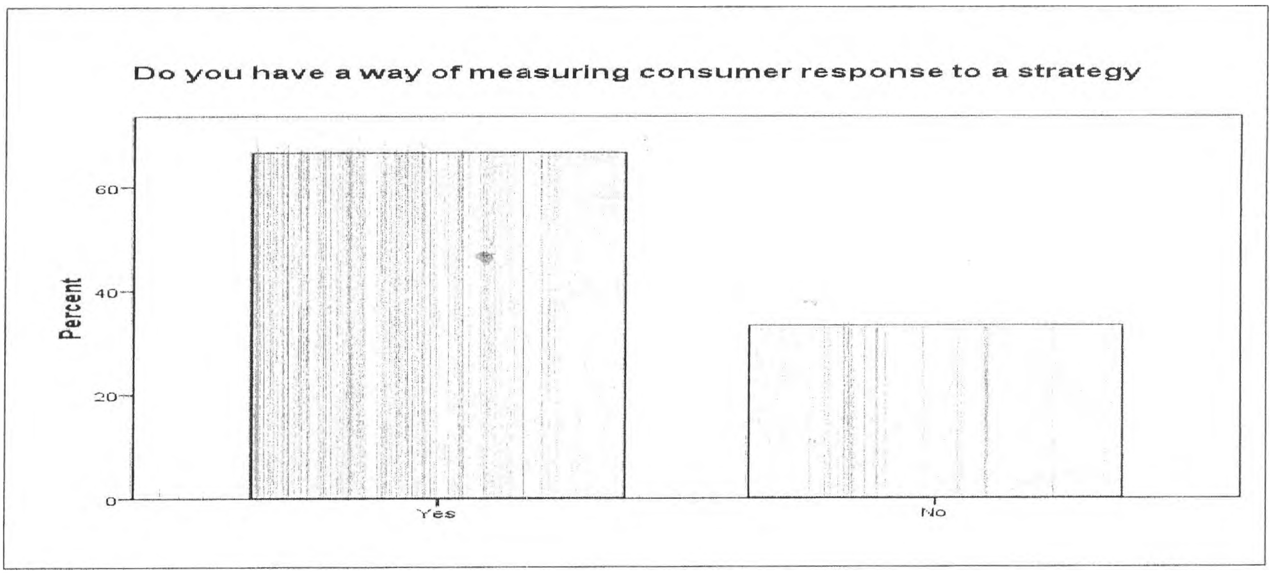

Figure 4.5: Measurement of Customer response to retention strategies

4.2.11 Ways of measuring consumer response to a strategy.

In addition to having a way of measuring consumer response to strategy, most of the organizations had a specific way of measure this response. Figure 4.5 shows that 60% use customer research surveys which seems the most popular method. The other methods used which include customer delight index, call centre tracker, evaluation of profits after strategy implementation and evaluation of change on calls and sms data volume all had 10% rating.

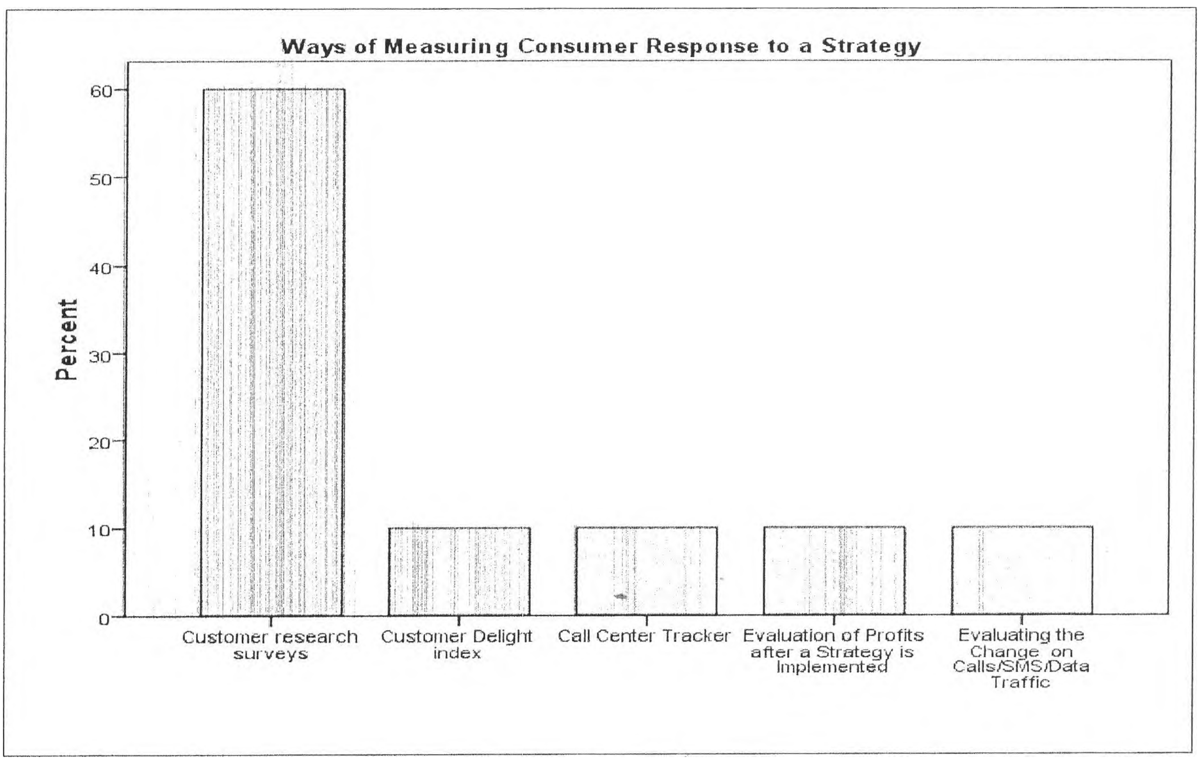

Figure 4.6: Ways of measuring consumer response to a strategy.

4.2.12 Consumer response to strategy

From figure 4.6 below most customers were more enthusiastic in response to free offers on data products at 58.3% compared to the other strategies used. The extent to which the consumer response towards customer loyalty retention programmes was cited to be at 46.2 percent to be very enthusiastic and 53.8 percent a bit enthusiastic.

The consumer response towards innovative products was cited to be at 46.7 percent being very enthusiastic while 53.3 percent were a bit enthusiastic. On free offers on data products 58.3 percent were very enthusiastic, 16.7 percent a bit enthusiastic and indifferent while 8.3 percent were upset with the services.

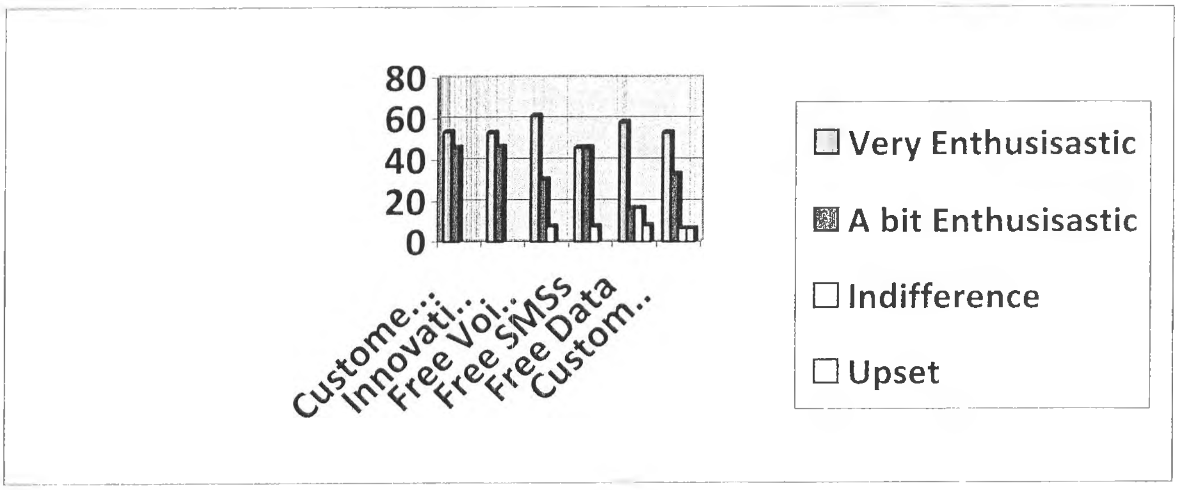

Figure 4.7: Consumer response to strategy

4.2.13 Impact of using Customer Loyalty to Strategies to revenue generated

From figure 4.7 above it seems that generally use of customer loyalty retention strategies has had a large impact on the revenue generated by the various mobile telephony companies.

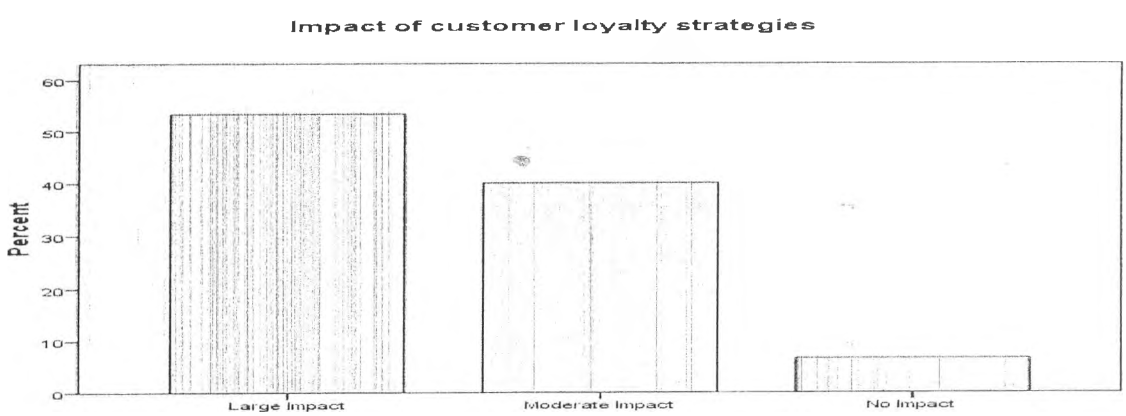

Figure 4.8: Impact of using Customer Loyalty to Strategies to revenue generated

4.2.14 Frequency of strategy review by organizations

The figure below shows that 66.67 percent of the companies review their customer loyalty strategies twice in a year while 20 percent of the companies review their strategies monthly.

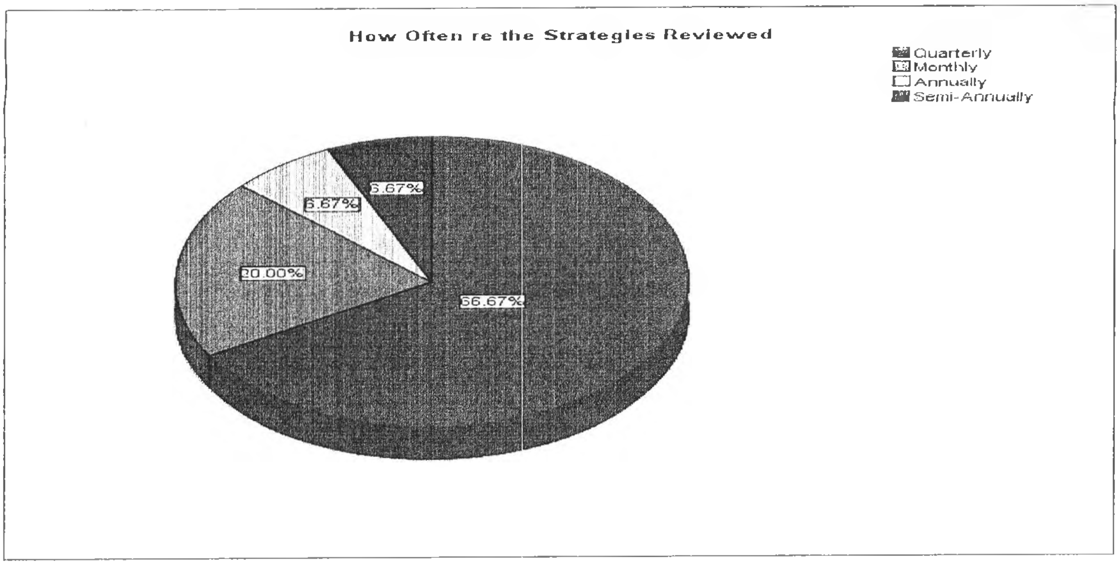

Figure 4.9: Frequency of strategy review by organizations

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the data given in chapter 4 above so that conclusions and recommendations can be derived from the same. The information obtained from the survey can be used to make inferences about the customer loyalty retention strategies used in the mobile telephony industry in Kenya and as such will be instrumental in making the conclusions and recommendations.

5.2 Summary

The study carried out was on customer loyalty retention strategies in the mobile telephony industry in Kenya. The research was over a period of the last 5 years and from the analysis most of the companies surveyed started to formulate and implement the customer loyalty retention strategies they have within this period. This is the time when competition in the industry has been intense thus necessitating the companies to have in place strategies that can assist them cemented their market shares. Out of the four mobile telephony companies surveyed only Safaricom Ltd is a publicly owned company while the other three (Orange, Zain and Yu) are all privately owned. From the answers given by the respondents Safaricom Ltd also has the largest market share of the companies in the industry with about 80% share, Zain has about 15% while Orange and Yu share the remaining 5%. Most of the respondents were not very sure on the exact amount of revenue their companies brought in last year.

Most of the respondents interviewed had been in their respective organizations for more than two year and their departments were involved in strategy formulation. From 86% of the responses strategies are formulated at the top and 80% at the middle management with Safaricom and Zain also involving the first level management involved. The same applied to formulation of customer loyalty retention strategies formulation in the companies surveyed. It is important to involve all levels of management in strategy formulation as it directly involves the customers who are the main source of revenue for organizations and therefore all members of the organizations should be able to interact with the customers at whatever level.

In all the companies surveyed, customer sentiments were considered during strategy formulation at 93.3% response. Customer sentiments can be captured through service lines, retail centres, internet (email) and even word-of-mouth. What the customer says is important as his complaints (and praises too) provide good feedback to the organization and this enable the firm to improve on their products and services to meet the customer's needs. These sentiments should therefore be taken into consideration when strategies are being formulated in the firm. For most of the firms surveyed employees were frequently considered in strategy formulation at 73.3% response rate. Suppliers, customers and shareholders were also considered in strategy formulation at 27.3%, 27.3% and 53.8% respectively. It may not be possible to fully involve all the above groups of people in strategy formulation but it is important to take into consideration their sentiments as these go towards formulation of strategies that are all inclusive and it is easier to get buy-in for their implementation when especially the people implementing know that their views were considered.

For all the four companies surveyed there were customer loyalty retention strategies in place. There were various kinds of strategies in place but some of the common ones include varied and reduced tariffs for making calls and sms messages, use of customer loyalty programmes {for example Bonga Points (Safaricom), Rewardz (Zain) and Ziada (Orange)}, various money transfer products in place {for example MPESA (Safaricom), Zap (Zain) and Yu Cash (Yu)} and use of Corporate Social Responsibility. Interestingly, this research was carried out at a time when there is stiff competition among the industry players and this has led to price war which is the reason why this strategy came out quite strongly as being popular across all the companies surveyed. Price is therefore currently being used as a foremost strategy in retaining customers. However, only time will tell if it is a sustainable strategy. From the opinion of the respondents this seems to the popular strategies used and which have had the greater impact in customer retention than others mentioned. Most of these strategies have been in operation within the last four years on average across all the companies surveyed.

It is interesting to note that all the companies surveyed used the customer loyalty retention strategies that had been suggested/ listed by the researcher (Customer loyalty retention programmes – 92.7%, innovative products – 93.3%, free offers on voice products – 86.7%, free offers on SMS products - 84.6%, free offers on data products – 66.7% and superior customer care - 92.9%).

The most popular seems to be use of innovative products and service which is a good motivator to the companies to explore this option as it is unlimited. The customer response to most of these strategies has also been quite enthusiastic and based on the respondents' feedback quite instrumental in retaining customers in the firms. 61.5% of the respondents concurred that the customers ere very enthusiastic about free offers on voice products offered by the companies. It is also important to note that innovation was also highlighted as the ultimate customer retention strategy since it is only with unique products and services that customers remain with their respective firms and they continuously look for those products that provide a good value for money spent. Technology was therefore flagged as being the backbone of product and service innovation in the mobile telephony industry in Kenya.

As earlier mentioned, it is important to have a means of capturing customer feedback back to the organization for improvement purposes. For all the companies surveyed they all had mechanisms of getting customer response to the various customer loyalty retention strategies being implemented. For some of the companies it was through their free inbound Call Centres where they are able to gauge what the customers feel about the products and services they have out in the market while for others it was through their retail shops. For majority of the companies they also had in place customer surveys that are carried out by independent research companies and this enables them to get a feel of the customer's perception of their products and service and this feedback is important in helping them improve these products or for future product development initiatives. Customer research surveys were the most popular at 60% as compared to the rest which each had 10%.

All the companies surveyed were in agreement that the various strategies they have formulated and implemented have been very instrumental in improving the revenues generated by their organizations through customer retention. The companies also review these strategies periodically (for most it was quarterly with 66.7%) so as to keep abreast with changing market and customer needs and expectations so as to remain relevant in the market place. These may also be reviewed to accommodate changing business needs and changes in the industry environment (for example political and economic changes).

In conclusion it is apparent that strategies are important in the mobile telephony industry in Kenya and more specifically the customer loyalty retention strategies. The customer is the source of revenue for any business and it is therefore key for the organization to find means of retaining the customer so as to hold on to their market share. As had earlier been mentioned in the literature review customer retention should be a relationship between the company and the customer where both derive value from the relationship. It is always easier and less costly to retain a satisfied customer than it is to acquire a new one.

5.3 Recommendations

Customer loyalty retention strategies are important in any industry for the firm to cement their market share which is their source of revenue. With regards to this the mobile telephony companies in Kenya have done well to take cognizance of this and put in place strategies that are aimed at retaining the customers in the company. However, in a bid to retain or add on to market share there has been stiff competition leading to price reduction as a strategy. This strategy is good for the consumer as it offers them affordable calling rates thus good value for money spent. However, in the long-run it is not a sustainable strategy for the mobile telephony companies. This is because the mobile telephony industry is a capital intensive one and it usually takes several years for one to get return on investment. Certain prices on products and services would therefore be deemed as fair as the company projects duration of time it would take to recoup their investment. With price wars and subsequent reduction in calling rates to minimum it becomes difficult for companies to break even and will probably lead to close-down of some of these companies. It would be prudent for the regulating body (Communications Commission of Kenya) to step in and formulate competition guidelines in the industry to avoid bringing about a state of monopolies in the industry.

As earlier mentioned, innovation and technology are key in the Kenyan mobile telephony industry as it is a very dynamic one. All the companies surveyed made use of technology to develop products and services. This is however, an area that has not been fully exploited in terms of product development and we still have companies that imitate others' products and services. Companies should capitalize on this as it is only those that seem to be giving the customer value added services that give him/her maximum value for money spent that will in the long run retain the customers. It is therefore important for the companies to differentiate themselves from the competitors by coming up with unique and innovative products and services that appeal to the consumer.

Technology is indeed the backbone of the mobile telephony industry globally. In order to be able to make maximum use of the available technology (and even be able to source technology from outside the country) and come up with innovative products and services it is important to have the trained and skilled manpower. The mobile telephony companies can liaise with the local training institutions to be able to train local engineers who can be a good resource for the organization since the current telecommunications engineers available are few and therefore frequently "poached" by the competitors.

Successful strategy implementation is usually as a result of an all-inclusive strategy formulation process. It is important for companies to take into consideration the sentiments and views of various stakeholders in the industry as these are what lead to buy-in to the particular strategy being formulated. Some of these stakeholders include customers, suppliers, employees and even shareholders. Most of the mobile telephony companies surveyed seemed to take lightly the views of some of these stakeholders which may sometimes lead to resistance to strategy implementation or uptake. For example the opinion of one's suppliers may give the company an insight on the kind of services that can be provided that can appeal to the customers. Most of the mobile telephony companies conduct their product sales through dealership networks and these networks are a huge source of information on consumer purchasing patterns, popular brands purchased and consumer preferences. This is definitely vital information for any organization to structure its strategies around. Employees in the organizations are usually the people who handle the customers on a day-to-day basis and have invaluable customer feedback on the customer's perception of the products and services the company sells. This feedback is key to the organization so that it is able to tailor products that actually meet the customer needs as well as meeting the business obligations. Shareholders are the business owners and their input is important because it defines the amounts of returns on investment expected and any strategies formulated thereafter must take this into consideration.

One of the things that did not come out from the research was the fact that there is little reference to what products are being offered globally. As had been discussed in the literature review, the world had become a digital village and there are numerous insights that can be gained by those who venture out to know what else is going on in the other side of the globe. There are various products and services offered by other mobile telephony companies in other parts of the world that are not offered in Kenya and which offered would add on to the array of products and services a company has as opposed to just imitating what the other local companies are offering. This may also come about through partnerships with phone manufacturing companies to come up with unique features on phones supported exclusively by service mobile phone companies.

Relationship marketing, as had earlier been mentioned in the literature review, is all about creating a relation with the customer so that the customer is not only loyal to the firm's products and services but is also a strong ambassador for the organization in referring other customers to it. Most of the companies surveyed in this research did not have in place any customer loyalty retention strategies that were geared towards building a relationship with the customers. This is an avenue that can be explored by the mobile telephony companies. This could be through profiling the customers and having things like business clubs that give the customers a forum to meet with the customer and share ideas.

Good customer care is always a differentiator strategy for any organization and gives a good opportunity for the firm to get customer feedback on the products and services offered. It is also an avenue for the customer to get after sales support and also be educated on both existing and upcoming products and services. All the companies surveyed in this research have in place call centres and retail shops which are available for the customers to call in (or walk into) to get customer service. However, going by the volumes of subscribers that most of these companies have, these avenues of accessing the company may not be sufficient and are likely to lock out those customers who are not able to reach them. The mobile telephony companies should explore other avenues of serving their customers more efficiently. This could be through the use of internet, email, public education forums, customer open days, customer self-service mechanisms and even proper empowerment of the dealership networks so that some of the responsibilities can be delegated to them.

5.4 Limitations of the Study

One of the challenges encountered in the course of completing this project was in data collection. The target population was the various managers involved in strategy formulation in the organization and specifically those dealing with customer related strategies. Getting interview appointments with many of them was a challenge and this meant that for some companies out of the five targeted companies on two were interviewed. Accessing the required information was also a challenge as most of these companies treat the information like trade secrets which they are reluctant to share with the researcher. Getting formal confirmation of receipt of interview guide and acceptance to give information was also a challenge as many respondents did not want it to be known that they had spoken to the researcher on these strategies. The information collected may therefore not be wholesome as was intended but at least it gave a good insight into the customer loyalty retention strategies used by the mobile telephony companies.

Another challenge that was encountered was with regards to literature review. A lot of literature that exists has covered more of customer retention and customer loyalty but not much of it looks at customer loyalty retention strategies in the mobile telephony industries (even globally) and more so in Africa or Kenya. There were also not many studies done locally on customer loyalty retention strategies even in other industries therefore providing a good opportunity for future researchers to replicate this study in other industries.

5.5 Implication on Policy and Practice

In light of competition in any industry, it is important for any organization to be able to hold onto their existing market share with a view of ensuring return on investments for the shareholder. This study has been able to get the various customer loyalty retention strategies used by various players in the industry and their impact on revenue generated. The various strategies used were quite similar across the board meaning that it is easier for any policies formulated to be implemented. Current price wars being used as a strategy have had a huge impact on revenue generated by the organizations and by extension the amount of tax that will be paid to the government. The government could therefore put in place policies that would ensure a way of securing this tax income and also protect the consumer.

Innovation and technology were also identified as favourite strategies that are used in coming up with unique products and services by all the mobile telephony service providers surveyed. The policy makers could therefore put in place policies that encourage innovation through sponsoring bright students to study telecommunications so as to grow the industry. They could also provide incentives and subsidies on importation of equipment used in telecommunications and this could be through tax concessions.

Technology has also been very key in revitalizing the industry and producing innovative products and services. Policy makers can also borrow a leaf from the mobile telephony industry and apply similar strategies in service related ministries to come up with products and services that can help in speeding up service delivery in these ministries.

Most of the mobile telephony companies have tried to increase customer contact with their customers through retail centers and call centres which have become very popular. This has brought about a lot of interest in the call centre business. Policy makers can take advantage of this to create an environment where we can embrace business process outsourcing by outsourcing the call centre businesses and making Kenyan a serious business hub where we can handle call centre business for various businesses not only in the region but also globally. India has been in this business for a while now and Kenya can also implement similar policies to create jobs for the young educated Kenyans.

REFERENCES

Aaker, A.D, (1996). *Building Strong Brands*. London, Africa House, Kingsway.

Ansoff, H.I. (1987). *Implanting Strategic Management*. Britain: Prentice Hall, 2nd Ed.

Buchanan, R. and Gilles, C. (1990). Value managed Relationship: The Key to Customer Retention and Profitability. *European Management Journal*, Vol. 8, No 4, 1990.

Carrol, P. and Reichfield, F. (1992). The Fallacy of Customer Retention. *Journal of Retail Banking*, Vol 13, No 4, 1992.

Cooper, D.R. and Schindler, S.P.(2003). *Business Research Methods*. 8th Ed, New York: Mc Graw-Hill

Craig, S. (1999). Showing Ideas as Causes: The Origins of the European Union. *The European union Studies Association (EUSA)*, Biennial Conference.

Dawkins, P.M. and Reichfield, F.F. (1990). Customer Retention as a Competitive Weapon. *Directors and Board*. Pp.42-47.

De Souza, G. (1992). Designing a Customer Retention Plan. *The Journal of Business Strategy*. Pp.24-28.

Duffy, D.L. (2003). Commentary – Internal and External Factors which affect Customer Loyalty. *Journal of Consumer Marketing*. Vol. 20, No.5, pp.480-485.

Galbreath, J. (2002). Success in the Relationship Age: Building Quality Relationship Assets. *The TQM Magazine*, Vol. 1 No.1 pp. 8-24.

Gay, R. (1992). *Educational Research: Competence for Analysis and Application*. 4th Ed New York: Mc Milan Publishers.

Glesne, C and Allan, P. (1992). *Becoming a Qualitative Researcher: An Introduction*. New York: Longman Publishers.

Gould, G. (1995). What is it in Customer Loyalty that Counts and How to Measure it. *Marketing Service Quality*. Vol.5 No.1, pp.15-19.

Grant, M.R. (1998). *Contemporary Strategy Analysis*, 3 Ed. Blackwell Business.

Groonroos, C. (2002). Relationship Approach to Marketing in Service Contexts: The Marketing and Organizational Behaviour Interface. *Journal of Business Research*. Vol.20, pp 3-16.

Johnson, G., Kevan Scholes, Whittington R (2008). *Exploring Corporate Strategy*. 8th Ed. England: Prentice Hall, Pearson Education Ltd.

Kandampully, J. (1998). Service Quality to Service Loyalty: A Relationship which goes beyond customer services. *Total Quality Management*. Vol.9, pp.431-444.

Keller, K. L. (2008). *Strategic Brand Management*. 3rd Ed. USA: Pearson Prentice Hall.

Lee, M. and Cunnigham, L.F. (2001). A Cost / Benefit Approach to understanding Service Loyalty. *Journal of Services Marketing*. pp15

Mcllroy, A. and Barnet, S. (2000). Building Customer Relationships: Do discount cards work? *Managing Service Quality*. Vol. 10, No.6, pp.347-355.

Muchira, J.M. (2005). *Differentiation Strategies used by the Formal Private Security Industry in Kenya*. Unpublished Paper, University of Nairobi.

Mugenda, O.M. and Mugenda A.G.(2003). *Research Methods, Quantitative and Qualitative Approaches*. Nairobi: Acts Press.

Mureithi, M. (2002). *Telecommunications Policy In Transition: Mainstream Kenya in Global Information Economy, Nairobi*. Institute of Economy if Economic Affairs.

Muturi, P.W. (2004). *Factors that determine Customer Loyalty to a Mobile Phone Service Provider. A Case of Mobile Phone users in Nairobi.* Unpublished Paper, University of Nairobi.

Nachmias, V.F. and Nachmias, D. (1996). *Research Methods in the Social Sciences.* 5th Edition.

Nnko, E.M. (2008). *Key Success Factors in the Mobile Phone Industry in Arusha, Tanzania.* Unpublished Paper, University of Nairobi.

Novo, K. (2002). *Drilling Down: Turning Customer Data into Profit with a Spreadsheet.* Saint Petersburg: Jim Novo.

Odhiambo, B.E. (2003). *Determinants of Customer Satisfaction: The Case of Mobile Phone Subscribers in Nairobi.* Unpublished Paper, University of Nairobi.

Otunya, P.N. (2008). *A Survey of Consumer Adoption of Mobile Phone Banking in Kenya.* Unpublished Paper, University of Nairobi.

Porter, M.E. (2001). *Competitive Strategy Creating and Sustaining Superior Performance.* USA: The Free Press.

Reichfield, F.F. (1996). *The Loyalty Effect.* Boston: Harvard Business School Press.

Shoemaker, S. and Lewis, R.C.(1999). Customer Loyalty the future of hospitality marketing. *International Journal of Service Industry Management.* Vol 10, No.3, pp.271-291.

Siboe, A. (2006). *Customer Retention Strategies used by Internet Service Providers in Kenya.* Unpublished Paper, University of Nairobi.

Thuo, W. (2002). *A Study of Diversification Strategy of the Nation Media Group.* Unpublished MBA Project, University of Nairobi.

APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Dorothy N. Jumba,
P.O. Box 12382-00100,
Nairobi,
Kenya
Tel: 0722626692

12th July, 2010

Dear Respondent,

RE: RESEARCH PROJECT

I am a graduate student at the University of Nairobi currently conducting a study on Customer Loyalty Retention Strategies in the Kenyan Mobile Telephony Industry. The study is for the purpose of a research project, a requirement of the Master of Business Administration degree programme.

In regards to the above, your firm has been selected to be included in the study. I kindly request you to assist me by filling in the attached interview guide. The information you will provide will make useful contribution to the study. I assure you that the information will be treated in strict confidence and at no instance in the report will your firm be referred to by name.

A prompt response to that attached questionnaire will be highly appreciated.

Thank you.

Yours faithfully,

…………………………………	………………………………..
Dorothy N. Jumba	Dr. Zack Awino
MBA Student	Project Supervisor

APPENDIX II: STRUCTURED INTERVIEW GUIDE

A. BACKGROUND INFORMATION OF THE ORGANIZATION

1. What is the name of your organization?

____

2. When was the organization started?

____

3. What is the form of ownership in the firm? Is it publicly or privately owned?

____

4. What is the size of the customer base?

____

5. What percentage of the market share does the organization serve?

____

6. What was the revenue the organization brought in for the last financial year?

____

B. BACKGROUND INFORMATION OF RESPONDENT

7. What department are you in?

____

8. How long have you been in the organization?

____

9. Is your department involved in strategy formulation?

____

C. STRATEGY FORMULATION

10. Are you involved in strategy formulation?

Yes ☐ No ☐

11. What levels of management are involved in strategy formulation?

a. Top Management Yes ______ No ______

b. Middle Management Yes ______ No ______

c. First Line Management Yes ______ No ______

12. Are customer sentiments considered during the strategy formulation process?

Yes ______ No ______

13. Are any of the below categories of people involved in strategy formulation in the firm?

a. Employees Yes ______ No ______

b. Suppliers Yes ______ No ______

c. Customers Yes ______ No ______

d. Share holders Yes ______ No ______

Any other groups ____

D. CUSTOMER LOYALTY RETENTION STRATEGIES

14. Does the organization have customer loyalty retention strategies?

    Yes ______ No ______

15. If yes, how many? ______________________________

16. What are some of the customer loyalty retention strategies you have in place? List.

    ____.

17. How long have they been in place? ______________________

18. At what level of strategy formulation do the customer loyalty retention strategies come under?

    a. Top Management Yes ______ No ______

    b. Middle Management Yes ______ No ______

    c. First Line Management Yes ______ No ______

19. Does the firm use any of the following strategies?

    a. Customer Loyalty Retention programmes? Yes ______ No ______

    b. Innovative products Yes ______ No ______

    c. Free offers on voice products Yes ______ No ______

d. Free offers on SMS products Yes _______ No _______

e. Free offers on Data products Yes _______ No _______

f. Superior customer care service Yes _______ No _______

g. Other ____

20. How has the consumer response been towards the strategies?

a. Customer Loyalty Retention programmes?

Very Enthusiastic ☐ A bit Enthusiastic ☐ Indifference☐ Upset ☐

b. Innovative products

Very Enthusiastic ☐ A bit Enthusiastic ☐ Indifference☐ Upset ☐

c. Free offers on voice products

Very Enthusiastic ☐ A bit Enthusiastic ☐ Indifference☐ Upset ☐

d. Free offers on SMS products

Very Enthusiastic ☐ A bit Enthusiastic ☐ Indifference☐ Upset ☐

e. Free offers on Data products

Very Enthusiastic ☐ A bit Enthusiastic ☐ Indifference☐ Upset ☐

f. Superior customer care service

Very Enthusiastic ☐ A bit Enthusiastic ☐ Indifference☐ Upset ☐

g. Other ____

21. Do you have a way of measuring consumer response to a strategy?

Yes _______ No _______

22. Has there been improved revenue after introduction of these strategies?

Yes _______ No _______

If yes, please explain ____

23. What would you say was the impact of the customer loyalty strategies the company applied on revenue generated?

Large Impact ☐ Moderate Impact ☐ No Impact ☐

24. Are the strategies usually reviewed?

Yes _______ No _______

25. If yes, how often?

Annually ☐ Semi-annually ☐ Quarterly ☐ Monthly ☐ Never ☐

Thank you to taking your time to fill in this interview guide.

APPENDIX III: List of Licensees for the provision of facilities and services

REGISTER OF LICENSEES UNDER UNIFIED LICENSING FRAMEWORK

4th January 2010

LICENCES FOR THE PROVISION OF FACILITIES AND/OR SERVICES

KEY:
IGS = International Gateway Systems and Services
NFP =Network Facilities Provider, T=Tier,
ASP=Application Service Provider, CSP=Content Service Provider

LICENSEE	IGS	NFP T1	NFP T2	NFP T3	ASP	CSP
50. Nirah Enterprises Limited P. O. Box 4858 Nairobi 00200 Tel. 0725-202504 Fax. 020-651395					√	
51. Pwani Telecoms Limited P. O. Box 87200 Mombasa 80100 Tel. 041-229339 Fax. 041-229308					√	
52. Rasmilink P. O. Box 1584 Nairobi 00100 Tel.020-6760488/6767668 Fax.020-6760488					√	
53. Safaricom Limited P. O. Box 46350 Nairobi 00200 Safaricom Hse, Waiyaki Way Tel. 020-722000000	√	√			√	√
54. Sat Africa Limited P. O. Box 5563 Nairobi 00200					√	

REGISTER OF LICENSEES UNDER UNIFIED LICENSING FRAMEWORK

4th January 2010

LICENCES FOR THE PROVISION OF FACILITIES AND/OR SERVICES

KEY:
IGS = International Gateway Systems and Services
NFP =Network Facilities Provider, T=Tier,
ASP=Application Service Provider, CSP=Content Service Provider

LICENSEE	IGS	NFP T1	NFP T2	NFP T3	ASP	CSP
63. Swift Global (K) Limited P. O. Box 42164 Nairobi 00100 Mombasa Road Tel.020-6921000 Fax-020-6921500					√	
64. Teleworth Communications Limited P. O. Box 8145 Nairobi 00200 Utalii Street, Utalii House Tel.0722-540749						√
65. Telkom Kenya Limited P. O. Box 30301 Nairobi 00100	√	√			√	√
66. Tuseme Africa Limied P. O. Box 14472 Nairobi 00800 Tel.020-8009252 Fax-020-2010162					√	
67. Urban IT Consulting Limited P. O. Box 7662 Nairobi 00200 The Geomaps center, Matumbato Rd, Upper Hill Tel.020-2725375						√

SUBMARINE CABLE LANDING OPERATORS

1.	Sea Submarine Communications Limited ALN House,Eldama Ravine Gardens off Eldama Ravine Rd.Westlands P. O. Box 200 Nairobi 00606 Tel.020-3748089,3740345/7 Fax 020-3740242 nbi@africalegalnetwork.com
2.	The East African Marine System Limited Telposta Towers-Kenyatta Avenue P. O. Box 30025 Nairobi 00100 Tel.020-251152 Fax.020-310064

LICENCES FOR THE PROVISION OF FACILITIES AND/OR SERVICES

KEY:
IGS = International Gateway Systems and Services
NFP =Network Facilities Provider, T=Tier,
ASP=Application Service Provider, CSP=Content Service Provider

LICENSEE	IGS	NFP T1	NFP T2	NFP T3	ASP	CSP
1. Adtel Phone Co. Limited P. O. Box 25636 Nairobi 00603					√	
2. Africa Online Limited P. O. Box 63017 Nairobi 00200 Tel.020-2792000 Fax.020-2710010					√	√
3. AFSAT Communications Kenya Limited P. O. Box 27554 Nairobi 00506 Wilson Airport,Langata Rd Tel.020-604933/34/35 Fax.020-608626 Afsat-ke@afsat.com	√		√		√	√

REGISTER OF LICENSEES UNDER UNIFIED LICENSING FRAMEWORK

4th January 2010

LICENCES FOR THE PROVISION OF FACILITIES AND/OR SERVICES

KEY:
IGS = International Gateway Systems and Services
NFP =Network Facilities Provider, T=Tier,
ASP=Application Service Provider. CSP=Content Service Provider

LICENSEE	IGS	NFP T1	NFP T2	NFP T3	ASP	CSP
13. Econet Wireless Kenya Limited P. O. Box 45742 Nairobi 00100 Essar House,Brooke Drive, Westlands Tel.020-4441602,4441597 Fax-020-2726017 cwadman@econetwireless.com		√			√	√
14. Enfinite Africa Communication P. O. Box 989 Nairobi 00100 Trans National Plaza, Mama Street Tel.020-3533775 Fax.020-240420 enfiniteafrica@spartanafrica.com						√
15. Envisage Multimedia Limited P. O. Box 55690 Nairobi 00200 Tel.0733-600627						√
16. Etiqet Solutions Limited P. O. Box 45689 Nairobi 00100 Tel.020- 2243097 Fax.020-2721166						√