The effects of customer service strategies on customer satisfaction of firms in the telecommunication sector.

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DECLARATION

This research project is my original work and has not been presented to any other learning institution for the award of a degree.

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Approval

This research project has been submitted for examination with our approval as university supervisors

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ABSTRACT

Telecommunication plays a significant role in the country’s economic development. Firms’ profitability, growth and survival depend upon efficiency and effectiveness of data, voice and media transmission. Across section survey of five customer care centers owned by three mobile service providers was done. Simple Random sampling was carried out to sample 150 mobile subscribers apportioned in proportion to their market share.

Since this is an industry characterized by high competition and relatively low switching costs the researcher investigated customer service strategies employed by those firms and their effect on their customers’ satisfaction. The pricing strategies, service quality and service recovery strategies were analyzed to establish their effects on customer satisfaction.

Population of study consisted of mobile phone service subscribers within Nairobi’s central business district. The research was a descriptive survey and both structured and semi structured questionnaire was used for data collection. Interviews were also conducted to enable respondents give as much information as possible. Questionnaires were edited for clarity uniformity and consistency. Final analysis involved correlation and regression for qualitative data while the quantitative data was analyzed using descriptive statistics such as frequency tables, percentages, means and standard deviation.
ACKNOWLEDGEMENT

The conclusion of this project is a fulfillment of a long held personal goal and gives me great pleasure and satisfaction. Glory to GOD. Special thanks go to my supervisors, Mr Chrispen maende and James Kilika who guided me in this study.

Thanks to Dr Mwathe the MBA Coordinator and his team for their facilitative role. The support and understanding witnessed from my family members more so my wife Nancy, children Thomas and Lincoln and mum Faith is highly appreciated. God bless you all.
DEDICATION

I dedicate this research project to my teachers right from primary, secondary up to university for having effectively played their respective roles that has enabled me ascend the academic ladder up to masters level.

Special dedication goes to my family members Nancy, Thomas and Lincoln for their encouragement and sacrifices. Thank you my parents for taking me to school. You are truly great.
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<tr>
<td>DEL</td>
<td>Direct Exchange Line</td>
</tr>
<tr>
<td>E-S-QUAL</td>
<td>Electronic Service Quality</td>
</tr>
<tr>
<td>E-RecS-QUAL</td>
<td>Electronic Service Recovery Quality</td>
</tr>
<tr>
<td>IBRAD</td>
<td>International Bank Reconstruction Development</td>
</tr>
<tr>
<td>IN</td>
<td>Intelligence Exchange</td>
</tr>
<tr>
<td>KP&amp;TC</td>
<td>Kenya Postal and Telecommunication Corporation</td>
</tr>
<tr>
<td>SERVQUAL</td>
<td>Service Quality</td>
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<tr>
<td>STD</td>
<td>Subscriber Trunk Dialing</td>
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<tr>
<td>SMS</td>
<td>Short messaging service</td>
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<tr>
<td>MMS</td>
<td>Multimedia messaging services</td>
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<tr>
<td>WAP</td>
<td>Wireless application protocol</td>
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<td>GPRS</td>
<td>General packet radio services</td>
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## DEFINITION OF OPERATIONAL TERMS

<table>
<thead>
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<th>Term</th>
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<tr>
<td>Customer Satisfaction:</td>
<td>The resultant gap between consumer expectation and the Performance.</td>
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<tr>
<td>Telecommunication:</td>
<td>Delivery of voice, data and media over different networks including Computer, Mobile Telephone and Television.</td>
</tr>
<tr>
<td>Service quality:</td>
<td>Consumers' prior expectations and their perceptions after actual experience of performance.</td>
</tr>
<tr>
<td>Relationship Marketing:</td>
<td>Management and implementation of activities which improve interactions and dialogues between Service Providers and Consumers.</td>
</tr>
<tr>
<td>Customer Service Strategies:</td>
<td>Series of activities designed to enhance the level of customer satisfaction.</td>
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CHAPTER ONE
INTRODUCTION

1.1 Background to the study

To gain competitive advantage in a fast changing environment, firms must continuously adjust their business strategies to fit that environment. One important strategy is to maintain good customer relationships through customer satisfaction (Gwinner et al., 1998; Storbacka et al., 1994). A good way to ensure customer satisfaction is to provide what customers really need and want. But customers’ needs and wants change over time. For a service firm, it is critical to cope with this problem.

Customer’s satisfaction holds the potential for increasing an organization’s customer base, increase the use of more volatile customer mix and increase the firm’s reputation (Fornell, 1992, Levesque and McDaugall, 1994). One path to achieving customers’ satisfaction is through customers’ service. Customer service is the provision of service to customers, before, during and after a purchase. Zeithaml and Bitner (2003) defined customers service as a series of activities designed to enhance the level of customer’s satisfaction that is, the feeling that a product or service has met customer’s expectation.

Customer’s service varies by product, industry and customer. It however, assume important dimension in service delivery and sales of product. This is because service firm such as Telecommunication firms, have no inventory of finished goods to buffer production from random demand variability. Nevertheless, it is demanded for corporation survival, profitability and growth that service firms hold their own in competition.
The Nigerian telecommunication industry for one, has witnessed significant rise in competition in recent years due largely to the deregulation policy of government and the advent of mobile telecommunication companies. Another complex dimension to the competitive trend in the Nigerian telecommunication industry is the ease and rate at which products and services are duplicated in the industry and multi dimension nature of communication. This trend fosters a scenario of continuous fight for customers share (Mendzela, 1999) and, an increasing need to build loyal customers through effective customer’s service activities.

Loyal customers, from cost perspective tend to stay longer with the preferred providers, buy more and generate favourable word-of-mouth effect that may further benefit the preferred provider. (Reicheld and Kenny, 1990) Further, Long term customers tend to take less of company time and are, somehow less sensitive to price (Gan et al., 2006). Gan et al. (2006) further indicates that retaining customer becomes a priority for most enterprise and there are compelling arguments for manager to carefully consider the factor that might increase customer’s retention rate. In any case, the cost of creating a new customer has been estimated to be five times the cost of retaining an existing customer (Reichheld, 1996).

The telecommunications industry in Kenya provides communication and information services, i.e. delivery of voice, data and media over different networks, including computer networks, mobile and telephone networks, and television networks. A currently dominant view is to divide the telecommunication companies’ day-to-day operations in to vertical processes of service fulfillment, service assurance and billing (Kelly, 2003; TMF, 2005). Further, the view sees the
processes to divide according to the horizontal layers of customer management, service management and network management.

1.1.1 The Telecommunication industry in Kenya

Kenya's earliest telecommunications connections to the outside world were the submarine cables linking Zanzibar, Mombasa, and Dar es Salaam laid by the Eastern & South African Telegraph Company in 1888. Internally, the construction of a telegraph net work began with a 200-mile coastal line linking the port city of Mombasa with Lamu. Extension into the interior of the country began in 1896 in conjunction with the building of the railway system, forming a dual "backbone" for Kenya's communications infrastructure. The extension of the telegraph line even overtook railway construction, reaching Nairobi in 1898 and Kampala and Entebbe in Uganda in 1900. Telephone service soon followed. In 1908, the public telephone network began service in Nairobi the capital, and in Mombassa. In Nairobi that year, eighteen telephone subscribers were connected.

The subsequent history of Kenya's network was one of gradual but sustained expansion. By 1980, there were 73,932 direct exchange lines (DELS) in use in the public telephone network; just over 84% were connected to automatic switching equipment and 75% had direct long-distance dialing (STD or subscriber trunk dialing) capability. There were 1,228 telex lines in use and 50 leased data transmission circuits in use. The network of 1980 represented a solid foundation for future expansion even though it had significant shortcomings: 33% of long-
In the 1980s, growth of Kenya's network occurred on a larger scale. KP&TC undertook three telecommunications development programs: the First Program ran from 1979 to 1983; the Second Program began in 1984 and was completed in 1988; and World Bank funding for the Third Program was negotiated in 1985-86, with disbursements beginning in 1987 and completion achieved in 1992. (KP&TC Annual reports; Tyler and Jonscher, 1982.)

The First Program called for the addition of 58,800 exchange lines of capacity, a 60% increase over the system capacity available at the end of 1979. It also called for the provision of public telephones in two hundred previously unserved locations, urban and rural. External funding was provided by the World Bank (International Bank for Reconstruction and Development, or IBRD) and bilateral development assistance programs, notably those of Japan and the Netherlands. Although the ambitious targets were by no means fully met, substantial growth was achieved (e.g. the number of working DELs rose from 69,996 at the end of 1979 to 95,000 at the end of 1983).

The Second Program stressed the expansion of service in Kenya's rural areas, with the emphasis on "District Focus" installation of new digital switches in nine locations to ensure that all forty-one "District Headquarters" locations in Kenya had automatic telephone service. This goal was achieved in 1988. (KP&TC Annual reports; Tyler and Jonscher, 1982).
The Third Program largely continued the approach established by the first two but included two significant innovations: extensive replacement of small manual exchanges in rural areas with digital switching equipment and the introduction of optical fiber transmission for the links (known as "junctions") connecting nearby exchanges. (KP & TC Annual Reports; Tyler and Jonscher, 1982).

Safaricom is the leading mobile phone operator in the telecommunication industry in Kenya followed by Airtel Kenya. It was formed in 1997 as a fully owned subsidiary of Telkom Kenya. In May 2000, Vodafone group plc, the world’s largest Telecommunication company acquired a 40% stake and management responsibility in the company. There is growing competition between Airtel Kenya, Essar YU, and Telkom Orange as the firms are integrating new Intelligent Networks (IN) platforms on their respective networks as part of their strategies to ensure improved customer service and satisfaction.

1.2 Statement of the problem

Service industries such as the telecommunication industry are characterized by high competition and relatively low switching costs. As such, firms in these industries are especially vulnerable to customer switching (Sharma and Patterson, 2000; Shi et al., 2006). Since the loss of customers also means loss of revenue, service firms must attract new customers on an ongoing basis to survive in the long-term.
The benefits associated with customer loyalty are widely recognized within business. These include lower costs associated with retaining existing customers, rather than constantly recruiting new ones especially within mature, competitive markets (Ehrenberg and Goodhardt, 2000).

It is against this background that the researcher identifies Customer satisfaction as an important issue in maintaining customers, particularly those in services industries (Bennett and Rundle-Thiele, 2004). In general, if the customers are satisfied with provided goods or a particular service, the probability that they use the service again increases (East, 1997). Previous research has identified several drivers of customer satisfaction, such as product and service quality (Devaraj et al., 2001) or trust and value (Morgan and Hunt, 1994; Sirdeshmukh et al., 2002). As can be seen from the review of research that has been done on customer satisfaction, there seems to be none that focuses exclusively on the telecommunication industry. This study therefore seeks to fill this knowledge gap by providing an in depth research on customer service strategies and their effects on customer satisfaction level in the telecommunication industry in Kenya.

1.3 Objectives

1.3.1 General objective

The general objective of the study is to evaluate customer service strategies and customer satisfaction in the telecommunication industry.

1.3.2 Specific objectives

1) To determine the relationship between pricing strategies of mobile telecommunication firms and customer satisfaction level.

2) To determine the relationship between quality service strategies and customer satisfaction level.
3) To determine the relationship between service recovery strategies and customer satisfaction.

1.4 Research questions

1) What are the effects of pricing strategies on customer satisfaction level
2) What are the effects of quality service strategies on customer satisfaction level?
3) What are the effects of service recovery strategies on customer satisfaction level?

1.5 Significance of the study

The management of mobile phone companies will find the results of this study important as a source of information on what strategies to apply in the market to ensure customer satisfaction.

The policy makers will obtain knowledge of the telecommunication industry dynamics and the responses that are appropriate and specific for the firms; they will therefore obtain guidance from this study in designing appropriate policies that will regulate the sector to ensure customer satisfaction.

The study will provide information to potential and current scholars on customer service strategies and customer satisfaction and will expand their knowledge on customer satisfaction in the telecommunication industry and also identify areas of further study.

1.6 Scope of the Study

The research will focus on the subscribers of the three major telecommunication companies in the country that is Safaricom, Airtel and Telkom Orange. The subscribers are deemed sufficient to provide adequate data for the study. The study will be limited to Nairobi city.

1.7 Limitations of the study

The main limitation of study will be its inability to include all the mobile phone companies within the telecommunication industry. Being a case study focusing on the selected industry, it
may not be possible to deduce that the results of the study are the general view of other industries. The researcher may also encounter a problem of obtaining accurate information from subscribers who may not be well versed with information about the industry. Some respondents may not respond truthfully to the questionnaires.

To counter this limitations the researcher will use semi structured questions to obtain insights on feelings, interests and background of the respondents understanding of the industry as well as the loyalty status. The researcher will also focus on subscribers within Nairobi’s central business district which comprises of well informed and educated populace.

**1.8 Assumptions of the study**

The basic research assumptions of the study will be that there is a high level of competition for customers in the telecommunication industry. It will also be assumed that all the mobile phone companies in the telecommunication industry have customer service strategies to ensure customer satisfaction.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter will involve the review of literature pertaining to relationship marketing, customer satisfaction and organizational performance as well as customer service strategies in the service industry which include service recovery, price and service quality strategies.

2.2 Theoretical literature review
The study of satisfaction had always received large attention by researchers. It is however a subjective concept, as it can be inferred from the different definitions found in literature. Having said that, it must be pointed out that there is wide consensus that "satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations" (Kotler, 2003, p. 36). Therefore, satisfaction is closely related to consumers' expectations. More specifically, the narrower the gap is between the consumers' expectations and the actual performance of the product or service, the higher is the consumer's satisfaction (Hutcheson and Moutinho, 1998).

Customer satisfaction can be measured as either a single-item scale or as a multi-item construct assessing the satisfaction for each component of the service. For example, Cronin and Taylor (1992) measured customer satisfaction as a one-item scale that asks for the customers' overall feeling towards an organization, while Anderson and Srinivasan (2003) used a 6-item construct to measure customer satisfaction in the context of electronic commerce. Comparing these two
methods, LaBarbera and Mazursky (1983) made the remark that the use of a multi-item scale for measuring summary evaluation does not increase reliability over time but it can lead instead to poor response rate and artificial answers by respondents.

Customer satisfaction has been considered as a fundamental determinant of customer loyalty. Anderson and Sullivan (1993) found that satisfied customers have greater propensity to be retained and resist to alternative options, while Fornell (1992) states that high satisfaction results to customers with increased loyalty, less prone to be approached from competition. Moreover, satisfaction enhances repeat purchase and positive word of mouth by customers (Reichheld and Sasser, 1990; Wirtz, 2003).

Overall, it can be concluded that research has shown that customer satisfaction has significant effects on both behavioural and attitudinal aspects of loyalty. Similar results have been reported in the mobile telecommunications services literature, where also satisfaction has emerged as a strong predictor of loyalty. For example, Gerpott et al. (2001) in the context of the German mobile cellular telecommunications market, Kim et al. (2004) in Korea and Lee et al. (2001) in France had results that highlighted the causal link between customer satisfaction and loyalty.

### 2.2.1 Relationship marketing and customer loyalty

The relationship marketing concept emerged within the fields of service marketing and industrial marketing (Christopher et al., 1991; Gummesson, 1991; Lindgreen et al., 2004). Berry (1983) viewed relationship marketing as a strategy to attract, maintain and enhance customer relationships. Gummesson (1993) defined the term as a strategy in which the management of
interactions, relationships and networks is a fundamental issue. According to Gronroos (1994), the aim of relationship marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. Rapp and Collins (1990) suggest, similarly, that its goals are to create and maintain lasting relationships between the firm and its customers that are rewarding for both sides. This is achieved by a mutual symbiosis and fulfillment of promises (Ndubisi 2003a, b). In other words, a key objective is to foster customer loyalty, which Oliver (1999) defined as a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite there being situational influence and marketing efforts having the potential to cause switching behavior.
Blomqvist et al. (1993) proposed the following key characteristics of relationship marketing: every customer is considered an individual person or unit; activities of the firm are predominantly directed towards existing customers; implementation is based on interactions and dialogues; and the firm is trying to achieve profitability through the decrease of customer turnover and the strengthening of customer relationships.

2.2.2 The foundations of relationship marketing

The marketing literature has theorized key virtues that underpin relationship marketing, such as trust (Morgan and Hunt, 1994; Veloutsou et al., 2002), commitment (Grossman, 1998; Chan and Ndubisi, 2004), conflict handling (Dwyer et al., 1987; Ndubisi and Chan, 2005), and communication or sharing of secrets (Ndubisi and Chan, 2005; Morgan and Hunt, 1994; Crosby et al., 1990). Ndubisi (2004) has suggested that companies should make sacrifices and worthwhile investments in building relationships with loyal, or at least potentially loyal, customers. It is argued here that the four identified underpinnings of relationship marketing are directly linked to and are capable of predicting customer loyalty.

Trust has been defined as “a willingness to rely on an exchange partner in whom one has confidence” (Moorman et al., 1993). A betrayal of this trust by the supplier or service provider could lead to defection. Schurr and Ozanne (1985) defined the term as the belief that a partner’s word or promise is reliable and a party will fulfill his/her obligations in the relationship. Other authors have defined trust in terms of opportunistic behavior (Dwyer et al., 1987), shared values (Morgan and Hunt, 1994), mutual goals (Wilson, 1995), uncertainty (Crosby et al., 1990), actions with positive outcomes (Anderson and Narus, 1984) and making and keeping promises...
Calonius (1988) emphasized that an integral element of the relationship marketing approach is the promise concept. He argued that the responsibilities of marketing do not only, or predominantly, include giving promises and thus persuading customers as passive counterparts in the marketplace to act in a given way, but also in keeping promises, which maintains and enhances evolving relationship. Fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retaining the customer base, and securing long-term profitability (Reichheld and Sasser, 1990), besides fanning the fire of trust. Indeed, one would expect a positive outcome from a partner on whose integrity one could confidently rely (Morgan and Hunt, 1994). Gronroos (1990) believed that the resources of the seller – personnel, technology and systems – have to be used in such a manner that the customer’s trust in them, and thereby in the firm itself, is maintained and strengthened.

Commitment is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Gundlach et al., 1995; Morgan and Hunt, 1994; Dwyer et al., 1987). Wilson (1995) observed that commitment was the most common dependent variable used in buyer-seller relationship studies. In sociology, the concept of commitment is used to analyze both individual and organizational behavior (Becker, 1960) and mark out forms of action characteristic of particular kinds of people or groups (Wong and Sohal, 2002), while psychologists define it in terms of decisions or cognitions that fix or bind an individual to a behavioral disposition (Kiesler, 1971). In the marketing literature, Moorman et al. (1992) have defined commitment as an enduring desire to maintain a valued relationship. This implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial (Gundlach et al.,
1995; Morgan and Hunt, 1994). Since, commitment is higher among individuals who believe that they receive more value from a relationship, highly committed customers should be willing to reciprocate effort on behalf of a firm due to past benefits received (Mowday et al., 1982) and highly committed firms will continue to enjoy the benefits of such reciprocity.

In this context, communication refers to the ability to provide timely and trustworthy information. Today, there is a new view of communications as an interactive dialogue between the company and its customers, which takes place during the pre-selling, selling, consuming and post-consuming stages (Anderson and Narus, 1990). Communication in relationship marketing means keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs. It is the communicator’s task in the early stages to build awareness, develop consumer preference (by promoting value, performance and other features), convince interested buyers, and encourage them to make the purchase decision (Ndubisi and Chan, 2005). Communications also tell dissatisfied customers what the organization is doing to rectify the causes of dissatisfaction. When there is effective communication between an organization and its customers, a better relationship will result and customers will be more loyal.

Dwyer et al. (1987) defined conflict handling as a supplier’s ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems do arise. How well this is done will determine whether the outcome is loyalty, “exit” or “voice”. Rusbult et al. (1988) concluded that the likelihood of these behaviours in individual cases depends on the degree of prior satisfaction with the relationship, the magnitude of the

14
customer’s investment in the relationship, and an evaluation of the alternatives available. Ndubisi and Chan (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality. The ability of the product or service provider to handle conflict well will also directly influence customer loyalty.

2.2.3 Customer satisfaction and organizational performance

Evidence abounds (Duncan and Elliot, 2002; Kish, 2000) showing links between customer satisfaction and organization profitability, implying that any organization with loyal customers has considerable competitive advantage. This makes studies on customer loyalty essential for bank management. Customers are more likely to be loyal if there is a customer-oriented climate (Clark, 1997). Such climate is established when organizations try to identify genuine customers’ needs and design products to meet those needs (Bridgewater, 2001). Valued customers require truly personalized services, which Szymigin and Carrigan (2001) explain as knowing what customers want and do not want and then ensuring that they get what they want. Customers can and do change their bank if their expectations are not met by their existing service provider (Szymigin and Carrigan, 2001). The problem is that customers rarely tell the bank manager in advance what they have decided to do, especially when they decide to leave their existing bank for a competitor (Kish, 2000). In aiding bank management to overcome the problem of customer defection, it becomes imperative for researchers to identify what is in the minds of customers of bank services when they compare what should be offered and provided, and what is actually offered and provided (Stafford, 1994).
Although several factors have been reported as relevant for gaining customer loyalty, nonetheless, customer satisfaction is highly recognized for its fundamental role (Jamal and Naser, 2002). Satisfied customers are more likely to concentrate their business with one bank (Reichheld, 1993), provide recommendations for the bank and invariably reduce a bank's cost of providing services because there are fewer complaints to deal with. Customer satisfaction is, thus, not only linked to loyalty, but is also linked to bank revenue generation (Federal Express, 1992; Winstanley, 1997).

However, it has been shown that the relationship between satisfaction and loyalty is neither linear nor simple (Jones and Sasser, 1995). High levels of measured satisfaction sometimes go hand in hand with a continuous increase in customer defection and within a banking context the reasons are not so clear (Bloemer et al., 2002). The interactions between customer satisfaction and loyalty have, therefore, been hard to define (Oliver, 1999).

The impact of satisfaction on customer loyalty is rather complex. Fisher (2001) believes that customer satisfaction accounts for only part of why people change product or service providers. Other studies have shown that customer satisfaction is a leading factor in determining loyalty (Anderson and Fornell, 1994; Rust and Zahorik, 1993). Thus, there are conflicting reports on the relationship between customer satisfaction and loyalty, making it imperative for more empirical studies to address this relationship issue.

Customer satisfaction is believed to be influenced by some other variables, which include service quality perceptions and expectations (Patterson et al., 1997; Szymanski and Henard, 2001). This
is exemplified in the disconfirmation paradigm, which explains that when perceived product performance is equal to expectation the consumer is satisfied but when it exceeds a customer’s expectations (a positive disconfirmation) the customer feels “delighted”. But if the perceived performance falls short of a customer’s expectations (a negative disconfirmation), then the customer feels dissatisfied (see Schiffman and Kanuk, 2004).

Researchers acknowledge the importance of customer satisfaction and service quality perceptions as predictors of customer loyalty (e.g. Bloemer et al., 2002; Szymanski and Henard, 2001; Lassar et al., 2000). However, Newman (2001) believes that the true value of customer satisfaction and service quality in contributing to genuine attitudinal loyalty remains open to some debate (Newman, 2001). Such conflicting opinions make provisions for further studies (Jamal and Naser, 2002). It is predicted therefore that customer satisfaction and service quality perception would jointly predict customer loyalty.

2.3 Customer service strategies in the service industry

2.3.1 Service Recovery strategy

Service recovery can be regarded as a passive strategy for the improvement of customer satisfaction. Service recovery refers to the actions taken by a firm in response to a service failure (Zeithaml & Bitner, 2003). Service failure often occurs when the customer's perceived service quality falls below customer expectations. For example, delivery and Web site design problems are two major types of service failure in online retailing (Holloway & Beatty, 2003). Such failures may cause significant costs to the firm, such as lost customers and negative word of mouth (Bitner, Brown, & Meuter, 2000).
Literature has addressed the importance of service recovery. According to Hart, Heskett, and Sasser (1990), firms learn from experiences of service recovery when they may not be able to prevent service failure. Berry and Parasuraman (1992) believed that firms should not regard service failure as a problem but as an opportunity to create satisfied customers. Hence, recovery strategies have a dramatic impact on a firm's revenue and profitability (Tax & Brown, 1998). Service recovery literature has shown that resolving customer problems has a strong impact on customer satisfaction and loyalty (Miller, Craighead, & Karwan, 2000; Smith & Bolton, 2002). Swanson and Kelley (2001) also found that customer behavioral intentions are more favorable when customers believe that firms consistently implement service recovery when failures occur. Furthermore, Robbins and Miller (2004) found that well-handled service recovery strongly affects customer loyalty.

Interest in recovering service failures arises from the role that recovery can play in retaining customers (Roos, 1999), preventing unfavorable word-of-mouth (Swanson and Kelley, 2001) and influencing perceived service quality (Gronroos, 2000).

Companies unable to put right breakdowns in service, place themselves at a disadvantage in achieving customer satisfaction and gaining customer loyalty and it has been argued that companies gain by facilitating complaints about service (Bearden and Teel, 1980; Vorhees et al., 2006). As service forms an increasingly dominant component in many contemporary marketing exchanges, the encounter between provider and customer, whether real or virtual, is vulnerable to variability (de Ruyter and Wetzels, 2000), so the way in which failure is recovered by a company
can contribute significantly to levels of customer satisfaction (Smith et al., 1999; Swanson and Kelley, 2001).

Recovering service failure should not only address putting things right when they go wrong, but extend to preventing the error happening in the future (McCollough et al., 2000). Although service recovery has been described as a short-term activity that should, in the long term, be embedded within reliability (Boshoff, 1999), the argument that it forms a cornerstone of a customer satisfaction strategy (Tax and Brown, 1998) appears stronger when service recovery is considered within the context of customer satisfaction and loyalty. Customer satisfaction with service recovery efforts is influenced by a number of factors, for example, whether the failure is core to the service or offering (Keaveney, 1995), how critical the failure is to consumption (Hoffman and Kelley, 2000) and the magnitude of the failure (Smith et al., 1999).

The literature is somewhat divided about the impact of negative service encounters. A single instance of service failure can permanently lower customers’ overall satisfaction (Hocutt and Stone, 1998); conversely, customers’ cumulative satisfaction can be substantially enhanced by situations that involve failure and subsequent recovery (Smith and Bolton, 1998). Service providers, therefore, have the opportunity not only to satisfy their customers but also to create loyalty through repeated satisfying experiences, where cumulative evaluations of service quality are particularly valuable predictors of loyalty (Olsen and Johnson, 2003).

2.3.2 Price strategy

According to Kotler and Armstrong (2010) price is the amount of money charged for a product or service, or the sum of the values that customers exchange for the benefits of having or using
the product or service while Stanton, Michael and Bruce (1994) defined price as the amount of money or goods needed to acquire some combination of another good and its companying services. But the marketing literature showed researchers’ inclination towards price fairness in relation with customer satisfaction (Hermann et al., 2007; Kukar-Kinney, Xia and Monroe, 2007; Martin-Consuegra, Molina and Esteban, 2007). Price fairness refers to consumers’ assessments of whether a seller’s price is reasonable, acceptable or justifiable (Xia et al., 2004; Kukar-Kinney, Xia and Monroe, 2007). Price fairness is a very important issue that leads toward satisfaction. Charging fair price helps to develop customer satisfaction and loyalty. Research has shown that customer’s decision to accept particular price has a direct bearing at satisfaction level and loyalty. (Martin-Consuegra, Molina and Esteban, 2007). In another study of Herrmann et al., (2007), it was concluded that customer satisfaction is directly influenced by price perceptions while indirectly through the perception of price fairness. The price fairness itself and the way it is fixed and offered have a great impact on satisfaction.

According to Lommeruda and Sørgard (2003), telecommunication services are like undifferentiated products. Therefore, customers are not price sensitive all the times and sometimes brand loyalty takes part in brand preferences. This is the reason; some consumers are retained with old monopolists.

2.3.3 Service Quality strategy

Service quality has been defined in services marketing literature as an overall assessment of service by the customers. Perceived service quality is believed to be resulting from comparison between customers’ prior expectations about the service and their perceptions after actual
experience of service performance (Asubonteng et al., 1996; Parasuraman et al., 1985). Service quality has been defined by the practitioners in terms of key dimensions that customers use while evaluating the services (Lewis and Booms, 1983).

Conceptualization of service quality should include both the service delivery process (Parasuraman et al., 1985) as well as the service outcomes (Lehtinen and Lehtinen, 1991). Gronroos (1984) offered a service quality model with dimensions of technical quality (what consumer gets), functional quality (how consumer gets the service) and corporate image (how consumers perceive the firm and its services). Similarly, Lehtinen and Lehtinen (1991) offered another model with three dimensions of service quality: physical, interactive and corporate. Physical quality is about the quality of physical products involved in service delivery and consumption. Interactive dimension refers to the interaction between the customers and the service organization employees. Corporate quality refers to the corporate image as perceived by the customers. The service quality literature has also highlighted that service quality can also be treated as a second order construct consisting of interaction, physical environment and outcome quality (Brady and Cronin, 2001).

In case of technology-enabled services, research has identified new dimensions of service quality (different from the traditional service quality dimensions), such as automated search, telecommunication among customers, information acquisition, content, mass customization, and ease of use (Bailey and Pearson, 1983; Doll and Torkzadeh, 1988; Peterson et al., 1997). As consumers’ willingness to use and adapt to the new technologies affect their perceptions of service quality, unique scales such as technology anxiety (Meuter et al., 2003) and technology readiness index (Parasuraman, 2000) are also used for the measurement of service quality in
technology-enabled services. Parasuraman et al. (2005) developed a multi-item scale for assessment of electronic service quality, which they named as E-S-QUAL. The four dimensions of E-S-QUAL are efficiency, fulfillment, system availability and privacy. Service recovery is also an important factor affecting service quality perception of customers in technology-based services. Hence, Parasuraman et al. (2005) also developed a scale for electronic service recovery quality (E-RecS-QUAL) which consists of three dimensions – responsiveness, compensation and contact.

2.4 Empirical literature Review

During the past few decades service quality has drawn a lot of attention from researchers and practitioners due to its strong impact on business performance, customer satisfaction, customer loyalty and profitability. Service quality is usually understood as a measure of how well the level of the delivered services matches customer’s expectations (Santos, 2003). As an example, the definition of Gronroos (1984) outlines perceived service quality, as “the outcome of an evaluation process, where the consumer compares his expectations with the service he perceives he has received”. Furthermore, Parasuraman et al. (1988) defined service quality as “the overall evaluation of a specific service firm that results from comparing that firm’s performance with the customers’ general expectations of how firms in that industry should perform”.

2.4.1 Ensuring quality service and customer satisfaction.

Several measuring instruments have been developed aiming to capture and explain the service quality dimensions. There is little doubt that among these, SERVQUAL is the most popular.
SERVQUAL has been developed in a series of stages leading to consecutive more refined versions. In the most commonly used version (Parasuraman et al., 1988), service quality is calculated as the gap between customer expectations and perceptions, and is characterized by five dimensions namely reliability, responsiveness, assurance, empathy, and tangibles.

In recent years, the interest in conceptualizing and measuring service quality in the mobile telephony sector increased due to the steep increase of penetration rates in most countries around the world and rapid technological advances. Van der Wal et al. (2002) used SERVQUAL to investigate service quality in a mobile telecommunications company in South Africa. Their results confirmed that the instrument could be used to evaluate service quality in that industry. SERVQUAL was also employed by Johnson and Sirikit (2002) to investigate service quality perceptions in the Thai telecommunications industry. The results showed that the instrument is recommended for process-driven service firms such as telecommunications, banking, retailing and even health care.

Another stream of research aimed to develop service quality conceptualization and measurement models by targeting specifically the mobile telephony sector (Aydin and Ozer, 2005; Gerpott et al., 2001; Kim et al., 2004; Lee et al., 2001; Lim et al., 2006). The models developed suggest several dimensions, whose definitions and meaning overlap to a great extent. In the study of Choi et al. (2007) the mobile telephony quality measurement dimensions identified in this stream of work are categorized into network coverage, value-added services, billing system, convenience and price structure.
Research in several business sectors has verified the causal relationship between service quality and customer satisfaction. This also applies in the mobile telephony sector, where several studies confirmed the positive effect of service quality on satisfaction (Kim et al., 2004; Lee et al., 2001; Lim et al., 2006).

2.4.2 Effects of customer service strategies on customer satisfaction

Cronin and Taylor (1992) examined the causal relationships among service quality, customer satisfaction, and purchase intention. Each variable was measured by one item. There were 660 usable questionnaires randomly collected from customers of four types of businesses in the southeastern United States: banking, pest control, dry cleaning, and fast food. The results of correlation analysis have suggested that, service quality was an antecedent of consumer satisfaction, service quality had less effect on purchase intentions than did consumer satisfaction, and consumer satisfaction had a significant effect on purchase intentions.

Dabholkar, et al (2000) also found that customer satisfaction strongly mediated the effect of service quality on behavioral intentions. The data used in their study were systematically randomly collected from 397 churches. A test of discriminate validity revealed that the construct of service quality was different from the construct of customer satisfaction. The result of regression analysis in structural equations modeling supported their proposition that customer satisfaction had a stronger effect on behavioral intentions than service quality did (Dabholkar et al., 2000).

Service quality literature indicated that perceptions of high service quality and high service
satisfaction resulted in a very high level of purchase intentions (Boulding, Kalra, Staelin, & Zeithaml, 1993. Coner and Gungor (2002) claimed that customer loyalty was affected by product quality, service quality, and retailer image. They also suggested "quality (of product and service) is directly related to customer satisfaction, and leads to the loyalty of the customer" (Coner & Gungor, 2002, p. 195). Customer satisfaction literature showed that the relationship between customer satisfaction and customer loyalty depended on the type of satisfaction. The positive impact of manifest satisfaction on customer loyalty was stronger than that of latent satisfaction on customer loyalty (Bloemer & Kasper, 1995; Bloemer & Ruyter, 1998).

2.4.3 Mediation effects of customer satisfaction on service quality and customer loyalty relationship

Based on empirical findings in service quality and satisfaction literature, service quality is one of the antecedents of satisfaction (Anderson & Sullivan, 1993; Cronin & Taylor 1994; Woodside, Frey, & Daly, 1989), and loyalty is one of the consequences of satisfaction (Coner & Gungor, 2002; Cronin & Taylor, 1992, 1994; Dabholkar, Shepherd, & Thorpe, 2000). Luarn and Lin (2004) tested their hypothesized customer loyalty model and found that customer satisfaction, perceived value, and customer loyalty were different constructs. Their findings indicated that not only customer satisfaction and perceived value directly affected customer loyalty, but also indirectly affected customer loyalty through commitment.
2.5 Summary of literature review and research gaps.

The marketing literature is replete with models on the measurement of customer perceptions of service quality (Cronin and Taylor, 1992; Parasuraman et al., 1988; Parasuraman et al., 2005). Studies have also examined the relationship of customer satisfaction and customer loyalty with service quality (Andreassen and Lindestad, 1998; Cronin and Taylor, 1992; Dabholkar et al., 2000). Even in the telecommunication sector research has examined the impact of service quality on customer satisfaction and loyalty (Krepapa et al., 2003; Levesque and McDougall, 1996; McDougall and Levesque, 2000; Ndubisi and Wah, 2005).

With the emergence of sophisticated technologies, studies have also looked at the perceptions of customers regarding the service quality of technology in the telecommunication industry (Al-Hawari et al., 2005; Curran and Meuter, 2005).

However, most of the studies related to customer service strategies and customer satisfaction in the service industry have focused on service quality, service recovery and pricing strategy, however studies have not focused on value added services and customer care services especially in the service industry. This study will fill this gap by determining the extent to which value added services such as objects such as SMS and MMS, WAP, GPRS, music, news, games and ring tones as well as customer care services impacts on customer satisfaction in the telecommunication industry in Kenya.
Customer service strategies and Customer satisfaction in the telecommunication industry can be conceptualized by:

Service Quality: This is determined by the network, the clarity of voice and the area coverage. These are the items that according to Kim et al. (2004) and Lim et al. (2006), measure this factor.

Pricing strategy: the reasonability of prices, the variety of pricing schemes and the degree of freedom to choose pricing scheme are the items included in this factor, as were used by Kim et al. (2004). Billing system comprises the provision of accurate billing, the ease of understanding and resolving billing issues and the billing problem resolution speed, as suggested by Lim et al. (2006).
Service Recovery: Service recovery has brought a new dimension in relation to provision of services, the telecommunication industry has seen tremendous developments in this aspect, but the quality and ease of use determines customer loyalty.
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The chapter presents the research design and methodology of the study. It describes the way the study was designed, data collection techniques, and the data analysis procedure that was used.

3.1 Research Design

This is a descriptive survey aimed at investigating the customer service strategy and satisfaction in the telecommunication industry. According to Cooper and Schindler (2003), a study concerned with finding out who, what, when, where and how of a phenomenon is a descriptive study, which was the concern of this study.

3.2. Target Population

The population of interest of this study comprised subscribers to mobile phones located within Nairobi central business district. Nairobi was chosen because it has the highest volume of mobile subscribers in Kenya (Sokoni 2009, The East Africa Newspaper March 2009). Nairobi has an urban population of about 4 million or 10% of total population and the current mobile subscriber base is 18.5 millions (Central bureau of Statistics, 2008).

Population refers to the larger target group on which the research seeks to focus. Mugenda and Mugenda (2003) define research population as the complete set of individuals, cases or objects
with some common observable characteristics. A research population is a group of individual persons, objects or items from which samples are taken for measurement.

3.3. Sampling design

Simple random sampling was used in this study specifically in selecting a total of 150 mobile phone service subscribers within Nairobi’s central business district. The sample was obtained by choosing elementary units in such a way that each unit in the population had an equal chance of being selected, using a combination of approaches:

1. Proportionate market share.
2. Convenience during time of interview
3. Random sampling on those queuing.

Safaricom being the largest player in the market was assigned 75% of the respondents who were randomly picked from those who were queuing, while Airtel and Telkom Orange shared 20% and 5% respectively.

3.3.1 Sample frame.

<table>
<thead>
<tr>
<th>Service provider</th>
<th>NO. Of centers</th>
<th>% Market share</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safaricom</td>
<td>3</td>
<td>75</td>
<td>113</td>
</tr>
<tr>
<td>Airtel</td>
<td>1</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Telkom Orange</td>
<td>1</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5</strong></td>
<td><strong>100</strong></td>
<td><strong>150</strong></td>
</tr>
</tbody>
</table>

TABLE1.0 the sample frame

Source: author
However, there was no guarantee that any sample precisely represented the population from which it comes. In drawing a sample for study, such a sample must be specific enough to provide readers a clear understanding of the applicability of the study to their particular situation and their understanding of that same population.

3.4. Data Collection Procedure and instruments.

Semi structured questions were used to collect data from the respondents. With semi structured questions, a respondent’s response gave an insight to his/her feelings, background, interests and decisions and gave much information as possible without holding back.

3.5. Validity and Reliability

According to Mugenda and Mugenda (2003), validity is the accuracy and meaningfulness of inferences, which are based on the research results. Validity per se is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. To enhance content validity, the lecturers in marketing first appraised the research instruments. Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials (Mugenda and Mugenda 2003).

3.6. Reliability of the data

Reliability in research is influenced by random error, as random errors increase, reliability decreases. Errors may arise from inaccurate coding and ambiguous instructions to the respondents. Pilot testing were carried out prior to the questionnaires being used. Participants in the pilot study were asked to comment on any perceived ambiguities, omissions or errors concerning the draft questionnaire. A few suggestions on ambiguous statements were noted and rephrased to ensure clarity before the questionnaires were used for the study.
3.6. Data Analysis

The questionnaires were edited for accuracy, uniformity, consistency and completeness and arranged to enable coding and tabulation before final analysis. Both qualitative and quantitative types of data were collected in this study and hence two types of statistical analysis were used. The qualitative data was analyzed using content analysis while quantitative data were analyzed through the use of descriptive statistics, which included frequencies, percentages and measures of central tendency like means and standard deviation. Data collected was processed through computer software packages that included SPSS and presented in the report in the form of tables, bar charts and graphs. In addition, multiple regressions were used to measure the qualitative data.
### 3.7 Research Budget

<table>
<thead>
<tr>
<th>ITEM</th>
<th>COST (ksh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stationery and library</td>
<td>600</td>
</tr>
<tr>
<td>Writing materials</td>
<td>500</td>
</tr>
<tr>
<td>Photocopying and binding</td>
<td>1000</td>
</tr>
<tr>
<td>Flash disks</td>
<td>1500</td>
</tr>
<tr>
<td>Printing</td>
<td>2000</td>
</tr>
<tr>
<td>Travelling</td>
<td>2000</td>
</tr>
<tr>
<td>Internet</td>
<td>500</td>
</tr>
<tr>
<td>Communication</td>
<td>1000</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>2000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>11200</strong></td>
</tr>
</tbody>
</table>
3.8 WORK/TIME PLAN

<table>
<thead>
<tr>
<th>Activity</th>
<th>July 2011</th>
<th>August 2011</th>
<th>September 2011</th>
<th>October 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposal writing and defense</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preparation of items of study</td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visit to service care centers</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Collection of data</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Compilation of findings</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Presentation for approval</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Typing and printing</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>
4.1 Introduction

This chapter presents the quantitative analysis of data collected from the sampled mobile phone subscribers in Nairobi. It gives the findings from the questionnaires and other observations that were encountered during the fieldwork. The data has been categorically analyzed to give clear and vivid findings of the study. The study targeted a total of 150 respondents, there was 100% response rate since all the sampled respondents filled and returned the questionnaires.

4.2 Demographic Information of the Respondents

Figure 4.1: Respondents Gender

The researcher sought to determine the ages of the respondents. From the findings on figure 4.1, 63.3% were male while 36.7% are female.
Table 4.1: Ages of the Respondents

<table>
<thead>
<tr>
<th>Age Bracket</th>
<th>F</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 25 years</td>
<td>23</td>
<td>15</td>
</tr>
<tr>
<td>25-35 years</td>
<td>42</td>
<td>28</td>
</tr>
<tr>
<td>36-45 years</td>
<td>36</td>
<td>24</td>
</tr>
<tr>
<td>45 years and above</td>
<td>49</td>
<td>33</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>150</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Findings on Table 4.1 revealed that majority of the respondents 49(33%) were aged 45 years and above, 42(28%) between 25-35 years, 36(24%) were aged 36-45 years and 23(15%) were aged below 25 years. This shows that majority of the respondents were above the age of 25 years and therefore were mature and well versed with relevant information on the strategies applied by the mobile phone companies.

Table 4.2: Respondents’ Education level

<table>
<thead>
<tr>
<th>Age Bracket</th>
<th>F</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary education</td>
<td>18</td>
<td>12</td>
</tr>
<tr>
<td>College Certificate</td>
<td>21</td>
<td>14</td>
</tr>
<tr>
<td>College Diploma</td>
<td>39</td>
<td>26</td>
</tr>
<tr>
<td>Bachelors Degree</td>
<td>42</td>
<td>28</td>
</tr>
<tr>
<td>Masters Degree</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>150</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Findings on table 4.2 reveal that a greater proportion 42(28%) of the respondents have Bachelors degree, 39(26%) however have College Diplomas, while 30(20%) have masters degree. this suggests that the respondents were well informed and conversant with the issues relating to customer service strategies and customer satisfaction in the telecommunication industry and therefore they gave accurate and relevant information needed for the study.

Table 4.3: Respondents’ connection option

<table>
<thead>
<tr>
<th>Option</th>
<th>F</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postpaid</td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>Prepaid</td>
<td>126</td>
<td>84</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Findings on table 4.3 shows that out the sampled respondents, a greater proportion 126(84%) are prepaid customers, while 24(16%) are postpaid customers, this suggests that most mobile phone services subscribers prefer the prepaid option.

Table 4.4: Respondents’ experience with their respective mobile operator

<table>
<thead>
<tr>
<th>Duration</th>
<th>F</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>10</td>
<td>6.7</td>
</tr>
<tr>
<td>1-5 years</td>
<td>65</td>
<td>43.3</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>75</td>
<td>50.0</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>100.0</td>
</tr>
</tbody>
</table>
The researcher sought to establish the duration the respondents have been subscribing the services of their respective mobile phone operators. From the findings a greater proportion of the respondents have an experience of more than 5 years 75(50%) with their respective mobile providers while 65(43.3%) range from 1 to 5 years. This suggests that the researcher targeted the right respondents with adequate knowledge on the customer service strategies used by telecommunication companies and they gave accurate and relevant information.

Table 4.5: Perception on pricing strategy

<table>
<thead>
<tr>
<th>Perception</th>
<th>F</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>12</td>
<td>8.0</td>
</tr>
<tr>
<td>Good</td>
<td>96</td>
<td>64.0</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>23</td>
<td>15.3</td>
</tr>
<tr>
<td>Poor</td>
<td>19</td>
<td>12.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>150</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Findings on table 4.5 reveal that a greater proportion of the respondents 96(64%) feel that the pricing strategies by the mobile telephone operators is good, 23(15.3%) however feel that it is satisfactory. This implies what the mobile service providers have put in place good pricing strategies to ensure that ensure customer satisfaction.
The researcher sought to establish the perception of mobile service subscribers on service recovery as a strategy used by telecommunication companies. From the findings on table 4.6, majority 62 (41.2%) of the respondents feel that the service recovery strategy is good while 50 (33.3%) feel that it is satisfactory. This implies that the telecommunication companies have put in good service recovery strategies to ensure customer satisfaction.

**Table 4.6: Perception on service recovery strategy**

<table>
<thead>
<tr>
<th>Perception</th>
<th>F</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>24</td>
<td>16.0</td>
</tr>
<tr>
<td>Good</td>
<td>62</td>
<td>41.3</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>50</td>
<td>33.3</td>
</tr>
<tr>
<td>Poor</td>
<td>14</td>
<td>9.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>150</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The findings on table 4.7 reveal that majority 72 (48%) mobile service subscribers consider the service quality strategies used by the telecommunication companies as excellent, while 54 (36%) consider them good.

**Table 4.7: Perception on Service Quality Strategy**

<table>
<thead>
<tr>
<th>Perception</th>
<th>F</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>72</td>
<td>48.0</td>
</tr>
<tr>
<td>Good</td>
<td>54</td>
<td>36.0</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>16</td>
<td>10.7</td>
</tr>
<tr>
<td>Poor</td>
<td>8</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>150</td>
<td>100.0</td>
</tr>
</tbody>
</table>
feel that the strategies are good. This suggests that the telecommunication companies are providing quality services as a way of ensuring customer satisfaction with their services.

Table 4.8: Satisfaction with customer care services

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsiveness</td>
<td>3.62</td>
<td>1.248</td>
<td>150</td>
</tr>
<tr>
<td>Professionalism</td>
<td>3.86</td>
<td>0.986</td>
<td>150</td>
</tr>
<tr>
<td>Technical support</td>
<td>4.53</td>
<td>1.271</td>
<td>150</td>
</tr>
<tr>
<td>Service quality</td>
<td>2.54</td>
<td>1.061</td>
<td>150</td>
</tr>
<tr>
<td>Service delivery</td>
<td>2.62</td>
<td>1.006</td>
<td>150</td>
</tr>
<tr>
<td>Competitiveness</td>
<td>4.62</td>
<td>1.294</td>
<td>150</td>
</tr>
<tr>
<td>Quality</td>
<td>4.74</td>
<td>1.286</td>
<td>150</td>
</tr>
<tr>
<td>Overall</td>
<td>3.58</td>
<td>1.267</td>
<td>150</td>
</tr>
</tbody>
</table>

The researcher sought to determine the level of customer satisfaction with their respective mobile services providers, the respondents were instructed to respond to the statements on a 5 point Likert scale and indicate the extent to which they agree with the statements. That is: 5-Excellent, 4- Good, 3- Satisfactory 2-Fair, 1-Poor. A mean (M) score of 0-1.5 means that the respondents perceive the services to be poor, between 1.50 to 2.50 suggests satisfactory, 2.50 to 3.50 suggests fair, 3.50-4.50 suggests a good degree of satisfaction, and a mean above 4.50
suggests that the degree of satisfaction among the respondents is excellent. The findings on table 4.3 reveal that the respondents consider the following to be excellent: technical support (Mean=4.53; SD=1.271); competitiveness (Mean=4.62 SD=1.294). They consider on the other hand professionalism (Mean=3.86; SD=0.986) and responsiveness (Mean=3.62; SD=1.248) as good.

Figure 4.2: Likelihood of switching service provider at the same range of services

- If a competitor provides quality services than the current provider
- If current provider increases the costs of services

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Response</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>5%</td>
<td></td>
<td>18(12.0%)</td>
</tr>
<tr>
<td>10%</td>
<td></td>
<td>17(11.3%)</td>
</tr>
<tr>
<td>15%</td>
<td></td>
<td>20(13.3%)</td>
</tr>
<tr>
<td>More than 15%</td>
<td></td>
<td>42(28.0%)</td>
</tr>
<tr>
<td>More than 15%</td>
<td></td>
<td>73(48.7%)</td>
</tr>
<tr>
<td>More than 15%</td>
<td></td>
<td>83(54.7%)</td>
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</table>
The findings of figure 4.2, a greater proportion of the respondents 82(54.7%) would switch to another incase the current provider increase costs by more than 15%. This implies that the telecommunication companies have put in place strategies to ensure customer satisfaction and hence retention of customers by making them not to switch to competitors in case of a small change in prices.

figure 4.3: Complaints by the subscribers

Respondents' Complaints (either formally or informally)

- Yes
- No
Findings on figure 4.3 Reveal that only 58(38.7%) have complained either formally or informally to their respective telecommunication service providers, a greater proportion 92(61.3%) have never complained. This implies that the telecommunication companies have put in place sufficient customer service strategies to ensure that their subscribers are fully satisfied with their services.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the researcher presents the summary of the important elements of the study, discussion of major findings and interpretation of the results. The chapter further presents the conclusions drawn from the research findings as well as recommendations for improvement and suggestions for further research.

The general objective of the study is to evaluate customer service strategies and customer satisfaction in the telecommunication industry in Kenya. The study was guided by the following specific objectives:

1) To determine the relationship between pricing strategies of mobile telecommunication firms and customer satisfaction level.

2) To determine the relationship between quality service strategies and customer satisfaction level.

3) To determine the relationship between service recovery strategies and customer satisfaction.

It sought to answer the following research questions:

1) What are the effects of pricing strategies on customer satisfaction level?

2) What are the effects of quality service strategies on customer satisfaction level?

3) What are the effects of service recovery strategies on customer satisfaction level?

The analysis of the research data showed that service quality is a major predictor of both customer satisfaction and hence retention, with three out of the six quality dimensions of the chosen instrument (customer care, pricing structure and pricing strategy) having significant
positive effects on both concepts. Furthermore, the service quality dimension was found to have significant positive effect on customer satisfaction and retention. This can be attributed to the fact that in nowadays the clarity of voice and the wide area coverage are the major factors that ensure customer satisfaction with telecommunication services. Mobile telephone users also pay much more attention to core service issues, such as customer care, billing and pricing schemes, than to service enhancement issues like value-added services and advanced phone devices.

The findings revealed that satisfaction has a very significant positive effect on customer retention by totally mediating the influence of the pricing structure and billing system service quality dimensions. At the same time, the relationship of the customer service dimension with loyalty was proved to be only partially mediated by satisfaction, therefore exposing a very strong positive effect on customer retention.

The findings also showed a strong support for the application of customer service to enhance customer retention. It is imperative for telecommunication industry executives to improve performance on each construct that leads customer retention to improve their competitiveness in the industry. Customer satisfaction does not necessarily lead to customers’ loyalty. It is assumed that when the customer is satisfied, then loyalty towards the telecom company is strengthened. The results further showed that the respondents have a positive impression towards their telecom company’s ability to meet their changing needs. This demonstrates that the respondents would likely stay with their service providers as long as the companies are able to satisfy their changing needs.

Telecommunication industry in Kenya is not diversified and retaining customer is one important strategy available to telecom companies in order to remain competitive. Though the industry is
currently growing in terms of coverage and customer base, retaining customer should be an attractive option than attracting new customers since it is less expensive.

5.3 Conclusions

From the findings of the study, it can be concluded that the telecommunication companies in Kenya have put in place strategies of customer service to enhance customer retention. It is imperative that the telecommunication industry executives are improving performance on each construct that leads to customer retention to improve their competitiveness in the industry.

The study highlights a number of areas that have been shown to have significant impact for consumers' retention. It is important for manager to identify the needs of the customers and develop appropriate service quality strategies to meet such needs. This is so because this study has shown that there is a strong relationship between customers' perceived service quality level and customer satisfaction. That is if customers' perceived service quality level is high, satisfaction will also be high. Evidently, customers' service is at the core of customers' retention efforts. The study has shown that customers' retention is achieved only when the customers believe that customers services offered are effective and of high quality.

5.4 Recommendations

This study has highlighted a number of issues that are useful to aiding managers in the telecommunication market. The issues highlight a number of areas that have been shown to have significant impact for consumers' retention. It is important for manager to identify the needs of the customers and develop appropriate service quality strategies to meet such needs. This is so because this study had shown that there is a strong relationship between customers' perceived service quality level and customer satisfaction.
5.5 Suggestions for further research

As it has been pointed out, the survey sample is rather skewed towards a particular mobile telephony user profile. More easily generalizable conclusions could be drawn by aiming at a sample that would better represent Kenyan mobile telephone users. The possibility to generalize the results to other countries with different characteristics (for example less mature markets, different level of economic development) needs to be verified, by executing similar research. Furthermore, in order to investigate under a more holistic approach customer loyalty, a future study could also examine added concepts that influence loyalty such as trust, inertia and attractiveness of alternatives or examine the impact of customer loyalty on profitability.

Another addition that could possibly lead to a model that better explains customer loyalty is the incorporation of switching costs. Many authors suggest that when such costs are high, service firms may continue to retain customers even if they are not highly satisfied. They argue that customers can be motivated to stay in existing relationships in order to avoid these costs. Therefore, future research could look into the possible mediation role of switching costs on the link between satisfaction and loyalty.


APPENDIX I: INTRODUCTION LETTER TO THE RESPONDENTS

Kenyatta University
P.O. Box ,
Nairobi

Dear Respondent

RE: CUSTOMER SERVICE STRATEGIES AND SATISFACTION RESEARCH

I am post-graduate student at Kenyatta University, pursuing MBA degree. Am conducting a study on customer service strategies and customer satisfaction in the telecommunication industry in Kenya and you have been selected to participate in the study. I therefore request for your cooperation in the collection of data. The questionnaires are designed for this research only and therefore the responses shall be treated with strict confidentiality.

Thank you in advance.

Yours Sincerely,
APPENDIX II: SREENER GUIDE

Area of Residence (Tick where appropriate).

<table>
<thead>
<tr>
<th>RESIDENCY</th>
<th>YES</th>
<th>NO</th>
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<tbody>
<tr>
<td>NAIROBI EAST</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NAIROBI WEST</td>
<td></td>
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<tr>
<td>NAIROBI SOUTH</td>
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Are you a subscriber of mobile phone services?

☐ Yes ☐ No

If Yes, which operator is your major service provider?

☐ Safaricom

☐ Airtel

☐ YU

☐ Telcom Orange

Which are the major services you use? (Tick one box)

☐ Money transfer services

☐ Voice services

☐ Data services
APPENDIX III: RESEARCH QUESTIONNAIRE

Section I – Demographic Information

Please answer by ticking in the box corresponding to your answer [✓]

(A) Gender
- □ Male
- □ Female

(B) Age
- □ Below 25
- □ 25-35
- □ 36-45
- □ 45 and above

(C) Highest academic qualification
- □ College certificate
- □ College/University Diploma
- □ Bachelors Degree
- □ Masters Degree
- □ Secondary/Primary Education
- □ None
- □ Other (specify)........................................

Section II – Customer retention strategies of the mobile service provider

1. Type of connection with your major mobile telephone service provider.
- □ Prepaid
- □ Post paid

2. Experience with your major mobile services provider
- □ Less than 1 year
- □ 1-5 years
- □ More than 5 years

3. Generally, what is the degree of your satisfaction with the following:
i. Pricing strategy

☐ Excellent  ☐ Good  ☐ Satisfactory  ☐ Poor

ii. Service Recovery strategy

☐ Excellent  ☐ Good  ☐ Satisfactory  ☐ Poor

iii. Service Quality strategy

☐ Excellent  ☐ Good  ☐ Satisfactory  ☐ Poor

Section III: Satisfaction with customer care services

4. Please tick the appropriate box to indicate your degree of satisfaction with the services of your major mobile phone service provider.

Where: 1 = Excellent, 2 = Good, 3 = Satisfactory, 4 = Poor

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<tr>
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<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>RESPONSIVENESS: How do you rate the responsiveness of customer services representatives in dealing with you?</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>PROFESSIONALISM: How do you rate the professionalism of customer care representatives in dealing with you?</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>TECHNICAL SUPPORT: If you received any technical support, how do you rate the technical competence of our engineers and their response time?</td>
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<tr>
<td>SERVICE QUALITY: How do you rate the products</td>
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</tbody>
</table>
and services of your mobile phone service provider and do they meet your needs and expectations regarding quality and performance?

**SERVICE DELIVERY:** How do you rate the delivery of services and commitment to meet your expectations?

**COMPETITIVENESS:** How do you rate the competitiveness of your mobile phone operator’s products and do they represent best value for the cost charged?

**QUALITY:** How do you rate the approach to quality management to ensure complete customer satisfaction?

**OVERALL:** How do you rate your mobile phone service provider?

| 5. Overall, how would you rate the quality of customer service provided by the Customer Care Centers of your mobile service provider? |
| □ Excellent □ Good □ Satisfactory □ Poor |

| 6. How would you rate the speed at which your telephone calls to customer representatives are handled? |
| □ Excellent □ Good □ Satisfactory □ Poor |
7. Please rate these specific attributes related to the performance of the Consumer care representatives.

i. Ease of navigation in using the customer helpline

☐ Excellent ☐ Good ☐ Satisfactory ☐ Poor

ii. Ability to refer you to appropriate customer care representative for investigation of your complaints

☐ Excellent ☐ Good ☐ Satisfactory ☐ Poor

iii. Ability to provide you with the next steps in the process clearly and concisely

☐ Excellent ☐ Good ☐ Satisfactory ☐ Poor

8. If you acquired another mobile phone, how likely is it that you would choose your current provider for mobile services?

☐ Very likely ☐ Likely ☐ Unlikely ☐ Very Unlikely

9. If a competitive provider offers you the same range and quality of services as you currently receive, by how much should their prices be lower than those you are currently paying for you to change your current provider?

☐ 5% ☐ 10% ☐ 15% ☐ More than 15%

10. If your current service provider increases prices given the same range and quality of services, how much would they have to increase their prices for you to consider switching to a competitor?

☐ 5% ☐ 10% ☐ 15% ☐ More than 15%

11. Have you ever complained (either formally or informally) about mobile services you receive?

☐ Yes ☐ No

THANK YOU FOR YOUR COOPERATION. GOD BLESS YOU