

**INFLUENCE OF MOBILE TELEPHONE PRODUCT
DIFFERENTIATION ON CUSTOMER RETENTION. A CASE OF
NAIROBI COUNTY-KENYA.**

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By

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**A RESEARCH PROJECT REPORT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENT FOR THE AWARD OF A MASTER OF ARTS DEGREE IN
PROJECT PLANNING AND MANAGEMENT OF THE UNIVERSITY OF NAIROBI.**

2012

DECLARATION

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

Signed..........

Date.....29/07/12.....

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L50/65304/10

This research project has been presented for examination with my approval as University supervisor.

Signed..........

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DEDICATION

This research project is dedicated to my wife Joy who has been quite supportive in my pursuit of this Master's degree and who encouraged me to take this course.

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ABBREVIATIONS AND ACRONYMS

BD:	Behavioural Differentiation
CCK:	Communications Commission of Kenya
QoS:	Quality of Service
SMS:	Short Message Services
USP:	Unique selling proposition
VAS:	Value Added Service
Q1:	First Quarter

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ABSTRACT

This project is an investigation and analysis of the influence of mobile service differentiation on customer retention in Kenya. The study was prompted by the realization that, despite much effort by some mobile phone network service providers to adopt cost leadership as a competitive advantage in Kenya, the most expensive mobile phone network service provider recorded the lowest rate of customer churn and experienced the highest number of new subscriptions of the four network service providers in the country. Telecommunication has been seen as a key resource for a countries development and hence the importance to understand the trends that influence its penetration in the country. The study looks at the key differentiation services available to the subscribers from the various service providers and compares how they influence customer retention. Customer retention is vital for the continuity of an organization..

The target population for this project is Nairobi county mobile phone owners who are approximately 870,163 households. A sample size of 360 randomly selected respondents' from the target population. This sample was selected by use of multi-stage sampling. Data collection was done by use of pretested questionnaire and data analyzed using descriptive statistics by means of Statistical Package for Social Sciences.

The study suggests that mobile phone service providers should invest in product differentiation and strive to be the first to offer it in the market. It is clear that once subscribes link to a network they are retained by a string of products that are somehow related. While offering product differentiation service providers should learn the product properties, either access to VAS, cost, quality of service or any other, which are vital and ensure to achieve desired standards in order to satisfy their customers.

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. A number of countries in the last few decades have experienced a dramatic change in the importance of services and the role of the services sector in their economies (Sharma, 2002). The ultimate goal of service industry is the satisfaction of its customers because their satisfaction can somehow make them to come again. But if the customer is loyal then he will definitely turn back. In today's challenging economy and competitive business world, retaining your customer base is critical to your success.

If you don't give your customers some good reasons to stay, your competitors will give them a reason to leave. Customer retention and satisfaction drive profits. It's far less expensive to cultivate your existing customer base and sell more services to them than it is to seek new, single-transaction customers. Most surveys across industries show that keeping one existing customer is five to seven times more profitable than attracting one new one. If a business successfully creates and keeps customers in a cost-effective way, it will make a profit while continuing to survive and thrive. If, for any reason, a business fails to attract or sustain a sufficient number of customers, it will experience losses. Too many losses will lead to the demise of the enterprise (Nankervis, 2005). Research from Pitney Bowes Group | Software shows that customer defection rates (churn) within the mobile telecoms sector have risen from 33.4% in 2005 to 38.6% in 2007, an increase of 15.3%. The overall results of the research toppled a number of pieces of received wisdom. One of the primary findings of the research was

that Mobile telecoms retain high average customer churn at 38.6. According to Group 1, the findings indicate that the UK consumer is becoming more mobile and that companies retention strategies need to improve to deal with this phenomenon. "The world is becoming generally more mobile and less loyal," says Pitney Bowes Group 1 Software VP, International Marketing, Andrew Greenyer. "Yet despite all the effort and investment going into customer retention and loyalty, the effective strategies implemented by well-known success story companies are not yet the norm"(Murphy, 2008).

Greenyer says "Mobile Telecoms remains a very fluid area. Here, strong brands are evidently having an effect, with the issue of content provision likely to be a key factor in future churn-patterns. Nevertheless, the sector is so volatile that this situation may easily reverse after its initial customer relationship difficulties. "The US experiences far lower rates of churn, but this probably reflects the closer link in N. America between cell-phone carrier and handset. In Europe, the two are independent of one another, allowing the SIM card to be fairly portable between models. However, this also helps network operators use attractive handset ranges to persuade customers to switch. Also, number portability is relatively new in the US. The UK got portability in 1998, Spain and Sweden in 2000, and Italy in 2001. Americans didn't get it until the end of 2003 (Murphy, 2008).

Sri Lanka too experienced a significant growth in the services sector in the last few decades. Its share of contribution to the Gross Domestic Product (GDP) and employment in the sector rose considerably between 1970 and 2006. In the last couple of decades, a large portion of growth of the service industry in Sri Lanka was attributed to the development of Telecommunications industry [Central Bank of Sri Lanka (CBSL), 2007]. The deregulation of the telecom industry in Sri Lanka in the early 1990s brought multiple players/ service providers

to the country. The number of telecom operators stands at nine, as of October 2007 (www.trc.gov.lk). With the competition becoming tough, service providers realized that retaining one's existing customer base is important as much as the acquiring of a new customer. In that context, service providers realized the importance of knowing the attributes that customers consider as relevant, in deciding whether to continue or not to continue with a particular service provider. Sri Lankan customers seeking telecommunication services in 2007 are offered with the luxury of nine different service providers instead of the one they had prior to the 1990s. Customers had the choice and made the industry customer centric than supplier centric, different to pre-liberalized era.

In Kenya, Airtel, the Indian mobile-phone mogul Sunil Bharti Mittal owned firm, last year (2011) initiated a fierce price war that saw calling rates drop from a high of Sh8 per minute to Sh3. This gave an opportunity for Kenyans to experience cheap rates. The results of these price wars have only helped bring to the surface 'consumer stickiness' that are hard to sway. The industry regulator, the Communications Commission of Kenya (CCK), recently released statistics that show that Airtel Kenya and Essar Telecom Kenya's Yu lost subscriber numbers between March and June last year to Safaricom and Telkom Kenya's Orange, defying their aggressive low-cost strategies. Airtel and Yu hoped to attract more subscribers to sustain their operations. "The real reason why Airtel and Yu numbers have started dwindling is based on the service tolerance levels of the average cell phone user and the perceived value of an operators' service". On the service tolerance level, the average cell phone user is comfortable to stay with a mobile network that works averagely fine and is affordably priced (CCK, 1st Quarter July – Sept 2011/2012). This perception is backed by CCK's mobile network quality statistics in which Airtel is seen as the most qualitative network; however Safaricom was the network that Kenyan

consumers subscribed to most. The quarter, Q1 July-Sep 2011/12, registered an increase of 4.8 per cent mobile subscriptions to 26.49 million from 25.22 million reported in the quarter ending June 2010/11. Compared to the same period of the previous year, Q1 2010/11, this is 20.2 per cent increase representing 4.46 million new subscriptions registered between these two periods. This growth could be attributed to aggressive customer acquisition strategies and marketing by operators as competition in the market intensified. The four mobile operators experienced gains in subscriptions during the quarter under review. The highest gain was recorded as 593,177 by Safaricom Limited followed by Airtel Networks Kenya Limited with 557,567 new subscriptions. Essar telecom Kenya Ltd and Orange Telkom recorded 46,742 and 16,686 gains respectively. In terms of market share by subscriptions, Safaricom Limited recorded 67.7 per cent; Airtel Networks Kenya Limited had 15.7 while Essar telecom and Telkom Kenya Limited had 6.2 and 10.4 per cent respectively (CCK, 1st Quarter July – Sept 2011/2012).

As a conclusion, the CCK reports that, the continued growth in the telecommunication sector demonstrates the potential of the sector. It is evident that the growth of mobile subscriptions is on an upward trend with mobile handsets not only becoming the medium of communication but also for accessing other value added services like data and internet, entertainment, mobile money transfer amongst others. This trend is likely to continue as new innovations emerge and operators keep an eye on new services as well as grab the opportunity of being the first to offer them. (CCK, 1st Quarter July – Sept 2011/2012). If Airtel and Yu cannot crack the mobile money service business or come up with something innovative that will be a must have for consumers, it will be difficult for them to claw customers from Safaricom or even get more newer customers than their big brother rivals."

1.2 Statement of the problem

The environment for telecom operators has changed dramatically over the past decade. Competition is increasing, and margins are falling. Cost leadership has been the most famous strategy of gaining competitive advantage. However, it is evident that customers are willing to pay a little bit more for a product so long as the perceived value is high. There is therefore need to balance between differentiation and price.

The Kenyan telecom market has in the recent past experienced very vicious price wars between the main telecommunication players. Airtel was the first to drastically reduce its rates in order to assume cost advantage. The other players, Orange telecom and Safaricom had to follow suit in order not to lose subscribers. As result, currently, Safaricom is the only operator making profits, while the rest are yet to break even. Safaricom recently increased its call tariffs, due to what it blamed on high cost of operations.

Price, according to industry analysts, is no longer the main differentiator, as companies need to find new ways to retain and increase subscribers. "There is no way minute usage gain made up for the vicious tariff reduction. Volume of minutes sold did not match the price factor," In the end, Airtel effectively cannibalized its own revenue, as well as other operators." Safaricom and Telkom Kenya have invested significantly to provide high quality Internet and Airtel and Yu ought to do the same, or form partnerships that can deliver the same.

Many firms have expended much of their resources in customer acquisition and at times ignoring customer retention knowingly or unknowingly. The benefits for customer retention have been seen to be of great effect and hence worth investing into by firms. Customers have been

seen to comfortably stick to their current suppliers as long as they receive higher perceived value to what they are actually paying for. Customer satisfaction has been proven to lead to desirable results such as attitude change, repeat purchase, and brand loyalty. Lower costs of attracting new customers and handling returns and complaints. The central theme is that customer satisfaction is the driver for retention. This relationship is likely the case in many consumer markets. Customer satisfaction has been viewed both as a transaction specific which is the post purchase evaluation of the match between expectations and actual performance and cumulative satisfaction which reflects the overall evaluation based on transactions over time and is the net sum of the customer experience with the seller (Hill, Roche and Allen, 2007).

Customer retention is more than giving the customer what they expect; it's about exceeding their expectations so that they become loyal advocates for your brand. Retention is critical - yet a retention strategy is often overlooked. Here is the financial downside of defection: Loss of initial revenue and earnings, Loss of finance margin, Loss of maintenance, license and other revenue, Loss free word of mouth advertising from customers, Increase in acquisition costs and finally Increase in learning costs (Hill, Roche and Allen, 2007). In Fred Reichhelds "The Loyalty Effect" - he argues that Retention is the ONLY issue a business should tackle, and backs it up with "Cutting defections in half with double the firm's growth rate" and "Reducing defections by 5% can increase profits by 30%" - whilst these are for selected industries, the financial impact of poor retention will always have a dramatic effect.

Safaricom has the highest rates to its subscribers and at the same time have managed to retain a far much larger market share. According to the CCK report, Safaricom has managed to acquire the highest share of the new market penetration too. It is evident that the growth of mobile subscriptions is on an upward trend with mobile handsets not only becoming the medium

of communication but also for accessing other value added services like data and internet, entertainment, mobile money transfer amongst others. This trend is likely to continue as new innovations emerge and operators keep an eye on new services as well as grab the opportunity of being the first to offer them (CCK, 1st Quarter July – Sept 2011/2012). This study therefore seeks to investigate the influence of mobile phone services differentiation on customer retention.

1.3 Purpose of the study

The purpose of this study was to determine how product differentiation strategies adopted by the mobile service providers influence customer retention.

1.4 Objectives of the study

1. To assess the influence of voice and short messaging has on customer retention
2. To establish the extent to which data and internet has led to customer retention
3. To assess the influence of mobile money transfer on customer retention.
4. To examine how crediting has helped achieve customer retention
5. To explore how customer reward system has influenced customer retention.

1.5 Research questions

The study set out to answer the following questions:

1. Have voice and short messaging helped develop customer retention?
2. To what extent has data and internet led to customer retention?
3. What is the influence of mobile money transfer on customer retention?
4. In what ways has crediting helped achieve customer retention?

5. How has customer reward system enhanced customer retention?

1.6 Significance of the study

In this competitive environment, one of the key reasons as to why firms fail is wrong management decisions. In adopting strategies, managers need to be articulate on what turn their target market is taking. Unfortunately, many managers have adopted strategies that have worked in other industries without critically evaluating other options. One of the strategies that are seen to be in small significance in Kenya is differentiation. This is a strategy to increases competitive advantage and keeps companies profitable. Customer retention, just as customer acquisition, should be a key objective to the companies. A model mix of effective differentiation and customer retention is one of the most certain ways of sustainable competitive advantage. This implies that with effective differentiation, a company is able to achieve customer retention and hence unlock the benefits that come along with customer retention.

This study set out to provide information to the management in order to have more leverage in setting up strategic decision and structures for their companies to gain competitive advantage in their respective industry. The information would enable many organizations make informed decision about customer retention. After weighing the advantages and disadvantages, many organizations and business people, may make solid decisions based on research findings. The researcher will use information from this study as a point of reference for future research.

1.7 Limitations of the study

Being that the research was conducted in the central division of Nairobi County, a Sampling Frame just for the division could not be drawn hence the research used the market share statistics as the sampling frame.

Following a randomized sample selection procedure (described in chapter three), majority of respondents got by this were Safaricom subscribers followed by Airtel and Orange. No respondents for Essar/Yu were got by this method so the researcher had to adopt purposeful sampling method to get respondents for this network.

1.8 Delimitations of the study

This study was undertaken within Nairobi County because the researcher had worked with all the network service providers in this specific region for at least three years supporting in the implementation of their services to mobile subscribers. The researcher therefore had a good appreciation of the geography of the area.

The cost for the research in terms of finances and time were minimal since no excessive travel or postage expenses were done. This is because the researcher interacted with the respective managers of the mobile service providers in this region and the mobile subscribers in this region are easily reachable.

1.9 Basic Assumptions of the study

The study was carried out based on the following assumptions:

There would be total cooperation from the participants in giving out the required information to carry out the study.

The study was carried out with the available resource and within stipulated time, the current political environment was stable to enable the study to be conducted and mobile subscribers had adequate knowledge of on product differentiation offered to them by their service providers.

The study also assumed that the sample represented the population and the instrument of data collection was valid and reliable. The instrument was checked for validity by colleagues and supervisor. A pilot testing using a sample of respondents was used to check reliability. These pre-test questionnaires were not included in the main research.

1.10 Definitions of significant terms

Churn Rate: The number of subscribers who discontinue a service during a specified time period divided by the average total number of subscribers over that same time period.

Customer loyalty: In this supplier-focused perspective, customer loyalty is seen as bundle of measures that aim at improving relationships with customers. The supplier is in the center of attention and the customer is only regarded as the factor at which success of customer loyalty becomes manifest (Cahill, 2007).

Organizational strategy: strategy can be defined as the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. Therefore, strategy is more than goals and objectives; it also involves the means by which goals are to be achieved (Slack and Parent, 2005).

Product Differentiation: is a marketing process that showcases differences between products. It looks to make products more attractive by contrasting its unique qualities with other competing products. It could be as simple as creative packaging of products or as elaborate incorporating ne functional features.

1.11 Organization of the study

The project is organized in five chapters. Chapter one contains introduction which has the background to the study, statement of the problem, purpose of the study, objectives of the study , research questions, significance of the study, limitations of the study, delimitations of the study, definitions and organization of the study.

Chapter two contains review of related literature on the influence of mobile phone services differentiation on customer retention. This chapter starts off with an introduction. It then moves on to review literature on differentiation and customer retention independently. This chapter then looks at the influence of various mobile phone services differentiation viz; voice call and SMS, data and internet, mobile money transfer, customer reward system and credit services on customer retention. Finally, a conceptual framework is presented and a summary of the literature review.

Chapter three describes the research methodology to be used. This includes research design, target population, sample size and sample selection, research instruments, data collection procedures and data analysis techniques.

Chapter four shows the data analysis, presentation and interpretation of the analysis. This incorporates demographic characteristics, evidence of customer satisfaction and the contribution of voice and messaging, data and internet, mobile money transfer, crediting and customer reward system on customer retentions.

Finally, Chapter five is a summary of the findings, discussions, conclusions and recommendations made by the researcher based on the research results.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the relevant literature on differentiation and customer retention as presented by various researchers, scholars, analysts and authors. The chapter is divided into six sub-heading excluding the introduction part. The first subheading is differentiation of products and services, where the differentiation strategy is discussed. This subheading further discusses the characteristics of successful differentiation strategies and later narrows down to discuss value added services which is the type of differentiation strategy commonly in the mobile phone sector. Secondly, the chapter reviews theory on cost and differentiation as competitive advantage strategies. This is important as these are the two most commonly used strategies in the mobile sector in Kenya. Thirdly, the chapter moves on to discuss customer retention while highlighting its importance, basics, elements and role. This in turn helps to appreciate why it is necessary for a business to pursue customer retention and hence eventual need to research on the same. Fourthly, the chapter presents theoretical concepts of the influence of differentiation on customer retention. Under this subheading the theory of the main differentiation strategies used by the mobile sector in Kenya which also form the objectives this study are reviewed. Finally the chapter shows conceptual framework on which the entire study revolves and eventually gives a summary of the literature review.

2.2 Differentiation of products and services

A differentiation strategy is one where wide product ranges and higher quality products are offered for the convenience of customers as well as added services such as delivery, information services, etc. Further a differentiation strategy is one in which a product offering is different from that of one or more competitors in a way that is valued by the customers. The value added should affect customer's choice and ultimate satisfaction. Most successful strategies that are not based entirely on a low-cost advantage will be differentiated in some way (Proctor, 2000).

There are many ways to differentiate by adding value. There might be something which can be done much better than competitors, or an extra product feature or service that can be included. Value can be added to any aspect of a business (Proctor, 2000).

2.3 Cost and Differentiation as Competitive Advantage Strategies

A firm can achieve a higher rate of profit (or potential profit) over a rival in one of two ways: either it can supply an identical product or service at a lower cost, or it can supply a product or service that is differentiated in such a way that the customer is willing to pay a price premium that exceeds the additional cost of the differentiation. In the former case, the firm possesses a cost advantage; in the latter, a differentiation advantage. In pursuing cost advantage, the goal of the firm is to become the cost leader in its industry or industry segment. Cost leadership requires that the firm 'must find and exploit all sources of cost advantage and sell a standard, no-frills product.' Differentiation by a firm from its competitors is achieved "when it provides something unique that is valuable to buyers beyond simply offering a low price." The two sources of competitive advantage define two fundamentally different approaches to business

strategy. A firm that is competing on low cost is distinguishable from a firm that competes through differentiation in terms of market positioning, resources and capabilities, and organizational characteristics. Table 2.3 outlines some of the principle features of cost and differentiation strategies (Grant, 2005).

By combining the two types of competitive advantage with the firm's choice of scope – broad market versus narrow market – Michael Porter has defined three generic strategies: cost leadership, differentiation, and focus. Porter views cost leadership and differentiation as mutually exclusive strategies. A firm that attempts to pursue both is 'stuck in the middle. The firm stuck in the middle is almost guaranteed low profitability. It either loses the high volume customers who demand low prices or must bid away its profits to get this business from the low-cost firms. Yet it also loses high-margin-business – the cream – to the firms who are focused on high-margin targets or have achieved differentiation overall. The firm that is stuck in the middle also probably suffers from a blurred corporate culture and a conflicting set of organizational arrangements and motivation system. In most industries, a market leadership is held by a firm that maximizes customer appeal by reconciling effective differentiation with low cost - Toyota, Dell, and Canon are classic examples (Grant, 2005).

Reconciling differentiation with low cost has been one of the greatest strategic challenges. Common to the success of Japanese companies in consumer goods industries such as cars, motorcycles, consumer electronics, and musical instruments has been the ability to reconcile low costs with high quality and technological progressiveness. The total quality management methods that they adopted exploded the myth that there is a trade-off between high quality and low cost. Numerous studies show that innovations in manufacturing technology and manufacturing management result in simultaneous increase in productivity and quality.

Achieving higher quality in terms of fewer defects and greater product reliability frequently involves simpler product design, fewer component suppliers that are more closely monitored, and fewer services calls and product recalls – all of which save cost (Grant, 2005).

Table 2.1 Features of Cost Leadership and Differentiation Strategies

Generic Strategy	Key Strategy Elements	Resource and Organizational Requirements
Cost leadership	Scale-efficient plants	Access to capital
	Design for manufacture	Process engineering skills
	Control of overheads and R and D	Frequent reports Tight cost control
	Process Innovation	Specialization of jobs and functions
	Outsourcing	Incentives linked to quantitative targets
	Avoidance of marginal customer accounts	
Differentiation	Emphasis on branding advertising, design, service, quality, and new product development	Marketing abilities Product engineering skills Cross-functional coordination Creativity Research capability Incentives linked to qualitative performance targets

2.4 Customer retention

Customer retention is the probability of a customer being “alive” or repeat buying from a firm. In contractual settings, customers inform the firm when they terminate their relationship.

However, in non-contractual settings, a firm has to infer whether a customer is still active. Most companies define a customer as active based on simple rules-of-thumb. In contrast, researchers generally rely on statistical models to assess the probability of retention (International series in operations research and management science, 2008).

Customer acquisition and customer retention are important issues for any company today. A simple definition of "customer acquisition" is the process of acquiring or obtaining new customers, and/or converting prospects to customers, (Gustafsson, Johnson and Roos, 2005). Gustafsson, Johnson and Roos (2005) continue to say "Customer retention" is the process of keeping, sustaining, and/or growing the relationship your customers have with your company and its products and services. Retaining customers is good for a firm's economic health. Customer retention can have a direct influence on profitability. Reichheld and Sasser (1990) found that a 5% increase in customer retention could increase firm profitability from 25 to 85%. Reichheld (1996) also emphasized the importance of customer retention. Gupta et al, (2003) also found that 1% improvement in customer retention may increase firm value by about 5%. The importance of retention has led researchers to spend a large amount of time and energy studying this subject matter.

An important step in understanding the returns on customer loyalty efforts for a specific business is to create ability to quantify the profits for a typical customer over the typical customer lifetime. At the foundation of this analysis is the knowledge of how new customers differ from acquainted ones in terms of the cash flow that they produce and how this difference evolves over time. The general single elements driving this difference can be categorized into the effects introduced above that will be elaborated in more depth within this section: Base profits, Revenue growth, Cost savings, Referrals and Price premium (Zeidler, 2008).

2.4.1 Revenue growth in lasting relationships

A growth of revenue and hence a growth of profits over time within an ongoing customer relationship can be driven by different sources. With an increasing number of interactions, the customer might get more familiar with the company's full product line (Zeidler, 2008).

Another set of requirements defined for the reference model supports the notion of growing revenues with lasting customer relationships. The requirements defined in the analysis category support the active management of cross-and up-selling in accordance with the customer profile and therefore provide a means to actively influencing the growth in the revenue from additional purchases over time. In order to provide incentives for purchases in new product categories, offers can be targeted individually to customers that fit the pattern and the transition can be accelerated. Personalized offers, rewards and dynamic pricing can be important dynamic pricing can be important variable in this process (Zeidler, 2008).

2.4.2 Cost savings of serving acquainted customers

Over time, within an ongoing customer relation, customers get to know the company and learn to be increasingly efficient in the interaction with the business. At the same time, the company gets to know the customer and his preferences and can react to interaction with fewer needs for clarification than with a new customer. Customers gain insights on the company's products and services and require less direct support from the company's employees when purchasing or operating the products (Zeidler, 2008).

In order to provide quantifiable results, the costs involved with serving the customer must be made transparent on an individual customer level or at least on a customer-segment level that

allows a differentiation among customers in different phases of the customer lifecycle. Allocation of servicing costs can then be attributed to the customer segment in which they occur and allocated on the customer accounts in this segment. This measure of course can only be taken where the costs can be identified on a level of enough detail (Zeidler, 2008).

Industries with large advantages from serving customers repeatedly over multiple periods are retailing and distribution. These industries profit from the ability to predict demand very well based on the customers' previous purchasing behaviors. A constant set of customers can hence support the streamlining of inventory management and logistics (Zeidler, 2008).

2.4.3 Referrals by satisfied customers

As the frameworks for mobile loyalty primarily targets business-to-consumer markets, referrals are an important aspect of the frameworks. Elements of viral marketing that support the process of recommending the services, offers or products of the business to peers and incentives are a core element in one of the evaluation case studies. With all the schemes and scams occurring today, people are naturally and rightfully cautious of strangers, especially those who use cold calls to generate sales. You might have the best product or service on the market, but chances are you're still going to have a rough go of trying to engage people in positive sale dialogue just because they don't know you (Bly, 2006). If contacting a stranger is considered a "cold" call, then telephoning someone who has been referred to you as a possible new customer can definitely be described as "warm." This person comes to you with many defenses already down – and you feel the same way about him (Bly, 2006).

Comparing a radio advertisement illustrate the quality of products by a certain supplier and a friend telling you about the quality of the same product, most people would believe the

word-of mouth from the friend. After all radio advertisements are scripted and paid advertisements. Not so with friends; they have no script and generally no agenda, which makes them credible resource. Such is the power of referrals. Customer referrals tells it the way the customer sees it, not as the business owner would like him to see it, so it is important to make sure your product is good before people start talking (Tyson and Schell, 2012).

2.4.4 Price premium

Most customers do not make independent judgments about satisfaction. Instead, customers think of satisfaction based on the totality of their experience without overtly considering issues like quality or value. We are not saying that customers do not judge quality or value. Rather, we are saying that customers think of satisfaction in more abstract terms than they do quality or value. This happens because customers' expectations – hence their satisfaction – can be based on any number of factors, even factors that have nothing to do with quality or value (Ferrell and Hartline, 2005).

The prominent claim is that long-life customers pay higher prices on average. Since customers are acquainted with a service or a firm's processing of orders, higher prices are accepted. (Ritcer, Bindsell, Haucap and Wey, 2006). These companies that custom their products and services to specific customer need and provide a high level of security and trust have high customer retention and also these factors allow them to charge prices which are significantly above those of lesser known retailers. The price premium clearly has its grounding in better services and customer's trust on the company (Ritcer, Bindsell, Haucap and Wey, 2006). Loyal customers are therefore more profitable as they are more likely to buy additional products, often without shopping around for the best price (Szwarc, 2005). Price premium has nothing to do with

decrease in price-sensitivity. It may be viewed that short-term customers seem to be less price sensitive, however, a further alleged causality concerns decreased cost of serving long-life customers (Ritcer, Bindsell, Haucap and Wey, 2006).

2.5 Theoretical Concepts of Relationship between Differentiation and Customer Retention

Differentiation can potentially win customer loyalty by (a) prolonging and intensifying the relationship and/or (b) creating satisfaction and barriers to change. With regard to (a), the relationship between the seller and the buyer is frequently reduced or limited to the transaction act itself, i.e. the sale of a product or performance of a service. The customer is ultimately the “cause” of the transaction and the recipient or “external factor” of performed services. Even where there are repeat purchases, the contact between buyer and seller is limited to individual transaction episodes. Such kind of customer loyalty is associated with a high degree of insecurity. In the future, will the customer again decide in favor of the now familiar good or service, or will he or she purchase from a competitor? The individual episodes can be supplemented and intensified by services (service sequences) that increase the number of contacts and contact points, prolonging or intensifying the customer relationship (Thurau and Hansen, 2000).

Intensifying the customer relationship is especially important in the case of long-term debt relations (e.g. building societies), where the customer regularly makes payments (e.g. credit installments), but receives no direct service in exchange. Customer loyalty is not felt, or is very difficult to perceive. Some companies have recognized this problem and regularly deliver extra services to the customer, for example in the form of a customer magazine. Take the example of

an auto dealer who wants to intensify customer relationships. He offers his RENOULT TWINGO customers a leasing agreement which includes the option to exchange their compact cars for a limousine for two weeks a year. An added bonus is a 20% rebate on travelling by train (Thurau and Hansen, 2000).

With regard to (b), differentiation (VAS) is frequently used to improve and offer and to balance out weaknesses in the underlying product or offer structure. The product can often only be used by the customer in combination with extra or complementary services (as is often the case in the computer industry). Value-added services can be used, for example, to make products safer, faster and more tangible, to offer more convenience and information, or to increase individuality and closeness to the customer. Additional services are a particular attractive alternative when it would be uneconomical or technically impossible to change the core product itself in order to achieve a desired goal. A value-adding service can then be the primary cause of an improvement in the quality of a product. It becomes an important prerequisite for increasing satisfaction, and, remembering the causal chain [satisfaction – customer loyalty – economic success], the basis for stronger customer loyalty. In addition to this primarily satisfaction-oriented customer loyalty (so-called true customer loyalty), value added services can also build up barriers to change that make it difficult for the customer to switch over to a competitor, due to financial, social, or situational constraints. Long-term maintenance “contracts” are a relevant, practical example of a barrier to change created through a value-added service. The problem with winning loyalty in this way is that competitors can attempt to deliberately get around these barriers, new customers may be discouraged, or there may be an exodus of customers after the period of notice has expired. It is therefore normally preferable to win customer loyalty to a service or company by creating customer satisfaction using appropriate service or value added

strategies. Customer loyalty created in this way is relatively difficult for competitors to destroy; it makes the customers practically immune to the competition (Thurau and Hansen,2000).

To maximize the value of the network, operators must introduce value-added services aimed at specific market segments. Value added service is a service for which the rate of return exceeds its cost of capital. Furthermore, for a service to be classified as value-added, it must be perceived as having superior value compared to services found by normal service providers – only then are customers willing to pay higher prices. This leads to the importance of establishing a clear differentiation between Value added and service delivered over best-effort (International Engineering Consortium, 2006).

Majority of customers are willing to pay more for a service tailored to their needs, but since the service provider only has one service offering, it fails to attract this revenue. The difference between that prices that the customer would be willing to pay and the price he or she actually pays is sometimes referred as the consumer surplus. With the best-effort model, the service provider leaves the consumer surplus on the table (International Engineering Consortium, 2006).

To maximize revenues, service providers should differentiate their services to better fit the needs of different groups of customers. This is also known as versioning. By versioning services, service providers can sell the same thing to customers with different levels of willingness to pay and thereby catch the consumer surplus. Differentiation is also the foundation for a successful value-added wholesale business model. By enabling service, content, or application providers to differentiate their services and catch the consumer surplus, the operator can command a price premium (International Engineering Consortium, 2006).

2.5.1.1 Voice Calls and Short Message Services and customer retention

The basic service to be provided by network operators is voice calls. In the past, mobile phone voice calls were an expensive service to acquire in Kenya whereas fixed line service was more affordable to many. Eventually call rates and other mobile phone service accessories dropped to rates that are affordable to many. At this point the mobile service was viewed as value add service. With the growth of mobile service coverage and drop in rates, the voice call service has become a basic service expected of all the mobile service providers. This applies to the short message service. Mobile subscribers do not expect anything less than voice calls and short message services from their network operators. All mobile service providers now provide both voice and messaging services efficiently. Therefore what in the past was viewed as a value add service is current a basic service which is not a factor to influence customer retention (Bryson, 2006).

Voice calls and messaging services are not seen by in the customer's eyes as added value. In this regard a mobile service provider with only these services cannot to be seen to have adopted any value add strategy. Such a service provider is likely to lose its customers if the competing companies adopt value add.

In Kenya all mobile service providers have succeeded to provide these services with Airtel registering the best QoS in this facet. According to CCK QoS report released in September 2010, Airtel Kenya attained a compliance level of 87.5% out of the expected minimum overall performance target of 80%. Essar Telecom (K) Ltd recorded a compliance level of 50%, compared to Safaricom and Orange Telkom Kenya who tied at 37.5%. However, the QoS is not a big issue when it comes to call completion rate, call set up success rate, dropped calls, blocked

calls and speech quality. Reason being many customers would easily redial to reconnect. Some mobile phones have the auto redial settings which also come as solution to this problem (CCK, Nov 2011. Report on the Cellular Mobile Networks' Quality of Service Performance Assessment for the 2009-2010 year).

2.5.1.2 Data and Internet Service and customer retention

Data has become a genuinely essential component of operator revenues and services in a way that has never been previously the case, voice having previously been of prime importance. Increasingly these services are created using the same technologies as in fixed internet.

The first indication of serious data proliferation was the very widespread of 'push email services'. These services were increasingly been built-in functions of devices and email servers, increasing the availability well beyond the limited community which had experienced these services in the years prior to 2007. Deploying such services had previously required policy decisions by corporate IT managers and a substantial feature to be enabled. As well as reaching a much wider business community hosted email services were offered widely by both wireless operators and by internet service providers, expanding the use by consumers (Webb, 2007.).

Once push emails was in the hands of consumers, a viral effect occurred, in which mobile email started to be used in much the way in which text messages previously were. Currently the availability of data and internet services has been seen to be of great influence on customer loyalty (Webb, 2007).

By the end of the quarter under review, Q1 2011/12, there were 5.4 million internet subscriptions in Kenya from 4.2 million recorded in the previous period, an increase of 27.33 per

cent. Compared to the same period of the previous year, an increase of 67.86 per cent was recorded (CCK, 1st Quarter July – Sept 2011/2012).

Satellite subscriptions declined from 960 subscriptions in the previous period to 774 subscriptions during the quarter under review. On the other hand, mobile subscriptions on GPRS/EDGE and 3G continued to show an upward trend as has been the case in the previous periods. At the end of the quarter under review there were 5.3 million mobile data/internet subscriptions up from 4.1 million recorded during the previous quarter, an increase of 28.3 per cent. In actual fact, the number of mobile data/internet subscriptions represented 99 per cent of the total subscriptions, an indication that the mobile handset has become a popular mode of accessing internet. Similarly, at the end of the quarter under review, there were an estimated 14.3 million internet users compared to 12.5 million users reported in the previous quarter. This represented 14.06 per cent increase. Compared to the same period of the previous year 64.58 per cent increase was recorded. This growth could have been accelerated by increased mobile subscriptions and the ease of accessing the service regardless of the tariff plan application (CCK, 1st Quarter July – Sept 2011/2012).

At the end of the quarter under review, 36.3 per cent of the population had access to internet from 31.8 per cent recorded in the previous period. This was an increase of 4.5 percentage points from the previous period. Compared to the same period of the previous year, an increase of 14.2 percentage points was recorded. Majority of internet subscriptions are from the mobile operators and their total market shares was recorded as 89.9 per cent with safaricom holding 79.45%, Airtel Kenya Ltd 8.49 %, Telkom orange 1.96 % and Telkom fixed 0.19 %. Essar telecom records 0 %. The other 10.1% is held by other ISPs (CCK, 1st Quarter July – Sept 2011/2012).

Safaricom has invested heavily in a 3G network, the only one of its kind in Kenya, a strategy that has seen it garner a huge lead in the mobile internet market. Today, nine out of every 10 Kenyans who use the internet regularly access it through the Safaricom network (CIO East Africa writer, Feb 2012). Mobile data/internet market is poised to transform the internet market in the country. With the number of mobile data/internet subscriptions rising steadily over the period, this trend is likely to continue as operators leverage on emerging technologies to bring creative new offerings to the market that meet users demands. Consequently, intense competition is likely to continue as operators seek to diversify their services in an effort to grow their revenue margins (CCK, 1st Quarter July – Sept 2011/2012).

Internet usage reached 14.3 million users with 36.3 per cent of population having access to the internet. Precisely the period under review recorded 75 per cent of users accessing the service through their mobile handsets leaving computer and other modes of access with only 25 per cent. Computer connectivity which includes bandwidth costs could be considered expensive compared to mobile connectivity which is easier and faster. Continuous service innovations by mobile operators making the service attractive to majority of subscribers could also be a pointer to this disparity on accessibility modes (CCK, 1st Quarter July – Sept 2011/2012).

2.5.1.3 Mobile Money Transfer and customer retention

The worth of cellular money transfer in the African region is likely to go past \$200 billion by 2015, accounting for almost 8% of the continent's nominal GDP. According to an analyst in Pyramid research, Janten Sytoff, the anticipated growth of mobile and financial services in Africa would encourage mobile operators to capitalize on the sector and launch new services. He added that the mobile firms would be able to enjoy opportunities like customer

retention, increased revenues and significant cost savings among others. About 42 of the total 65 live networks in 14 nations covered by the research are expected to have a mobile payment service launched by 2013. By 2015, nearly one in five persons in the region would be signed up for mobile money transfer (Pan, Nov. 2010).

It has been experienced in various countries that network operators who execute their mobile money transfer effectively attract and retain a high percentage of their customers. This service becomes an essential part of the customers both in terms of social basis and business. Many transactions have been seen to happen via this mode of money transfer (Pan, Nov. 2010).

Mobile Money Transfer has continued to gain popularity among mobile subscribers in Kenya. At the end of the quarter under review there were 18.4 million Mobile Money Transfer subscriptions. This represents 69.5 per cent of the total mobile subscriptions. A 5.9 per cent increase in subscriptions was recorded when compared to the previous quarter (CCK, 1st Quarter July – Sept 2011/2012).

Similarly the total amount of deposits made through the mobile phone services grew by 17.5 per cent from Kshs 48 Billion in the previous quarter to Kshs 56 Billion during the period under review. This was 58.6 per cent increase compared to the same period of the previous year.

The continued growth is an indication of subscribers' preference to mobile money transfer, which could be attributed to accessibility and affordability even to low income earners who form the bulk of unbanked population (CCK, 1st Quarter July – Sept 2011/2012).

2.5.1.4 Customer rewards and customer retention

It would be wise to create strategies and programs that reward your best customers. Consider offering increasingly higher levels of rewards to customers who achieve a certain level of spending (Moore et al, 2010).

Choosing just the right rewards to offer can be a stumbling block for small-business owners. It's best to reward customers by offering special value on products or services you regularly provide. One of the chief goals of a successful customer loyalty program is to enhance the customer experience and forge a strong relationship between your customer and your company. To achieve that goal, customers must be brought back to your business, its store or its website to gain their rewards. Don't make the mistake of offering unrelated rewards, such as gift certificates for movie tickets, because these rewards are less effective when it comes to reinforcing a positive customer experience. After all, you want customers to have a successful interaction with you, not some unrelated company (Hoffman and Bateson, 2010).

2.5.1.5 Credit services and customer retention

Many businesses have opted not to indulge in credit services due to the risk associated with it. However, in some industries this is a key strategy for customer retention. For example banks where overdrafts and unsecured loans are offered, which is similar to credit service in other industries, have had much gain in this strategy. The idea of credit services therefore remains to be a good strategy if executed appropriately (Thurau and Hansen,2000).

In the mobile industry, credit services can go to extents of saving lives or businesses. Mobile phone subscribers are cushioned by such strategies and as a result, feel more secure

sticking with such network operators as compared to those who don't offer such facility (Thurau and Hansen, 2000).

2.6 Conceptual framework

The Conceptual Framework contains five independent variables, six indicators of the dependent variables, two intervening variables and two moderating variables. The study is meant to study how the independent variables acting as predictors influence the dependent variable. The independent variables of the study are Voice and SMS services, Data and internet services, Mobile money transfers and alliance with other companies, Customer reward system and Credit Services while the dependent variable is customer retention with indicators as ready market, price premium, word-of-mouth advertisement, network effect, referrals by satisfied customers and revenue growth. The intervening variables are quality of service and price while the moderating variables are high switching cost and employee satisfaction. Both the moderating and the intervening variables will be treated as constant for the purpose of this study.

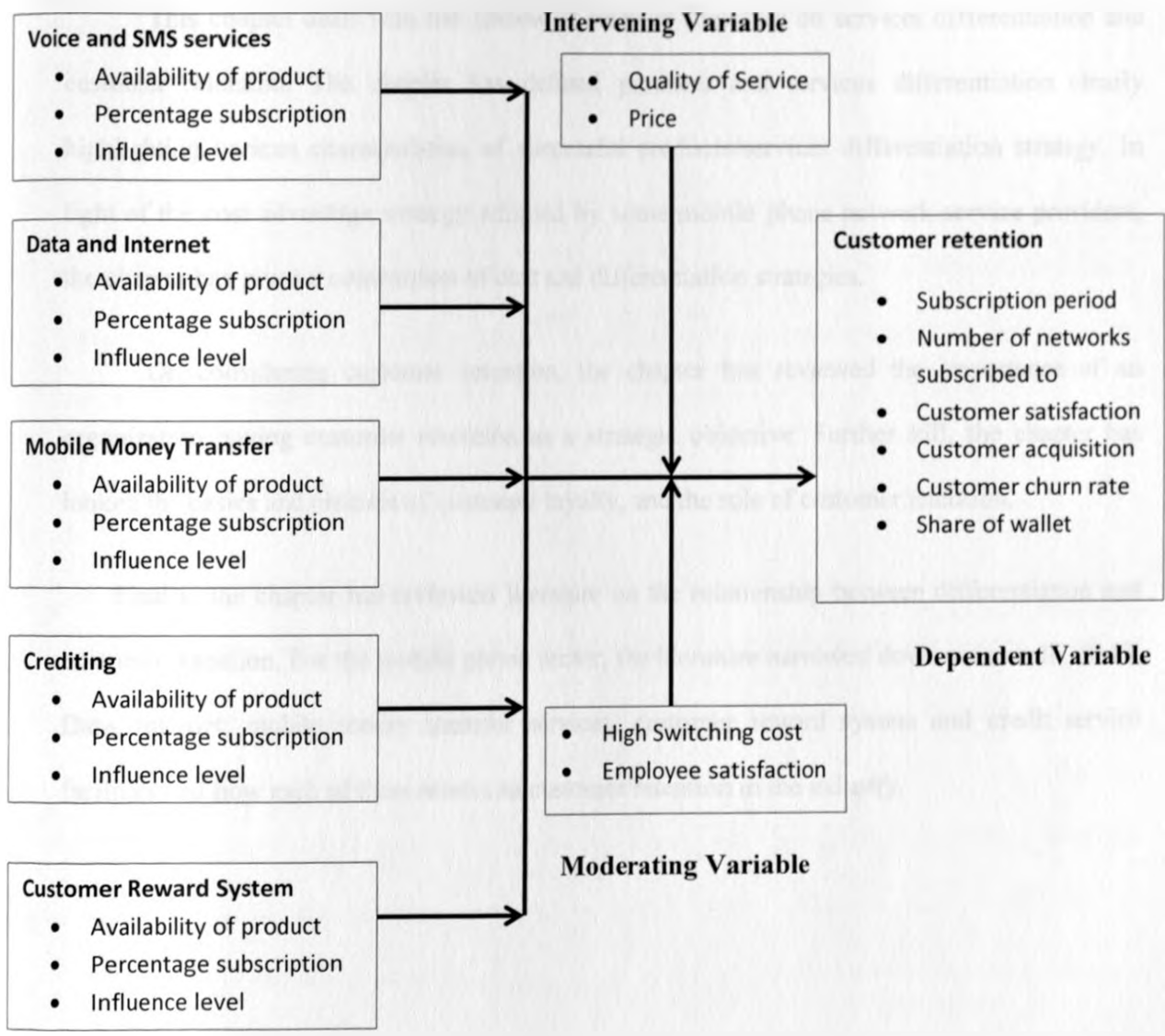


Fig 2.1: Conceptual framework

2.7 Summary of the Literature Review

This chapter dealt with the review of relevant literature on services differentiation and customer retention. The chapter has defined products and services differentiation clearly highlighting various characteristics of successful products/services differentiation strategy. In light of the cost advantage strategy adopted by some mobile phone network service providers, the chapter has given a comparison of cost and differentiation strategies.

On considering customer retention, the chapter has reviewed the importance of an organization having customer retention as a strategic objective. Further still, the chapter has looked the basics and element of customer loyalty, and the role of customer retention.

Finally, the chapter has reviewed literature on the relationship between differentiation and customer retention. For the mobile phone sector, the literature narrowed down voice calls, SMS, Data, internet, mobile money transfer services, customer reward system and credit service facilities and how each of them relates to customer retention in the industry.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research methodology used in this study. It explains the research design, target population, sampling techniques and sample size, research instrument, data collection techniques and procedures as well as data analysis criteria that the researcher adopted in this study.

3.2 The research design

Descriptive survey was adopted. Descriptive research according to, Chen et al, 2009, is concerned with conditions or relationships that exist; practices that prevail; beliefs, points of views, or attitudes that are being felt, or trends that are developing. At times, descriptive research is concerned with how what is or what exists is related to some preceding event that has influenced or affected a present condition or event. Descriptive statistics deals with the presentation of numerical facts, or data, in either tables or graphs form, and with the methodology of analyzing the data. In this regard by the use of measures of central tendencies, measures of location and measures of dispersion, descriptive statistics can be used to depict trends that exist in the mobile phone industry with regard to services differentiation influencing customer decisions to stay with their service providers.

3.3 Target Population

The target population was all mobile phone users in eight divisions in Nairobi County. The mobile phone users are the subscribers from the four mobile service companies in Kenya. According to the Kenya National Bureau of Statistic 2009 report, the mobile phone holders in Nairobi are 2,762,987 out of a population of 3,138, 369.

3.4 Sample Size and Sample Selection

Sampling was initially done using multistage sampling method. The first step was get representative divisions. From the eight divisions of Nairobi, one division was targeted. The researcher limited the research to one division because of the capacity available for questionnaire distribution and collection. Purposeful sampling was used to get the division i.e. certain characteristics were looked into as to why the divisions are selected. These divisions include Central, Dagoretti, Embakasi, Kasarani, Kibera, Makadara, Pumwani and Westlands. Central division was selected on the basis that the researcher was assured of getting sufficient respondents for all mobile phone subscribers in one way or another.

The second level of sampling was to get the locations. All the locations from the selected division were named and an analysis of division was done with regard to the project. A purposeful sample was also selected here. The researcher was interested in only one location again because of the capacity available for questionnaire distribution and collection. This then led to the next level of sampling that was targeted at getting a representative sample from the selected location. Purposeful sampling was done to where Nairobi Central sub location was selected.

Table 3.1 Sampling Frame

Nairobi Divisions	Population size	Approximate Mobile Phone Owners in Nairobi County
Central	359,457	317,544
Dagoretti	360,056	316,849
Embakasi	919,253	808,943
Kasarani	595,888	524,381
Kibera	354,548	312,002
Makadara	160,434	141,182
Pumwani	211,991	186,552
Westlands	176,742	155,533
Total	3,138,369	2,762,987

Source: Kenya National Bureau of Statistics, Census Report 2009

The final stage was getting the representative mobile subscribers. Given the in-depth nature of the interview – based – studies and the capacity available for questionnaire distribution and collection, it is important to select a manageable sample. A total of 360 subscribers were targeted. Convenient sampling was used where by, from a starting point (preferably a trading center) every fourth block was selected from which mobile subscribers in the fourth block were interviewed. The result was that 135 Safaricom subscribers had been sampled, 95 for Airtel and 84 for Orange. The researcher then decided to look for the remaining 46 subscribers amongst the Essar/Yu subscribers using purposeful sampling.

3.5 Research Instruments

The study used questionnaires to collect data in face to face interviews. The questionnaire had both structured and unstructured questions that are simple easy and easy to interpret. Open ended unstructured questions were also be used to gain in depth information from respondents.

3.5.1 Piloting of the Instrument

Piloting is a tryout of the research instrument to find out whether they are valid and reliable to the study. According to Kothari (2005) piloting of research instruments helps in eliminating misunderstandings, ambiguities in the items and the less important items in the research instruments. The clarity of questions, appropriateness, relevance and comprehension is checked through piloting study. The questionnaire was distributed to 16 respondents. The piloting sample was required to in order to give a critique of the questionnaire on the content, format, expressions and importance of the questions. The feedback from the piloting study was required to enable the researcher to make the necessary adjustments on the questionnaire. The piloting sample was omitted from the main study

3.5.2 Validity of the Instrument

Validity is the degree to which results obtained from the analysis of the data actually represent the phenomenal under study. Validity therefore refers to the degree to which the instrument truly measures what it is intended to measure. In other words, validity ensures content, construct and criterion related validity in the study. In this research, content validity shall help in ensuring that all content of the variables were included in the research questionnaire. Construct and criterion validity was ensured through formulating a questionnaire

that is simple with precise questions that provide data answer the research objectives adequately and help in arriving at appropriate and meaningful conclusions on the topic of study. In addition, the researcher discussed meaning of terms in what is required to be studied with experts in the topic of study and with the supervisor.

3.5.3 Reliability of the Instrument

Reliability is the consistency of measurement, or degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects. A measure is considered reliable if a person's score on the same test given twice is similar. It is important to note that reliability is not measured, it is estimated. It is done to ensure consistency of the results from the research instrument used. Cronbach's alpha shall be used to test the internal reliability of each of the composite constructs. Internal consistency measures estimate how consistently individuals respond to the items within a scale.

A pre-test shall be done on 20 respondents before the main survey. Cronbach's Alpha was then calculated using SPSS. The reliability yielded a coefficient of 0.85. Since the threshold is 0.80 (Mugenda, 2008), this was a sufficient coefficient to consider the instrument reliable for data collection. The implication is that respondents answering in a different time would give consistent responses. Thus the results would be generalized without fear of whether the tool was dependable for the study findings.

3.6 Data collection procedure

After approval of the research proposal by the supervisor and university panel, an introduction letter was obtained from the University introducing the researcher to the members

of the public on data collection for the purpose of this study. The researcher took on board two assistants and go through the questionnaires before piloting. The researcher trained the assistants on how to administer the questionnaires and together the questionnaires were piloted as part of the training for the assistants.

3.7 Data analysis technique

The questionnaires were assembled and stored in a safe place where they were cleaned for vague responses and any information not relevant to the research question. Proof reading to ensure consistency in the data was done, followed by coding to give symbols to similar responses. This assisted in the tabulation of cumulative frequency and percentage tables for each variable. Data was analyzed using descriptive statistics. This helped the researcher to describe data and analyze areas of interest in the research study effectively. This was achieved through the use of Statistical Package for Social Sciences (SPSS).

Firstly a response rate was established based on both target sample size and location of sample. Secondly, a summary of the respondents' demographics were determined. Frequency tables and percentages shall be used to show this. An analysis was then be done for all the four mobile service providers in Kenya to establish the extent of customer retention achieved by each of them. Finally, the researcher looked in to how voice calls and SMS, data and internet service, mobile money transfer, customer reward systems and credit services contribute to customer retention. This analysis was presented in tables that will assist in drawing up conclusions.

3.8 Operational definition of variables

The operational definition of variables describes the independent and dependent variables measurement indicators of the study as shown in the Table 3.2.

Table 3.2: Operationalization of variables

	Objective	Variables	Indicators	Measurement	Scale	Data Collection Method	Data analysis
1	To establish evidence of customer retention in the mobile service sector	Dependent Customer Retention	a) Number of lines subscribed to. b) Customer retention rate. c) Customer satisfaction index	a) Number of lines subscribed to. b) Period of use of specific company product/service c) Level of customer satisfaction with the company products/service	Nominal Interval Ordinal	Survey	Measure of central tendency and percentages
2	To assess the influence of voice and messaging has on customer retention	Independent a) Voice calls b) Messaging	a) Availability of voice calls and messaging products b) Voice calls and messaging	a) Services provided by mobile service provider subscribed by the respondent b) Average number of customers who have	Nominal Ratio Ordinal	Survey	Measure of central tendency and percentages

			subscription rate c) Voice calls and SMS influence index	subscribed for product c) Level of influence			
3	To establish the extent to which data and internet has led to customer retention	Independent Data and internet	a) Availability of data and internet products b) Data and internet subscription rate c) Data and internet influence index	a) Services provided by mobile service provider subscribed by the respondent b) Average number of customers who have subscribed for product c) Level of influence	Nominal Ratio Ordinal	Survey	Measure of central tendency and percentages
4	To assess the effect of mobile money transfer on customer retention.	Independent Mobile Money Transfer	a) Availability of mobile money transfer b) Mobile money transfer subscription rate c) Mobile money transfer influence index	a) Services provided by mobile service provider subscribed by the respondent b) Average number of customers who have subscribed for product c) Level of influence	Nominal Interval Ordinal	Survey	Measure of central tendency and percentages
5	To examine	Independent					Measure of central

	how crediting has helped achieve customer retention	Crediting	<ul style="list-style-type: none"> a) Availability of crediting b) Crediting subscription rate c) Crediting influence index 	<ul style="list-style-type: none"> a) Services provided by mobile service provider subscribed by the respondent b) Average number of customers who have subscribed for product c) Level of influence 	<ul style="list-style-type: none"> Nominal Interval Ordinal 	Survey	tendency and percentages
6	To explore how customer reward system has influenced customer retention	Independent Customer Reward System	<ul style="list-style-type: none"> a) Availability of voice calls and messaging products b) Customer Reward System subscription rate c) Customer Reward System influence index 	<ul style="list-style-type: none"> a) Services provided by mobile service provider subscribed by the respondent b) Average number of customers who have subscribed for product c) Level of influence 	<ul style="list-style-type: none"> Nominal Interval Ordinal 	Survey	Measure of central tendency and percentages

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSIONS

4.1 Introduction

This chapter presents an analysis of the data that was obtained from the field by use of structured questionnaires and interview. It also includes presentation and interpretation in terms of tables following the five objectives of the study.

4.1.1 Questionnaire Return Rate

The questionnaires were administered to 360 mobile service subscribers in Nairobi County. All the respondents gave their responses, which translates to 100% response rate. To ensure this was achieved the questionnaires were self-administered. The entire return rate is statistically representative, therefore, enhancing generalization of the research results

4.2 Demographic Characteristics of Respondents

This section describes the demographic characteristics of respondents who participated in this study. The researcher investigated the following demographic characteristics: age, gender and level of education.

4.2.1 Age and mainline Distribution

Table 4.1 Age and Mainline Distribution of respondents

Main Service Provider	Main Line				Total
	Safaricom	Airtel	Orange	Essar/Yu	
Below 20	2	3	8	8	21
% of proportion	9.5%	14.3%	38.1%	38.1%	100%
20 – 30	36	41	29	20	126
% of proportion	28.6%	32.5%	23.0%	15.9%	100%
30 – 40	66	40	43	15	164
% of proportion	40.2%	24.4%	26.2%	9.1%	100%
Above 40	31	11	4	3	49
% of proportion	18.9%	6.7%	2.4%	1.8%	100%
Total	135	95	84	46	360
% of Total	37.5%	26.4%	23.3%	12.8%	100%

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	41.829 ^a	9	.000
Likelihood Ratio	40.712	9	.000
N of Valid Cases	360		

Age was grouped into four categories to simplify understanding. Table 4.1 shows that majority of the sampled respondents were of the age group 20 to 30 years and 30 to 40 years. To be specific of the respondents 34.5% were of age group 20 to 30 year and 44% were of age group 30 to 40 years. Looking at the Chi – square there was a difference in age distribution among the service providers. Majority of Safaricom and Airtel subscribers appear to be within the range of

twenty to forty (20-40) years whereas those of Orange and Essar/Yu majority are below 30 years of range.

During survey it was clear that Safaricom had majority of the mobile service subscribers at 37.5%. Airtel followed closely at 26.4% and finally Orange at 23.3% and Essar at 12.8%. In order to get more Airtel, Orange and Essar subscribers, the researcher had to perform purposeful sampling in order to collect views of subscribers to these networks. This therefore is not a true representation of the market share held by each mobile service providers. These finding there depict that Safaricom enjoys the highest customer retention levels which confirms the statement of the problem that despite having the highest call rates in the market, Safaricom has the high customer retention and even threatens to take over new customers from the other subscribers or even entirely new subscribers.

4.2.2 Gender Distribution of Respondents

Table 4.2 Gender Distribution of respondents

Gender	Frequency	Percentage
Female	165	45.8
Male	195	54.2
Total	360	100

As shown in Table 4.2, 45.8 % of the respondents were female and 54.2% male. This implies that both genders were reasonably represented in the research. Since the selection was at random, the fact that there is very little disparity in the percentage of the genders is

representation that both Male and Female the need to have mobile phone is similar between them.

4.2.3 Educational Level and Occupation of Respondents

Since level of education may in a way influence the mobile service subscription education level was measured. Results on respondents' level of education are given in Table 4.3.

Table 4.3 Education and Occupation

Education Level	Occupation			Total
	Student	Business	Professional	
Primary	3	0	0	3
% of Total	0.8%	0%	0%	0.8%
High School	12	8	8	28
% of Total	3.3%	2.2%	2.2%	7.8%
Vocational	11	17	7	35
% of Total	3.1%	4.7%	1.9%	9.7%
College/University	68	23	95	186
% of Total	18.9%	6.4%	26.4%	51.7%
Master	33	21	54	108
% of Total	9.2%	5.8%	15%	30%
Total	127	69	164	360
% of Total	35.3%	19.2%	45.6%	100%

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	36.817 ^a	8	.000
Likelihood Ratio	38.844	8	.000
N of Valid Cases	360		

Most respondents had achieved college/university education, representing over fifty per cent (50%) of the total sampled interviewed. This implies that majority of the mobile phone customers in Nairobi County are holders of some sort of professional training which is very important information to the mobile phone service providers. This information is vital in customer segmentation which helps the mobile phone service providers to innovate services that are applicable to their customers.

The study also revealed that education seems to correlate with career. Those who had primary and high school education were majorly students. On the contrary, professionals and business people are more likely with vocational, college/university or masters qualifications. This disparity is confirmed by a significant chi-square of 36.817 that refutes the null hypothesis of uniformity in career and education.

4.3 Evidence of Customer Retention

This section tries to prove that there really is customer retention in mobile telephone industry by the use of various indicators.

4.3.1 Cross Tabs of Number of lines and Main Service Provider

The number of mobile service networks subscribed to by each respondent was surveyed. This was checked against their main service provider. The reason for this is that a subscriber is likely to be swayed to whichever side when they have subscribed to more than one service provider.

Table 4.4 Main Service Provider and Number of networks subscribed

Main Service Provider	Number of Networks Subscribed				Total
	1	2	3	4	
Safaricom	65	67	3	0	135
% of proportion	48.1%	49.6%	2.2%	0%	100%
Airtel	23	66	6	0	95
% of proportion	24.2%	69.5%	6.3%	0%	100%
Orange	11	64	9	0	84
% of proportion	13.1%	76.2%	10.7%	0%	100%
Essar/Yu	0	38	6	2	46
% of proportion	0%	82.6%	13.0%	4.34%	100%
Total	99	235	24	2	360
% of Total	27.5%	65.3%	6.7%	0.6%	100%

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	71.801 ^a	9	.000
Likelihood Ratio	77.394	9	.000
N of Valid Cases	360		

As shown in Table 4.4, only 27.5% of the subscribers had subscribed to one network service providers. Most of Safaricom subscribers (48.1%) tend to have subscribed to only one mobile network. This is followed by Airtel at 24.2%, Orange at 13.1% and finally Essar/Yu who had all there respondents with more than one line. The Chi Square statistics 71.801 shows clearly that there is a huge difference in number service provider's subscription across the mobile service providers.

Considering Safaricom has the highest percentage of subscribers who have only subscribed to one network, it implies that Safaricom is experiencing the highest level of customer retention and customer satisfaction among the four mobile phone service providers. This is because the subscribers who subscribe to two or more lines tend to compliment the services provided by their main network providers with those offered by their intermediate network service providers. With reference to the number of subscription lines and using similar arguments as stated for Safaricom, the order of customer retention and customer satisfaction is Safaricom, Airtel, Orange and finally Essar/Yu in descending order.

4.3.2 Main line and Period of Use

Table 4.5 Main Service Provider and Period of Use

Main Service Provider	Period of Use				Total
	> 3 Years	2 – 3 Years	1 – 2 Years	< 1 Year	
Safaricom	77	32	24	2	135
% of proportion	57.0%	23.7%	17.8%	1.5%	100%
Airtel	21	39	31	4	95
% of proportion	22.1%	41.1%	32.6%	4.2%	100%
Orange	15	24	32	13	84
% of proportion	15.8%	25.3%	33.7%	13.7%	100%
Essar/Yu	1	4	13	28	46
% of proportion	2.2%	8.7%	28.3%	60.9%	100%
Total	114	99	100	47	360
% of Total	31.7%	27.5%	27.8%	13.1%	100%

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	170.241 ^a	9	.000
Likelihood Ratio	149.451	9	.000
N of Valid Cases	360		

In looking at Table 4.5 it is clear that respondents have had their key service providers in varied number of years. The chi Square Statistics of 170.241 confirms this. Safaricom and Airtel have had their subscribers for longer periods than those of Orange and Essar. Safaricom have had over 50% of their subscribers for over 3 years. On the contrary, Essar/Yu has just in the recent years served as key service providers to their subscribers.

The period for which subscribers have been with a mobile phone service provider is good representation of the level customer retention that has achieved by the mobile phone service provider. The table confirms what has been discussed under section 4.3.1 above that the order of customer retention in descending order is Safaricom, Airtel, Orange and Essar/Yu among the mobile phone subscribers.

4.3.3 Customer Satisfaction Index

Table below is a representation of level of satisfaction to the mobile service subscribers who have chosen the respective networks as their main network.

Table 4.6 Main Service Provider and Satisfaction Index

Main Service Provider	Satisfaction Index					Total
	Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied	
Safaricom	24	98	11	2	0	135
% of proportion	17.5%	72.3%	8.4%	1.8%	0%	100%
Airtel	14	64	14	3	0	95
% of proportion	14.3%	68.6%	14.3%	2.9%	0%	100%
Orange	0	48	24	6	6	84
% of proportion	0%	57.1%	28.6%	7.1%	7.1%	100%
Essar/Yu	8	25	8	5	0	46
% of proportion	18.2%	54.5%	18.2%	9.1%	0%	100%
Total	114	99	100	24	47	360
% of Total	31.7%	27.5%	27.8%	34%	13.1%	100%

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	57.881 ^a	12	.000
Likelihood Ratio	65.151	12	.000
N of Valid Cases	360		

Indeed the service providers were seen to offer varied perceived satisfaction levels. Of the Safaricom subscribers who were interviewed 17.4% are shown to be very satisfied and 72.3% satisfied. Customers who are satisfied tend to stay longer with their service providers. Attaining high customer satisfaction is vital to achieving customer retention. Table 4.6 shows that Safaricom has the highest level of customer satisfaction followed by Airtel, Orange and finally Essar/Yu.

A similar result was reported by use of F-test of comparing to variability within each group hence a significant F-statistic ratio of 17.2. The next step was to investigate where specific differences were.

Table 4.7 Analysis of Variance (ANOVA) of perceived value of Money

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	26.593	3	8.864	17.206	.000
Within Groups	183.407	356	.515		
Total	210.000	359			

In order to confirm the observed differences in satisfaction across service providers the researcher performed a Bonferroni-adjusted F-test². The following results were obtained.

Table 4.8 Bonferroni adjusted Post Hoc ANOVA F-Test of Multiple Comparisons

(I) Main MSP	(J) Main MSP	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence interval	
					Lower Bound	Upper Bound
Safaricom	Airtel	-.13	.096	1.000	-.38	.13
	Orange	-.70*	.100	.000	-.96	-.43
	Essar/Yu	-.28	.123	.126	-.61	.04
Airtel	Safaricom	-.13	.096	1.000	-.13	.38
	Orange	-.57*	.107	.000	-.85	-.28
	Essar/Yu	-.15	.129	1.000	-.50	.19
Orange	Safaricom	-.70*	.100	.000	.43	.96
	Airtel	-.57*	.107	.000	.28	.85
	Essar/Yu	-.41*	.132	.011	.06	.76
Essar/Yu	Safaricom	-.28	.123	.126	-.04	.61
	Airtel	-.15	.129	1.000	-.19	.50
	Orange	-.41*	.132	.011	-.76	-.06

Benferroni adjustment revealed that none of the differences is significant at 5% except between Orange and other networks. Lack of significance doesn't connote lack of difference but that the difference so observed may not be consistent across different sub-samples. Despite the mean difference not being quite significant between the service providers except for Orange, the difference is significant enough to cause disparity in customer retention.

4.4 Voice Calls and Short Message

4.4.1 Mainline and Voice and SMS Subscription status

Table 4.9 shows that 100% of the mobile subscribers interviewed have subscribed to voice and messaging services offered by their main service providers.

Table 4.9 Main Service Provider and Voice and Messaging Subscription

Voice and SMS Subscription	MSP				Total
	Safaricom	Airtel	Orange	Essar/Yu	
Yes	135	95	84	46	360
% of proportion	17.5%	72.3%	8.4%	1.8%	100%
No	0	0	0	0	0
% of proportion	0%	0%	0%	0%	0%
Total	135	95	84	46	360
% of Total	31.7%	27.5%	27.8%	34%	100%

The table shows that the most basic service expected from a mobile phone service provider voice and messaging service. For this reason all the respondents interviewed were found to have subscribed to this service. This implies even for the extra number of phone lines that the

respondents have subscribed to, they have also subscribed for this service therefore the network service providers who have their main clients having more than one phone lines have to share the subscribers' wallet share dedicated for this service.

4.4.2 Main Line and Reason for subscription to Voice and Messaging

Table 4.10 Main Service Provider and Reason for Subscription to Voice and Messaging

Main Service Provider	Reason for Subscription					Total
	Cost	MSP VAS	QoS	Other Reasons	Not Subscribed	
Safaricom	8	106	16	5	0	135
% of proportion	5.6%	78.5%	11.7%	3.7%	0%	100%
Airtel	52	30	4	9	0	95
% of proportion	54.7%	31.6%	4.2%	9.7%	0%	100%
Orange	46	25	3	10	0	84
% of proportion	54.7%	29.8%	3.6%	11.8%	0%	100%
Essar/Yu	39	2	1	4	0	46
% of proportion	85.3%	4.3%	2.2%	8.2%	0%	100%
Total	145	163	24	28	0	360
% of Total	40.3%	45.3%	6.7%	7.8%	0%	100%

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	143.873 ^a	9	.000
Likelihood Ratio	166.578	9	.000
N of Valid Cases	360		

The Chi-square statistics depict that the reason as to which subscribers subscribe to voice and messaging varies across the network service providers. However, it appears that there are

two major reasons for subscription to Voice and Messaging these include Cost and access to value added service. With 40.3% of all the respondents considering cost to be the major reason as to subscribe to voice and Messaging, 45.3% of them consider access to value added services to be of more importance.

Access to other value added services is therefore an important factor for mobile phone service providers to consider as they target to attract and retain subscribers to voice calls and messaging. Since cost has an equally high influence on customer decision to subscribe to this service, the network service providers need to get a balance of these two factors in order to optimize its influence to customer subscription decision.

Despite quality of service not shown in the tables as of similar influence to cost and access to value added services, this factor cannot be ignored. Quality of service is seen not to be a key issue as the service providers has more or less similar quality with regard to voice and messaging. For this reason subscribers do not consider it as one of the major factors. The network service providers should therefore strive to lead in quality of service in this sector too as they work on the cost and value added service.

4.4.3 Main Line and Voice and Messaging Influence

Table 4.11 Main Service Provider and Influence of Voice and Messaging

Main Service Provider	Influence Index					Total
	1	2	3	4	5	
Safaricom	0	0	2	11	122	135
% of proportion	0%	0%	1.5%	8.1%	90.4%	100%
Airtel	0	0	10	14	71	95
% of proportion	0%	0%	10.5%	14.7%	74.7%	100%
Orange	0	0	6	14	64	84
% of proportion	0%	0%	7.1%	16.7%	76.2%	100%
Essar/Yu	0	0	1	11	34	46
% of proportion	0%	0%	2.2%	23.9%	73.9%	100%
Total	0	0	19	50	291	360
% of Total	0%	0%	5.3%	13.9%	80.8%	100%

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.538 ^a	6	.000
Likelihood Ratio	19.988	6	.000
N of Valid Cases	360		

In considering which network to subscribe to, 80.8% of the respondents consider provision of Voice and Messaging to be of high importance, 13.9% consider it important and 5.3% are neutral. The table shows that voice and messaging service have a very high influence on the decision by subscribers in which network to subscribe to. Network service providers therefore have to provide this service in their package in order to have customers. Voice and

messaging are the key modes of communication that subscribers use their phones for and hence the essence of the service.

The researcher established that the various network service providers are experiencing customer retention at different levels. The research clearly shows that Safaricom is experiencing the highest level of customer retention. This is followed by Airtel, Orange and lastly Essar/Yu. In fact Safaricom is likely to porch subscribers from other networks quite easily as most of the subscribers to other networks depend on Safaricom network to provide them with services that their main network suppliers are not able to provide at desired reliability. Safaricom which is currently the most subscribed to Mobile network is therefore likely to continue to be the leading. The research shows that subscribers turn to Safaricom due to its various services.

4.4.4 Discussions on Voice and Messaging.

It is clear that for a mobile service subscriber to consider joining a mobile service provider it's imperative that voice and messaging be part of the products that the service provider offer. Subscribers would choose a network based on a wide variety of reasons key of which include value added service offered by the service provider. This implies that, while subscribing to this service, subscribers would expect gain from other services alongside it. Cost of this service as offered by the service provider would also be an important factor to consider. Generally as long as the quality of this service is good and the costs are bearable subscribers would stick to the network as long as they are provided with can benefit from other services provided as pointed out by Bryson (2006).

4.5 Data and Internet

4.5.1 Main Line and Data and Internet Subscription

Table 4.12 Main Service Provider and Data and Internet Subscription

Subscription	MSP				Total
	Safaricom	Airtel	Orange	Essar/Yu	
Yes	135	95	84	46	360
% of proportion	17.5%	72.3%	8.4%	1.8%	100%
No	0	0	0	0	0
% of proportion	0%	0%	0%	0%	100%
Total	135	95	84	46	360
% of Total	31.7%	27.5%	27.8%	34%	100%

Table 4.10 shows that 100% of the network service providers sampled have subscribed for data and internet services. Data and internet have become basic requirements by mobile service providers. The table shows that majority of mobile phone subscribers use their phones to access data and internet. This makes this service vital and hence each mobile phone service provide should invest in providing this service. The subscribers access this service for various reasons ranging from personal reasons to official purposes. With current advancement on mobile phone technologies, subscribers use their phones as internet wireless routers to distribute internet to a number of computers all at the same time.

4.5.2 Main Service Provider and Reason for Data and Internet Subscription

Table 4.13 Main Service Provider and Reason for subscription for Data and Internet

Main Service Provider	Reason for Subscription					Total
	Cost	MSP VAS	QoS	Other Reasons	Not Subscribed	
Safaricom	6	53	73	3	0	135
% of proportion	4.4%	39.3%	54.1%	2.2%	0%	100%
Airtel	46	12	20	17	0	95
% of proportion	48.4%	12.6%	21.1%	17.8%	0%	100%
Orange	12	6	62	4	0	84
% of proportion	14.3%	7.1%	73.8%	4.8%	0%	100%
Essar/Yu	37	0	1	8	0	46
% of proportion	80.4%	0%	2.1%	17.4%	0%	100%
Total	101	71	156	32	0	360
% of Total	28.1%	19.7%	43.3%	8.9%	0%	100%

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	271.090 ^a	9	.000
Likelihood Ratio	297.788	9	.000
N of Valid Cases	360		

Table 4.11 shows that of the sampled respondents 43.3% of them subscribe to the network service provider with quality data and internet service provider, 28.1% will be considering cost of the service when subscribing to this service. 19.7% of subscribers of these services have interest in other services provided by the service provider while 8.9% have other

various reasons for subscribing for this service. As per the chi-square statistics, the reason for subscription for this service varies across the service providers.

The network service providers should ensure that they provide desirable quality of service when comes to data and internet service. This is majorly in reference to the speed data and internet streaming while using the phone. Subscribers would be forced to complement this service by subscribing to other mobile service providers or internet service providers which in turn reduce the customer share of wallet.

Whilst quality of service is a key feature in provision of data and internet, cost and access to other value added service should not be ruled out. Customers will consider the cost at which the service is provided to them in regard to the quality of service. If the cost is unreasonable, even if the quality of service is desirable, the customer would be forced to look around for other alternatives. The customer will also be keen to observe the value added services they will enjoy in the event they subscribe for this service in a specific network.

4.5.3 Main line and Influence of Data and Internet

Table 4.14 Main Service Provider and Data and Internet Influence Index

Main Service Provider	Influence Index					Total
	1	2	3	4	5	
Safaricom	0	0	12	25	98	135
% of proportion	0%	0%	8.9%	18.5%	72.6%	100%
Airtel	0	0	8	14	73	95
% of proportion	0%	0%	8.4%	14.7%	76.8%	100%
Orange	0	3	15	7	59	84
% of proportion	0%	3.6%	17.9%	8.3%	70.2%	100%
Essar/Yu	1	3	7	9	26	46
% of proportion	2.2%	6.5%	15.2%	19.6%	56.5%	100%
Total	1	6	42	55	256	360
% of Total	0.3%	1.7%	11.7%	15.3%	71.1%	100%

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	30.018 ^a	12	.000
Likelihood Ratio	28.157	12	.000
N of Valid Cases	360		

Despite the Chi-square depicting significant difference in influence of data and internet on which mobile service provider to subscribe to, over 90% of the subscribed are at above average level of influence. Across all networks a large majority of the subscribers are influenced greatly by the availability of this service.

The table shows that 98% of the respondents consider data and internet to be of above average level influence in deciding which network to subscribe. The implication of this is that mobile phone subscribers are likely to stick to the network service provider who provides this service at desirable quality of service. In the event that subscribers do not find satisfaction of this service in a their main network service provider, they are likely to subscribe to a second mobile phone service provider in order enjoy this service which is similar to customer defection.

4.5.4 Discussions on Data and Internet

The study has shown that Data and Internet accessibility by subscribers is also vital to encourage mobile subscribers to stay. As stated by Webb (2007), the findings validate that the influence level of this service on choice of network selection is quite high. This confirms the hypothesis that mobile phone has become a tool where people expect to perform more than one function with. The key property of data and internet that influences many subscribers during their network selection is the quality of services. It is clear that data and internet is perceived as an added value provided by mobile service providers and hence its cost is not such a key factor. Subscribers are willing to pay extra so long as they get quality data and internet.

4.6 Mobile Money Transfer

4.6.1 Mainline and Mobile Money Transfer Subscription

Table 4.15 Main Service Provider and Mobile Money Transfer subscription

Subscription	MSP				Total
	Safaricom	Airtel	Orange	Essar/Yu	
Yes	133	18	6	8	165
% of proportion	80.6%	10.9%	3.6%	4.8%	100%
No	2	77	78	38	195
% of proportion	1.0%	39.4%	40%	19.5%	0%
Total	135	95	84	46	360
% of Total	31.7%	27.5%	27.8%	34%	100%

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	245.278 ^a	3	.000
Likelihood Ratio	300.250	3	.000
N of Valid Cases	360		

The mobile network subscribers experience a varying subscription to their mobile transfer by their key subscribers. Out of 360 respondents, only 165 have subscribed to mobile money transfer to their key network providers. Out of these 80.6% are subscribers of Safaricom as their key network, 10.9% to Airtel, 3.6% to Orange and 4.8% to Essar/Yu.

The remaining respondents have subscribed to mobile money transfer but not to their key service providers. Of these 190 subscribers had subscribed to Safaricom money transfer and 5 respondents to Airtel Money transfer. This implies that of all the subscribers 89.7% have subscribed to Safaricom mobile Money transfer, 6.4% to Airtel, 1.7% to Orange and 2.2% to Essar/Yu. This shows that Airtel, Orange and Essar/Yu have a lot to do in improving their mobile money transfer product for them to be able provide this service to their key subscribers.

4.6.2 Mainline and Reason for Subscription to Mobile Money transfer

Table 4.16 Main Service Provider and Reason for subscription to MMT

Main Service Provider	Reason for Subscription					Total
	Cost	MSP VAS	QoS	Other Reasons	Not Subscribed Main Service provider	
Safaricom	0	15	118	0	2	135
% of proportion	0%	11.1%	87.4%	0%	1.5%	100%
Airtel	3	4	0	11	77	95
% of proportion	3.2%	4.2%	0%	11.6%	81.0%	100%
Orange	0	4	0	2	78	84
% of proportion	0%	4.8%	0%	2.4%	92.9%	100%
Essar/Yu	0	6	0	2	38	46
% of proportion	0%	13.0%	0%	4.3%	82.6%	100%
Total	3	29	118	15	195	360
% of Total	0.8%	8.1%	32.8%	4.2%	54.2%	100%

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	296.671 ^a	12	.000
Likelihood Ratio	371.952	12	.000
N of Valid Cases	360		

Despite the varied reasons for which respondents have subscribed to mobile money transfer, it is clear that a majority of the subscribers are heavily influenced by the quality of service. Out of the 54.2% of the mobile service provider who have not subscribed mobile money transfer in their key network provider 97.4% have subscribed to Safaricom mobile money transfer and the rest to Airtel.

It is also clear from Table 4.16 that the main reason why respondents prefer Safaricom mobile money transfer is due to the quality of service they receive from this network provider on this service. The network service providers therefore need to ensure they provide desirable quality of service in order that they may retain their customers and retain new ones. There are various modes of money transfer and hence the customer will be judging the quality of service of the mobile money transfer against those other modes too and adopt the best option. The mobile phone service providers should understand that when it comes to this service they have other additional competitors in addition to those other mobile phone service providers.

Cost and access to valued added services need to be balanced out too, as the subscribers will be sensitive to this. Subscribers would like to be pay reasonable amounts for this service as compared to other mobile phone service providers with this service and also other modes of money transfer.

4.6.3 Mainline and Influence of Mobile Money Transfer to Mobile Service Subscription

Table 4.17 Main Service Provider and Influence of MMT

Main Service Provider	Influence Index					Total
	1	2	3	4	5	
Safaricom	0	1	3	4	127	135
% of proportion	0%	0.7%	2.2%	3.0%	94.1%	100%
Airtel	0	0	22	30	43	95
% of proportion	0%	0%	23.2%	32.6%	45.3%	100%
Orange	0	0	1	34	49	84
% of proportion	0%	0%	1.2%	40.5%	58.3%	100%
Essar/Yu	0	1	1	11	33	46
% of proportion	0%	2.2%	2.2%	23.9%	71.7%	100%
Total	0	2	27	79	252	360
% of Total	0%	0.6%	7.5%	21.9%	70%	100%

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	111.306 ^a	12	.000
Likelihood Ratio	112.902	12	.000
N of Valid Cases	360		

More than 99% of the respondents are in agreement that mobile money transfer is a vital service in mobile money transfer. More than 50% of each network respondents feel that this feature is if very high influence in choosing the network to subscribe to. This implies that subscribers are keen to subscribe to mobile phone service providers who have this service and execute it at optimum standards. Without the provision of this service or in the event of its provision at low standards the subscribers are likely not to subscribe to a network provider or subscribe for this specific product from a different service provider.

4.6.4 Discussions on Mobile Money Transfer

Mobile money transfer is depicted by the study to be the most influential product differentiation strategy in the mobile phone sector followed by data and internet. Subscribers expect a mobile phone subscriber to provide this product at very high efficiency without which they would rather subscribe to a second network irrespective of its cost and the possibility of getting other services. This makes them increase the chances of switching to the other customer. As a matter of fact, as highlighted by Pan (2010) once a subscriber seeks some services from a different network, the share of wallet to the network for which the subscriber belongs to is reduced and hence reducing its customer retention effectiveness.

4.7 Credit Services

4.7.1 Mainline and Credit Service Subscription

Table 4.18 Main Service Provider and Crediting Subscription

Subscription	Crediting				Total
	Safaricom	Airtel	Orange	Essar/Yu	
Yes	34	63	12	5	114
% of proportion	17.5%	72.3%	8.4%	1.8%	100%
No	101	32	72	41	246
% of proportion	41.1%	13.0%	29.3%	16.7%	100%
Total	135	95	84	46	360
% of Total	31.7%	27.5%	27.8%	34%	100%

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	76.250 ^a	3	.000
Likelihood Ratio	75.219	3	.000
N of Valid Cases	360		

For this section, subscription the service is defined as having used the service within the past twelve months. Table 4.18 shows the crediting not to be quite famous among the service providers except for Airtel. Airtel has 72.3% of its respondents frequently using the crediting service, while Safaricom has 17.5%, 8.4% for Orange and 1.8% for Essar/Yu. The fact that subscribers have not used this service for the past 12 months is not enough reason to disqualify this service as vital in the mobile phone sector. We therefore look at the tables showing reason for subscription and level of influence on network subscription as follows below respectively.

4.7.2 Mainline and Reason for Subscription to Crediting

Table 4.19 Main Service Provider and Reason for subscription to crediting

Main Service Provider	Reason for Subscription					Total
	Cost	MSP VAS	QoS	Other Reasons	Not Subscribed Main Service provider	
Safaricom	0	6	26	2	101	135
% of proportion	0%	4.4%	19.2%	1.5%	74.8%	100%
Airtel	27	20	16	0	32	95
% of proportion	28.4%	21.1%	16.8%	0%	33.7%	100%
Orange	0	8	0	4	72	84
% of proportion	0%	9.5%	0%	4.8%	85.7%	100%
Essar/Yu	4	0	0	1	41	46
% of proportion	8.7%	0%	0%	2.2%	89.1%	100%
Total	31	34	42	7	246	360
% of Total	8.6%	9.4%	11.7%	1.9%	68.3%	100%

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	137.228 ^a	12	.000
Likelihood Ratio	159.280	12	.000
N of Valid Cases	360		

Majority of the respondents who subscribed for this service have been influenced by the quality of service (11.7%) offered by the network service provider. This is followed closely the urge to benefit from other services at 9.4% and cost (8.6%). Other factors specific to respondents also contribute up to 1.9%.

There seems to be a very similar influence on subscription of this service on a given network by the quality of service, access to value added service and cost respectively. Quality of service seems more important. It is adamant that the mobile phone service providers balance these three features of this product in order to sway the subscribers to this service on to their side.

4.7.3 Mainline and Influence of Credit Services Subscription to a service provider

Table 4.20 Main Service Provider and Influence index of Crediting

Main Service Provider	Influence Index					Total
	1	2	3	4	5	
Safaricom	19	23	74	14	5	135
% of proportion	14.1%	17.0%	54.8%	10.4%	3.7%	100%
Airtel	6	38	10	32	9	95
% of proportion	6.3%	40.0%	10.5%	33.7%	9.5%	100%
Orange	18	33	27	5	1	84
% of proportion	21.4%	39.3%	32.1%	6.0%	1.2%	100%
Essar/Yu	3	20	12	11	0	46
% of proportion	6.5%	43.5%	26.1%	23.9%	0%	100%
Total	46	114	123	62	15	360
% of Total	12.8%	31.7%	34.2%	17.2%	4.1%	100%

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	93.276 ^a	12	.000
Likelihood Ratio	98.509	12	.000
N of Valid Cases	360		

Table 4.20 shows that 44.5% of the respondents consider crediting no to be influential as such in their decision to subscribe to a network service provider. 55.5% consider it to be above average in influencing the decision to subscription to a certain network. As mentioned in section 4.7.1, though majority of respondents have not used this service within the past twelve months it does not mean that they do not take notice of the availability of the service and its various features. The subscribers are a acute to have access to this service and feel more secure with it available. Network service providers are therefore encourage to have this service readily available to the mobile phone subscribers at desirable standards.

4.7.4 Discussion on Credit Services

Despite the fact that majority of the respondents have not subscribed to crediting it is clear that it has a great influence in choice of subscription. Most of the subscribers going for this product select the network service provider based on how effective this service is provided and the possibility of gaining from other products as compare to cost incurred going for the product. This product is seen to be of above average in influencing customer decision in selection of a network service provider, hence in as much as the subscribers may not use it as frequently it is important for them to know that they have access to this service. This service comes in handy

often at times in situations where the subscribers had not anticipated and thus accessibility to it vital to them as depicted by Thurau and Hansen (2000).

4.8 Customer Reward System

4.8.1 Mainline and Subscription status to Customer Reward System

Table 4.21 Main Service Provider and CRS subscription

Subscription	Customer Reward System Subscription				Total
	Safaricom	Airtel	Orange	Essar/Yu	
Yes	135	95	84	46	360
% of proportion	17.5%	72.3%	8.4%	1.8%	100%
No	0	0	0	0	0
% of proportion	0%	0%	0%	0%	0%
Total	135	95	84	46	360
% of Total	31.7%	27.5%	27.8%	34%	100%

Table 4.21 shows that all respondents have subscribed to Customer Reward Systems as provided by their service providers. It is clear that customers are ready and willing to take up the reward systems offered to them. Customers are happy when the network service providers reward them for using their product. It is important therefore for the network service providers to invest in various modes of customer reward so as to keep their customers happy.

4.8.2 Main Service Provider and Reason for Subscription to Customer Reward System

Table 4.22 Main Service Provider and Reason for CRS subscription

Main Service Provider	Reason for Subscription					Total
	Cost	MSP VAS	QoS	Other Reasons	Not Subscribed Main Service provider	
Safaricom	8	76	46	5	0	135
% of proportion	5.9%	56.3%	34.1%	3.7%	0%	100%
Airtel	54	12	25	4	0	95
% of proportion	56.8%	12.6%	26.3%	4.2%	0%	100%
Orange	30	36	12	6	0	84
% of proportion	35.7%	42.9%	14.3%	7.1%	0%	100%
Essar/Yu	35	2	5	4	0	46
% of proportion	76.1%	4.3%	10.9%	8.7%	0%	100%
Total	127	126	88	19	0	360
% of Total	35.3%	35.0%	24.4%	5.3%	0%	100%

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	129.889 ^a	9	.000
Likelihood Ratio	151.711	9	.000
N of Valid Cases	360		

According to Table 4.22, 35.3% of respondents have subscribed to customer reward system in the basis of cost and 35% on the basis of value added service. 24.4% are influenced by the quality of service offered by the mobile service subscribers and 5.3% on reasons specific to them.

For Safaricom network 56.3% and 42.9% for Orange network of respondents who have chosen them to be their key network provider respectively, subscribed to customer reward system on the to gain from other value added services. On the other hand 56.8% for Airtel and 76.1% for Essar/Yu respondents are influenced by the cost factor if the service.

Generally, customers consider cost and accessibility to value added services as key features while deciding to subscribe for this service. It is important therefore that the mobile phone service providers consider these two features while presenting this product to the customers. Quality of service, though is of less influence, it is a feature that should also be factored too as it appears to have reasonable level of influence on the decision of the mobile phone subscribers.

4.8.3 Main Service Provider and Influence of Customer Reward System on Service provider choice

Table 4.23 Main Service Provider and Influence of CRS

Main Service Provider	Influence Index					Total
	1	2	3	4	5	
Safaricom	15	41	66	8	5	135
% of proportion	11.1%	30.4%	48.9%	5.9%	3.7%	100
Airtel	5	21	42	16	11	95
% of proportion	5.3%	22.1%	44.2%	16.8%	11.6%	100
Orange	4	28	35	7	10	84
% of proportion	4.8%	33.3%	41.7%	8.3%	11.9%	100
Essar/Yu	4	15	16	10	1	46
% of proportion	8.7%	32.6%	34.8%	21.7%	2.2%	100
Total	28	105	159	41	27	360
% of Total	0.6%	29.2%	44.2%	11.4%	7.5%	100

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	26.186 ^a	12	.010
Likelihood Ratio	26.480	12	.009
Linear-by-Linear association	1.917	1	.166
N of Valid Cases	360		

70% of the respondents consider customer reward system to be a key factor to consider in selecting the network service provider to subscribe to. 29.2% of the respondents consider it to be less influential and 0.6% considers it not to have any influence. Across all networks, a majority of the respondents view this to key factor with 58.5% for Safaricom, 72.6% for Airtel, 61.9% for Orange and 63.1% for Essar/Yu.

Generally, the table shows that the customer reward system has got major influence in the decision making by customers on which network service provider to subscribe. A great percentage of the subscribers would be swayed to the network service provider having this product and offering it at a balance of features with regard cost, access to other valued added services and quality of service. It is therefore necessary that the mobile phone service providers continually innovate ways of rewarding their customers.

4.8.4 Discussion on Customer Reward System

Lastly, customer reward system appears to be a vital product in the mobile phone sector. As suggested by Hoffman and Bateson (2010), subscribers are keen to have this product a balance of quality of service, access to value added service and at reasonable costs. The networks service

providers therefore in this situation are faced with a challenge where they have to balance all the three features in their network on order to have this product provide them with an optimum effect in the market. Customers are seen to be happy when rewarded by their suppliers and therefore will be keen to notice the options available to them in the industry with respect to this product while deciding which network to subscribe to.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a discussion of the findings, conclusions and recommendations based on the findings, conclusion and recommendations based on those findings. This is in relations to demographic characteristics of respondents, evidence of customer retention, voice and messaging, data and internet, mobile money transfer, crediting and customer reward system. Suggestion of other related studies that could be carried out in future are also presented.

5.2 Summary of Findings

The research found that all subscribers to a network service provider subscribe to voice and messaging. The reasons for subscriptions to this service vary across the networks and among the subscribers. For Safaricom network, majority of subscribers to this service have based their reason on the availability of the value added services, whereas for the other three networks the major feature subscribers have considered while subscribing to this service is cost. Overall, access to value added services appears to be of most influence to subscribers when deciding on which network subscribe this service from followed by cost, quality of service and finally other reasons. All respondents were also found to view availability of voice and messaging to be of above average in influencing the decision of subscribers to given network.

All respondents were found to have subscribed to data and internet as provided by their network providers. In this case majority of Safaricom subscribers were found to consider quality of service to be the main reason behind selection of the network as the provider of this service.

The same reasoning applied to majority of Orange subscribers. Majority of Airtel and Essar/Yu subscribers were found to consider cost of the product as the major feature to consider in selecting the network to subscribe to this service. Generally, majority of respondents consider quality of service as the main factor in selecting the network for which to purchase this product. Cost and value added services follow to this respectively. Over 90% of the respondents consider availability of data and internet products as above average in influencing their decision on which network to subscribe to.

Thirdly, 54.2% of the respondents were found not to have subscribed to the mobile money transfer offered by their key network provider. Safaricom had 98.5% of their key subscribers utilizing this service in their network. Airtel had 18.9%, Orange had 7.1% and Essar/Yu 17.4% of their key network subscribers utilizing this service in their networks. Of the subscribers who had not subscribed to this network in their main service providers, 97.4% of them (190 subscribers had subscribed for this service from Safaricom and the rest from Airtel. This showed that Safaricom have provided this service in the most desirable model. The key property desired for this service was found to be the quality of the service followed by access to valued added service and cost of the product. All the respondents agreed that mobile money transfer was above average in influencing the decision to subscribe to a mobile phone service provider.

The project defined subscription to crediting as use of this product within the past 12 months. This is because all subscribers of a network automatically qualify this service. Based on this definition, only Airtel had majority of their respondents having subscribed to this product at 72.3%. Safaricom, Orange and Essar/Yu had far much less respondents having subscribed to this service. Looking at the features of the product that influence the choice of network to subscribe to, it was found that quality of the service was of the greatest influence followed by access to

value added services and cost respectively. These three features were all of considerable high influence. Despite majority of subscribers not having subscribed to this service in their network, it was found that 55.5% of the respondents consider availability of this product is an above average factor to influence their choice of network.

Finally, findings showed that 100% of the respondents had subscribed to the customer reward systems available to them in their respective network. Respondents were found to be majorly keen on first the cost of the product followed by accessibility to other value added services. These two factors were seen to compete closely together in informing customer decisions on subscribing to this service in their main service provider. Though quality of the service was seen to be of lesser influence, the influence was found to be strong enough to make an impact on customers' decision and hence is a factor that cannot be ignored. Over 70% of the respondents were also found to believe that availability of this service is of above average in influencing their decision on which networks service provider to subscribe to.

5.3 Conclusions

These conclusions are based on the findings and analysis of the study. It is clear that the customer churn rate in the mobile phone sector in Kenya is very high. Safaricom seems to be enjoying the highest level of customer retention. Majority of the subscribers to the other networks have also subscribed to Safaricom in order to benefit from various services offered by Safaricom majorly due to the quality of service offered by Safaricom in this service.

All the Kenyan network providers have differentiated into more or less products. The key ones being Voice and Messaging, Data and internet, Mobile Money Transfer, Crediting and Customer reward system. The reasons for subscription to these services by clients vary from one

service to the other and also across the network providers key of which are costs, availability of other products and quality of the service.

It is clear that majority of subscribers will go for Voice and Messaging under the influence of Value Added Services and Cost. Most of the subscribers are ready to join a network with guarantee that they will be able to access a variety of services using their phones. Another considerable majority view cost of this product to be a critical factor. Quality of this service is viewed as a lesser priority. Probably because all the four networks have more or less similar quality and in case of any call drops one could always redial.

Data and internet are essential to daily life of most citizens. By having this service accessible via mobile phones the mobile network providers presents a great deal of convenience to their clients. These products are used for both for official and unofficial purposes. Companies in Kenya have been seen to provide smart phones to their employees as part of management information system. Being an important additional service it has been seen that subscribers are willing to pay extra for it just to get quality service. It is no doubt that this partially explains the reason as to why Safaricom have a high market share in the industry.

Many Kenyans now depend on Mobile Money Transfer for a lot of their transactions. For this reason, subscribers are in need of a mobile money transfer that is reliable and efficient. Safaricom is providing a mobile money transfer that is the most reliable. Despite the fact that Safaricom Mobile Money Transfer solution is not perfect nor cheap, it is the best option that subscribers are face with. For this reason many mobile phone service providers including those whose key service provider is a different one, have subscribed to this service in Safaricom.

Crediting does not appear to be a famous product among the subscribers, its influence on subscription status should not be neglected. In as much as majority of subscribers do not subscribe to this service as frequent as other services, they feel quite secure knowing that this service is available to them. This service comes in handy in situations where a subscriber probably had not expected. In this case, the subscriber feels cushioned by his/her network provider and so is quite comfortable sticking to this network provider. For this reason, Essar/Yu is in right track having introduced this service in May 2012.

Customer reward system in the telecommunication industry has been in more like a sharing of the profits with the subscriber proportional to the amount he/she earns the network provider. Safaricom has given the subscriber option of even transferring these rewards to another subscriber as authorized by the originator. These rewards translate into essential items such as airtime, phone, laptop among others. Access to other products has been one of the main reasons as to why subscribers go for this service followed by the cost of getting the rewards. This implies that subscribers are keen to know what types of rewards they would get by spending money in the network. The amount of money spent to get a reputable reward is also of importance to them.

5.4 Recommendations

To achieve sustainable customer retention, the mobile network service providers have to be sensitive to the voice and needs of their customer. Subscribers don't view their mobile phones as gadgets for only receiving calls, rather they view them as multipurpose gadgets. As in any industry, customers are ready and willing to pay for products that they need. The mobile network providers need to continue investing in research and development in order to capture their clients. In this time and era one of the most adopted strategies of marketing is identifying the

needs of the customer and innovating ways of resolving them. Since mobile phones are gadgets that many people will always have with them, if mobile phone could do something extra for them via a network service provider, then that extra product will be an added advantage to the network service provider.

It is not enough to only provide the new service but to also understand the specific properties of the service for which the customers are interested in. These properties range from cost, quality, additional services, and accessibility among many others. By ensuring that they optimize on the desired property, the network service provider is sure that his clients will not seek for such similar service from another service provider even they are faced by imitation of a similar service.

Looking at voice and messaging as researched in this project, it is clear that subscribers consider this as a basic service and will only subscribe for this service if a balance between cost and accessibility to reliable value added services are provided. It is important that in as much as Airtel, Orange and Essar/Yu strive to achieve cost leadership in this facet, they should also provide their customers with a variety of other services to be accessed with the mobile phone with a focus on the correct properties. These other services will include Data and Internet, Mobile Money Transfer, Crediting and Customer rewards. Of most importance of these are Mobile Money Transfer and Data and Internet as it turns out from the research. Without providing these products at a balance of Quality of Service and Cost, the strategy will not do much to them.

In providing data and internet, the network service providers need to put a lot of focus in the quality of this service. They should invest equipment providing this service to their

subscribers at accurate speeds and considering the mobility of the mobile phones, this service should be accessible to them in various regions of not only the Nairobi County but the whole country. This product is used for personal, business and official reasons and so it is important that it is of world class reliability. Quality of the service should not be provided at any cost but a balance of this should be found while still emphasizing on the quality of service as key feature. Mobile phone service providers should also strive to achieve a suitable model mix of data and internet with other value added service so as to lock in their customers.

Quality of service was also found to be vital in providing mobile money transfer services. Poor quality of service in this product for Airtel, Orange and Essar/Yu has seen their subscribers turn to Safaricom for provision of this service. Airtel, Orange and Essar/Yu need to improve on their quality of service in terms of geographic availability and reliability in order that they may keep their key service providers from seeking to compliment this service via a different network service provider. Safaricom should also be keen not to be so comfortable with its achievement on quality of the service but improve on its cost of the service to maintain their competitive advantage in this service.

Crediting was seen to be a product not frequently used as compared to the already discussed products, however, its importance and the role it plays in customer retention cannot be ignored. The influence of this product on the choice of network of that a subscriber will choose is great and hence all service providers need to ensure that this product is availed to their customers. Apparently, quality of service of the product is the key feature that customers are keen to observe as compared to access to other value added services and cost. The networks service providers should therefore ensure that this service is availed reliable quality as compared to the other features.

Finally, subscribers are seen to gladly receive rewards from their suppliers. Cost and access to value added services appear to be the main features that the suppliers need to stress on balancing in order to be able to capture much of the customers' attention on this product. These two features may be considered to be of similar influence. As mentioned while discussing the other products, in customer reward system, the third feature which is quality of service should not be ruled out while designing the product.

In conclusion, the various products offered by the network service providers are important in achieving customer retention. These products contribute in one way or another to this objective. It is important that the network service providers find out the correct mix of products as demanded by their customers and/or as per their customer needs. Each of these products need to be designed individually in such a way that the most desirable feature of the product is delivered while still being balanced out by the other features of the same product. With this, the network service providers can be sure to deliver the service as, when and where desired by their subscribers and hence no need for their customers complimenting the service with those of another network services provider and hence eventual customer retention.

5.5 Suggestion for further research

1. Customer retention is a key for the sustainability of the mobile phone network industry. The time span used on to undertake this study is fairly short for a conclusive study in how customer retention is influenced by product differentiation.
2. A replication of this study should be carried out in other counties in order to find out whether the influences of product differentiation on customer retention are similar to those highlighted herein.

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APPENDICES

APPENDIX I

LETTER OF TRANSMITTAL

Oliver Otieno Matara

L50/65304/2010

Dear respondent,

Re: Academic Research

My name is Oliver Matara, a student from the University of Nairobi. I am conducting a research on **“Influence of mobile phone services differentiation on customer retention. A case of Nairobi County-Kenya”**. The research is in partial fulfillment of the requirements for the award of Masters of Arts Degree in Project Planning and Management of the University of Nairobi.

You have been randomly selected to participate in this research as a respondent, but this participation is entirely on voluntary basis. Please provide responses to every question in the questionnaire.

I assure you that your responses will be treated with utmost confidentiality and will not be used for any other purpose other than the intended research work. Completing the questionnaire/interview will take not more than 30 minutes of your time.

Thank you for your support and cooperation.

Yours Faithfully,

Oliver Otieno Matara

Appendix II

Research questionnaire

Introduction

Good morning/evening Sir/Madam, I am Oliver O Matara from the University of Nairobi. I am carrying out a survey to determine the influence of mobile phone service differentiation on customer retention in Kenya. I would appreciate if you give me your views on the same. The interview will take about 30 minutes to complete. The answers you give me will be treated in confidence and your identity will not be revealed to anyone.

Instructions

Please answer the questions to the best of your knowledge

Write your responses in the space provided

Where applicable, explanations should be precise and clear.

Please put a tick [✓] where appropriate.

Section A: Background information

1. What is your age group? *Below 20* *20 – 30* *30 – 40* *Above 40*
2. What is your gender? *Male* *Female*
3. What is the highest level of education you have completed?
 Primary School *High School or equivalent* *Vocational* *Diploma or equivalent*
 Masters *Doctoral*

4. What is your occupation? Student Business Professional Other (Specify).....

Section B: Customer Retention

5. How many mobile service providers have you subscribed to?

One Two Three Four

6. Which is your main mobile service provider?

Safaricom Airtel Orange Essar/Yu

7. What type of subscription are you on? Individual Corporate

8. What kind of service do you use? Pre-paid Post-paid

9. How long have you used each of your mobile service providers?

Safaricom: > 3 years 2-3 years 1-2 years < 1 year N/A

Airtel: > 3 years 2-3 years 1-2 years < 1 year N/A

Orange: > 3 years 2-3 years 1-2 years < 1 year N/A

Essar/Yu: > 3 years 2-3 years 1-2 years < 1 year N/A

10. Have you ever subscribed and later defected from a service provider? Yes No

11. If, yes, which service provider was it?

Safaricom Airtel Orange Essar/Yu

12. What is the reason for which you changed from the service provider?

Lack of certain value added services Cost Quality of Service Network Effect

Other (Specify)

13. Of your mobile phone expenditure, what percentage do you spend on each of your lines?

Safaricom: 75 -100% 50 – 74% 25 – 59% <24% N/A

Airtel: 75 -100% 50 – 74% 25 – 59% < 24% N/A

Orange: 75 -100% 50 – 74% 25 – 59% < 24% N/A

Essar/Yu: 75 -100% 50 – 74% 25 – 59% < 24% N/A

14. Overall, how would you rate the service's value for money offered by each of the Kenyan mobile service providers?

Safaricom: *Excellent* *Good* *Fair* *Poor* *Not Sure*

Airtel: *Excellent* *Good* *Fair* *Poor* *Not Sure*

Orange: *Excellent* *Good* *Fair* *Poor* *Not Sure*

Essar/Yu: *Excellent* *Good* *Fair* *Poor* *Not Sure*

15. Overall, how satisfied are you with network service provided by your each network you have subscribed to?

Safaricom: *Very Satisfied* *Satisfied* *Neutral* *Dissatisfied*

Very Dissatisfied *N/A*

Airtel: *Very Satisfied* *Satisfied* *Neutral* *Dissatisfied*

Very Dissatisfied *N/A*

Orange: *Very Satisfied* *Satisfied* *Neutral* *Dissatisfied*

Very Dissatisfied *N/A*

Essar/Yu: *Very Satisfied* *Satisfied* *Neutral* *Dissatisfied*

Very Dissatisfied *N/A*

Section C: Voice call and SMS services

16. Does your preferred network service provider provide voice call and SMS services?

Voice calls: *Yes* *No*

SMS: *Yes* *No*

17. Have you subscribed for voice call and SMS services?

Voice calls: *Yes* *No*

SMS: Yes No

18. What is the influenced your decision to subscribe for these services on your preferred network?

To benefit from other services offered Lack of similar service on other networks

Lower rates Quality of service Other (Specify).....

19. On a scale of 1–5, to what extent do voice calls and SMS service influence your decision on your most preferred network service provider?

Voice Calls: One Two Three Four Five N/A

SMS: One Two Three Four Five N/A

Section D: Data and internet services

20. Does your preferred network service provider provide data and internet services?

Yes No

21. Have you subscribed for data and internet services?

Yes No

22. What is the influenced your decision to subscribe for these services on your preferred network?

To benefit from other services offered Lack of similar service on other networks

Lower rates Quality of service Other (Specify).....

23. On a scale of 1–5, to what extent do data and internet service influence your decision on your most preferred network service provider?

One Two Three Four Five N/A

Section E: Mobile Money Transfer

24. Does your preferred network service provider provide Mobile Money Transfer services?

Yes *No*

25. Have you subscribed for data and internet services?

Yes *No*

26. What is the influenced your decision to subscribe for these services on your preferred network?

To benefit from other services offered *Lack of similar service on other networks*

Lower rates *Quality of service* *Other (Specify).....*

27. On a scale of 1–5, to what extent does Mobile Money Transfer service influence your decision on your most preferred network service provider?

One *Two* *Three* *Four* *Five* *N/A*

Section F: Credit Services

28. Does your preferred network service provider provide credit services?

Yes *No*

29. Have you subscribed for credit services?

Yes *No*

30. What is the influenced your decision to subscribe for these services on your preferred network?

To benefit from other services offered *Lack of similar service on other networks*

Lower rates *Quality of service* *Other (Specify).....*

31. On a scale of 1–5, to what extent does availability of credit services influence your decision on your most preferred network service provider?

One *Two* *Three* *Four* *Five* *N/A*

Section G: Customer Reward System

32. Does your preferred network service provider support Customer Reward System?

- Yes* *No*

33. Have you subscribed for Customer Reward System?

- Yes* *No*

34. What is the influenced your decision to subscribe for these services on your preferred network?

- To benefit from other services offered* *Lack of similar service on other networks*
 Lower rates *Quality of service* *Other (Specify).....*

35. On a scale of 1–5, to what extent do Customer Reward System influence your decision on your most preferred network service provider?

- One* *Two* *Three* *Four* *Five* *N/A*

36. Kindly state any other factors that have influenced your choice of network.....

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THANK YOU FOR YOUR PARTICIPATION

APPENDIX III

UNIVERSITY LETTER



UNIVERSITY OF NAIROBI
COLLEGE OF EDUCATION AND EXTERNAL STUDIES
SCHOOL OF CONTINUING AND DISTANCE EDUCATION
DEPARTMENT OF EXTRA-MURAL STUDIES
NAIROBI EXTRA-MURAL CENTRE

Your Ref:

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Our Ref:

Telephone: 318262 Ext. 120

REF: UON/CEES/NEMC/12/028

11th April, 2012

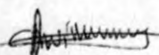
TO WHOM IT MAY CONCERN

RE: OLIVER OTIENO MATARA - REG NO L50/65304/10

This is to confirm that the above named is a student at the University of Nairobi College of Education and External Studies, School of Continuing and Distance Education, Department of Extra- Mural Studies, pursuing a Master of Arts in Project Planning and Management.

He is proceeding for research entitled "influence of mobile phone product differentiation on customer retention". A case study of Nairobi County.

Any assistance given to him will be appreciated.


CAREN AWILLY
CENTRE ORGANIZER
NAIROBI EXTRA-MURAL CENTRE

