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**FACTORS INFLUENCING CUSTOMER SERVICE LOYALTY
IN THE KENYAN MOBILE TELECOMMUNICATION
INDUSTRY**

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DECLARATION

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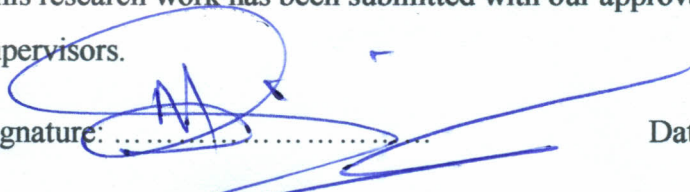
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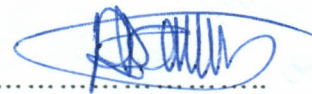
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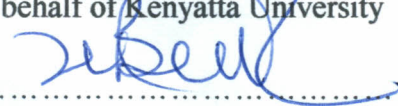
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DEDICATION

This study is dedicated to my mother, Edith Akosua Krobi Adjei for her motherly love and care.

I also want to thank my friends and family for their support and encouragement throughout this journey.

I would like to thank my supervisors, Mr. J.M. Kubi and Mr. K.D. Nana for their guidance and support throughout this study.

I also want to thank my family, especially my wife, for their support and love in my academic journey. Finally, I want to thank my parents, Centre for Quality Education, University of Cape Coast (UCC), Ghana for the opportunity given to me to pursue the Master of Business Administration (MBA) programme.

Finally, my profound gratitude is reserved to my parents, Mr. R. De-Monah, Mr. H. Agbor and all my siblings, Margaret, Elizabeth, Joseph, Josephine, Ann, Peter, Daisy and Rosemary. They will be forever remembered for their love and support throughout my academic journey. I also want to thank my friends, Mr. Y. Gyapong and Mr. A. Osei for their support and encouragement throughout this study.

I also want to thank the people who took the pain to read this study and gave out constructive comments. Last but not least, I am grateful for the response from lecturers and administrators from the various departments during the data collection. I appreciate the efforts of my research assistants, Mrs. K. Lee, Holly, Lucy and Doreen without their help it would have been difficult to collect the primary data. I also want to thank my studies from all my former colleagues of MBA class especially Jennifer and others.

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ABSTRACT

Customer loyalty as a concept is a crucial strategic decision in this competitive environment. It is therefore not astounding that practitioners and scholars have increased their study and understanding of the concept as a strategic marketing imperative over the past decades to capture market share. Indeed the theoretical perspective is that competitive pricing as well as company image and reputation, service quality and switching cost contribute to customer satisfaction and along a number of pathways drives customer loyalty. A few empirical studies have found these linkages to be factual. However, these factors differ in importance based on the cultural and environmental setting. The objective of the research aimed to identify and empirically analyse the factors that have impact on customer loyalty in the Kenyan mobile telecommunication service industry. Appropriate hypotheses were formulated out of the study's objectives, which were statistically tested. Secondary information, both theoretical and empirical from credible available literatures were retrieved and reviewed. The study adopted the descriptive survey study design with a multi-stage stratified sampling design. Questionnaires were used in primary data collection from students at Kenyatta University main campus and its satellite campuses. Data were analysed with descriptive statistics and parametric statistical tools such as Pearson product-movement correlation coefficient and regression analysis. A significant relationship was found between service quality and customer loyalty $r(313) = 0.47, p < 0.05$, between corporate image and reputation and customer loyalty $r(313) = 0.41, p < 0.05$, between pricing and customer loyalty $r(313) = 0.56, p < 0.05$. Switching cost on the other hand had a negative relationship $r(313) = -0.014$ but the relationship was not significant ($p > 0.05$). The mediating and the moderating variables were found to have influence on the degree to which the independents variables predict the dependent variable. The mediating variable influenced with an R^2 value of 9.6%. The moderating variable even though significantly ($p < 0.05$) influenced, the amount of influence was diminutive (R^2 difference after the introduction of the moderating variable was 0.5%). The SERVQUAL model explained a significant proportion of variance in customer loyalty scores, $R^2 = 0.306, F(4, 308) = 33.93, p < 0.05$. The dimensions in the model predicted different values on customer loyalty: Reliability $b = 0.19, t(313) = 2.89, p < 0.05$, Assurance $b = 0.25, t(313) = 3.50, p < 0.05$, Empathy $b = 0.35, t(313) = 4.90, p < 0.05$ and Reliability $b = 0.37, t(313) = 0.54, p > 0.05$. These findings hold implications for among others, industry operators to pay attention to their quality of service, pricing strategies and corporate image and reputation. Future researchers may replicate this study in other areas with different macro environmental settings. The dimensions of the SERVQUAL model may be examined in full in future research work. Other antecedents of loyalty may also be considered in future research work.

TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
ABSTRACT.....	v
TABLE OF CONTENTS.....	vi
ABBREVIATIONS AND MEANING.....	x
LIST OF TABLES.....	xi
LIST OF FIGURES.....	xiii
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the study.....	1
1.1.1 Customer Loyalty.....	3
1.1.2 Theoretical Models of Customer Loyalty.....	4
1.1.3 State of Theory and Research on Customer Loyalty.....	7
1.1.4 Mobile Telecommunication Industry Information.....	10
1.2 Statement of the Problem.....	14
1.3 Objectives of the Study.....	15
1.4 Significance of the Study.....	16
1.5 Scope of the Study.....	18
1.6 Chapter Organization.....	18
CHAPTER TWO: LITERATURE REVIEW.....	20
2.1 Introduction.....	20
2.2 Theoretical Review.....	20
2.2.1 The Kano Model.....	20
2.2.2 Expectations-Confirmation Theory (ECT).....	22
2.2.3 GAP model.....	24
2.2.4 Performance only model.....	27
2.2.5 Service quality, customer value and customer satisfaction model.....	29
2.3 Empirical Review.....	30
2.3.1 The Concept of Customer Loyalty.....	30
2.3.2 Service Quality.....	36
2.3.3 Customer Satisfaction.....	37
2.3.4 Corporate Image.....	39
2.3.5 Competitive Pricing.....	41
2.3.6 Switching Cost.....	43
2.4 Conceptual Framework.....	48
2.5 Hypotheses.....	50
CHAPTER THREE: RESEARCH METHODOLOGY.....	51
3.1 Introduction.....	51
3.2 Research Design.....	51
3.3 The Target Population.....	52
3.4 Sampling Design, Techniques and Size.....	52

3.5 Data Collection Techniques.....	54
3.5.1 Questionnaire.....	55
3.5.2 Preparation and Data Collection Procedures.....	55
3.6 Reliability and Validity.....	56
3.6.1 Internal Validity.....	57
3.6.2 External Validity.....	58
3.7 Measurement and Operationalisation of Variables and test of Hypothesis.....	59
3.8. Ethical Consideration.....	61
3.9 Methods of Data Analysis.....	62
3.10 Pilot Study.....	63

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION 64

4.1 Introduction.....	64
4.2 Test of Reliability.....	64
4.3 Demographic Characteristics of the Sample.....	65
4.3.1.1 Gender Distribution of the Sample.....	65
4.3.1.2 Age Distribution in the Sample.....	66
4.3.1.3 Respondent's Campus of study.....	67
4.3.1.4 Respondent's Preferred Network.....	67
4.3.1.5 Respondent's Reason for their Preferred Network.....	68
4.3.2 Service Quality.....	69
4.3.2.1 Reliability of Service Quality.....	70
4.3.2.2 Responsiveness of Service Quality.....	71
4.3.2.3 Assurance of Service Quality.....	72
4.3.2.4 Empathy of Service Quality.....	74
4.3.3 Competitive Pricing.....	76
4.3.4 Corporate Image and Reputation.....	78
4.3.5 Switching Cost.....	79
4.3.6 Customer Satisfaction.....	80
4.3.7 Customer Loyalty.....	81
4.3.8 Regulatory Body.....	83
4.3.9 Comparison of customer's preferred network and reasons for a choice of network.....	84
4.4 Testing of Hypotheses.....	86
4.4.1 Test of Hypothesis One and Two (H_1 , and H_2).....	86
4.4.2 Test of Hypotheses Three Four and Five (H_3 , H_4 , H_5).....	90
4.4.3 Test of Hypothesis Six (H_6).....	92
4.4.4 Test of Hypothesis Seven (H_7).....	98
4.5 Discussion.....	102

CHAPTER FIVE: SUMMARY, RECOMMENDATIONS AND

CONCLUSION.....	108
5.1 Introduction.....	108
5.2 Summary of Findings.....	108
5.2.1.1 Relationship between Service Quality and Customer loyalty in Mobile Telecommunication Service Industry in Kenya.....	109

5.2.1.2 Dimension of Service Quality and the degree to which they drive	109
Customer Loyalty	109
5.2.2 Relationship between Corporate Image and Customer Loyalty in Mobile Telecommunication Service Industry in Kenya	110
5.2.3 Relationship between service Pricing and Customer Loyalty in Mobile Telecommunication service industry in Kenya	110
5.2.4 Relationship between Switching Cost and Customer Loyalty in mobile ...	110
Telecommunication Service Industry in Kenya	110
5.2.5 Influence of the level of Customer Satisfaction on the relationship between the determinants of Customer Loyalty and the level of Customer loyalty .	110
5.2.6 Influence of the Regulatory Environment for mobile telephone service on the determinants of Customer loyalty and the level of Customer Loyalty .	111
5.3 Limitations of the study	111
5.4 Recommendation	112
5.4.1 Recommendation for Policy Makers	112
5.4.2 Recommendation for Industry Operators	112
5.4.3 Recommendation for further Research.....	113
5.5 Conclusion.....	114
 REFERENCES.....	 115
 Appendix i: Covering Letter.....	 121
Appendix ii: Research Questionnaire	122
Appendix iii: Determination of Sample Size.....	127

OPERATIONLISED DEFINITION OF TERMS

SERVPERF It is a performance based measure of service quality propounded by Croning and Taylor (1992).

SERVQUAL. It is a service quality model used in measuring service quality, propounded by Parasuraman et al., (1988).

Loyalty. A deeply held commitment to re buy or repurchase a preferred product/service consistently in the future, thereby causing repetitive, same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour (Oliver, 1999).

Switching Cost. It is the cost of changing services in terms of time, monetary value, and psychological factor (Li-Hua, et. al. 2011).

Corporate Image. It is the overall impression made on the minds of the public about a firm (Kotler, 2010).

3G Refers to the third generation of mobile telephony (that is, cellular) technology. The third generation, as the name suggests, follows two earlier generation

ABBREVIATIONS AND MEANING

CCEUCC	Centre for Continuing Education, University of Cape Coast
CCK	Communication Commission of Kenya
DEL	Direct Exchange Line
EDGE	Enhanced Data rates for Global Evolution
ETACS	Extended Total Access Communications System
GPRS	General Packet Radio Service
KPTC	Kenya Post and Telecommunication Company
KU	Kenyatta University
M	Mean
MBA	Master of Business Administration
NCS	National Communication Secretariat
SD	Standard Deviation
SPSS	Statistical Package for Social Science

LIST OF TABLES

Table 1.1 Mobile Telecommunication service providers in Kenya.....	13
Table 1.2 Mobile subscription per operator.....	13
Table 2.1 Summary of Literature Review.....	46
Table 3.1 Population Size.....	53
Table 3.2 Sample size.....	54
Table 3.3 Test of Hypothesis.....	60
Table 4.1 Gender of Respondents.....	65
Table 4.2 Descriptive Statistics of Reliability of Service Quality.....	70
Table 4.3 Descriptive Statistics of responsiveness of Service Quality.....	71
Table 4.4 Descriptive Statistics of Assurance of service Quality.....	73
Table 4.5 Descriptive Statistics of Empathy to Service Quality.....	74
Table 4.6 Descriptive statistics of Service Quality.....	75
Table 4.7 Descriptive Statistics on Competitive Pricing.....	77
Table 4.8 Descriptive Statistics for Corporate Image and Reputation.....	78
Table 4.9 Descriptive Statistics for Switching cost.....	79
Table 4.10 Descriptive Statistics of Customer Satisfaction.....	80
Table 4.11 Descriptive Statistics of Customer Loyalty.....	82
Table 4.12 Descriptive Statistics of Regulatory body.....	83
Table 4.13 Responses on Regulatory Body.....	83
Table 4.14 Comparison of Networks and Customers Reason a choice.....	84
Table 4.15 Descriptive Statistics of the various variables.....	86
Table 4.16 Correlation between Service Quality and Customer Loyalty.....	87
Table 4.17 Regression Model Summary for Reliability, Responsiveness, Assurance and Empathy of Service Quality.....	88
Table 4.18 Regression Coefficient for Reliability, Responsiveness, Assurance, and Empathy of Service Quality.....	89
Table 4.19 Correlation coefficient between Complete Pricing, Corporate Image, Switching Cost and Customer Loyalty.....	91
Table 4.20 Regression Model Summary for Independents and Dependent Variable.....	93
Table 4.21 Regression Coefficient for Independents and Dependent Variable.....	93
Table 4.22 Regression Model Summary for Mediating and Dependent Variable.....	94
Table 4.23 Regression Coefficients for Mediating and Dependent Variable.....	95
Table 4.24 Regression Model Summary for Independents, Mediating and Dependent Variables.....	95
Table 4.25 Regression Coefficients for Independents, Mediating and Dependent Variables.....	96
Table 4.26 Summary of Regression Analysis when Mediating Variable was introduced.....	97
Table 4.27 Regression Model Summary for Moderating and Dependent Variable.....	98

Table 4.28 Regression Coefficients for Moderating and Dependent Variable.....	99
Table 4.29 Regression Model Summary for Independents, Moderating and Dependents Variable.....	99
Table 4.30 Regression Coefficients for Independents, Moderating and Dependents variable.....	100
Table 4.31 Summary of Regression Analysis when Moderating Variable was introduced.....	100
Table 4.32 Summarised Findings of Hypotheses tested in the Study.....	101

LIST OF FIGURES

Figure 1.1	Trend in market share per operator.....	14
Figure 2.1	Kano customer satisfaction model.....	22
Figure 2.2	Expectation – confirmation model.....	23
Figure 2.3	SERVQUAL Model.....	25
Figure 2.4	SERVQUAL Model Modified.....	26
Figure 2.5	SERFPERF Model.....	29
Figure 2.6	Relative Importance of Business attributes influencing customer loyalty.....	34
Figure 2.7	Satisfaction – Loyalty link related to market competition and Customer Loyalty.....	44
Figure 2.8	Conceptual Framework.....	48
Figure 4.1	Genders of Respondents.....	66
Figure 4.2	Ages of Respondents.....	66
Figure 4.3	Respondents Campus of Study.....	67
Figure 4.4	Respondents' Preferred Network.....	68
Figure 4.5	Respondents' reasons for Choosing a Network.....	69
Figure 4.6	Reliability of Service Quality.....	70
Figure 4.7	Responsiveness of Service Quality.....	72
Figure 4.8	Assurance of Service Quality.....	73
Figure 4.9	Empathy of Service Quality.....	74
Figure 4.10	Service Quality.....	76
Figure 4.11	Competitive Pricing.....	77
Figure 4.12	Corporate Images and Reputation.....	78
Figure 4.13	Switching cost.....	80
Figure 4.14	Customer Satisfaction.....	81
Figure 4.15	Customer Loyalty.....	82

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Customer loyalty is an aspect of consumer behaviour. Organizations are focusing on this area due to the growing concerns for building long-term relationships with customers. Building long-term relationships with customers has become a critical strategy for most telecommunication institutions in today's highly competitive global markets. The telecommunication industry must develop profitable, long-term relationships with its customers in order to survive in the competitive telecommunication environment. Deregulation and the emergence of new technology in the telecommunication service industry have had an impact on the behaviour of consumers of telecommunication services (Kenhove, 2003).

East, Wright, and Vanhuele (2009) postulated that consumer behaviour studies concerns with when, why, how, and where people do or do not buy a product. It refers to the behaviour that customers exhibit in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs. It blends elements from psychology, sociology, social anthropology and economics it attempts to understand the buyer decision-making process, both individually and in groups. It studies characteristics of individual consumers such as demographics and behavioural variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general. Study on consumer behaviour is base on consumer buying behaviour, with the customer playing the

three distinct roles of buyer, payer and user. According to Kotler and Armstrong (2010), consumers make many buying decisions every day, and the buying decision is the focal point of the marketer's effort. Most large companies research consumer buying decision in great detail to answer questions about what consumers buy, where they buy, how and how much they buy, when they buy, and why. They pointed out that learning about the whys of consumer buying behaviour is not so easy since answers to it are often locked deep within the consumer's mind. The repeated buying leads to customer loyalty.

According to Baker (2007), for the vast majority of consumers, including many older consumers, the cell phone is an indispensable tool of modern life. With a cell phone, consumers have more freedom and flexibility to stay connected with family and friends, conduct business and coordinate their increasingly busy schedules. Moreover, a cell phone is a safety device in the event of an emergency. It empowers people with a sense of security and confidence that help is always nearby. Given the essential role of wireless phone service in today's society consumers need and deserve a marketplace that offers a choice of high quality service at stable, reasonable prices. They need and deserve a marketplace that spurs innovation and functions without fraud, deception, and unfair business practices.

It is often claimed that the consumer is king but this may exaggerated the flexibility of action that consumers have. To be free consumers should be able to choose from more options without pressure and be able to reject all options if they are unattractive (East et al., 2009). They also pointed out that many consumer

choices are controlled by the environment rather than by reflective thought of the consumer, and this casts doubt on the freedom of action of consumers.

1.1.1 Customer Loyalty

Customer loyalty has been identified in the marketing literature to be a competitive, growth and survival tool for many companies, especially in the highly globalised, industrialised and competitive markets. According to Oliver (1999) customer loyalty refers to a deeply held commitment to rebuy or repurchase a preferred product/service consistently in the future, thereby causing repetitive, same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour. Generally, it is agreed upon that growth and survival of companies depend on how loyal their customers are in almost all industries (Boahene and Agyepong, 2011). Loyal customers often will, over time, bring in substantial revenues and demand less time and attention from the firms they patronize. Many customers are inclined to forgive customer-service mishaps, display decreasing sensitivity to price, and disseminate positive word-of-mouth about the business to others. As a result, customer loyalty can be a major source of sustained growth and profit and a strong asset (Yang and Peterson, 2004).

As a result, managers seek to improve organizational effectiveness by identifying organizational metrics that contribute to long-term success in ensuring customer loyalty (Deshpande and Farley, 1999). However, not all of these strategies have proved successful, and one reason for this may be insufficient marketing support (Lin et al., 2006). The marketing concept stipulates that in order to achieve

sustained success, organizations should identify and satisfy customer needs and wants more effectively than their competitors (Day, 1994). This may be much more compelling for services than it is for tangible products.

Service marketing is different to goods marketing, and is usually more complex to manage. In service industries, the distinctive features of services (intangibility, inseparability, perishability and heterogeneity) require understanding and satisfying customer needs and expectations, creating, communicating and delivering customer value, and keeping promises (Aksoy, Atilgan, and Akinci, 2003). This is particularly true in the case of mobile telecommunication services. This service is intangible due to the fact that customers have limited access to any benefits until the time they communicate. Inseparability means that telecommunication services cannot be separated from their providers. Heterogeneity is also prevalent as the standards of mobile telecommunication vary greatly, as do the multitude of variables that influence the demand for mobile telecommunication products. In this sense, while price is an important determinant in purchasing and postpurchasing processes, the central role of price is especially well recognized as an important variable in services with complex pricing structures rather than tangible products (Matzler, Wurtele, and Renzl, 2006).

1.1.2 Theoretical Models of Customer Loyalty

A number of theoretical models have been postulated in marketing to offer explanation on the process leading to customer satisfaction and subsequently customer loyalty. Most of these however draw from the area of marketing of

services and are considered suitable for informing research in customer service loyalty studies. The most prominent of these models are Kano model, Gab (SERVQUAL) model, performance only (SERPERF) model, and confirmation and disconfirmation models. They each have their strengths, and weaknesses. In the end, though the core definition is simple and consistent.

Some scholars offer relevant evaluation on these models justifying their value and utilization in marketing research. Galloway (2009) stated that research into service quality, in particular, has generated a bewildering variety of means of measuring and modeling the perceptions and behaviour of customers. Proposals and mechanisms are often seen as contradictory, suggesting a high level of complexity. According to Kotler and Armstrong (2010), a service firm can differentiate itself by delivering constantly higher quality than its competitors provide. In the words of the authors, service quality is harder to define and judge than product quality.

The first of these models as presented by Parasuraman (1988) is the Gap (SERVQUAL) model. It was originally measured using 10 aspects of service quality, reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer and tangibles. It measures the gap between customer expectations and experience. By the early nineties the authors had refined the model to the useful acronym RATER: reliability, assurance, tangibles, empathy and responsiveness. Service quality refers to customers thinking that they are getting better service than expected. This is referred to as the perception gap. That is, the gap between what the customer

expects and what they think they got. It is worth noting that both sides of the gap are in the customer's mind. A company may actually deliver better service than its competitors may, but if the customer thinks that the company's service is worse, then that is all that matters. Because the perception gap is based on the difference between what a customer expects to receive from a service and what they think they received both sides of the gap are "soft" – they are based on customer impressions rather than a "hard" definable quality. This means the perception gap is difficult to measure, difficult to manage and is likely to change with time and experience. Nevertheless, it is vital to business success (Parasuraman, 1988).

Secondly, two models are presented in respect to satisfaction, confirmation and disconfirmation models known as the Expectation – Confirmation Theory. East et al. (2009) asserted that the early thinking about satisfaction treated it as meeting consumer expectations, which is either contentment or discontent, which is termed 'the confirmation model' of consumer satisfaction. Large deviations from expectation will affect perception and change the adaptation level (Helson, 1964 as cited in East et al. 2009). Goods and services may disconfirm expectation by either exceeding it and giving satisfaction, or by falling short of expectation and causing dissatisfaction. This brings into view the disconfirmation model of consumer satisfaction. In a competitive market, service providers are expected to compete on both price and quality of services and it is necessary for the service providers to meet the consumers' requirements and expectations in price and service quality (Melody, 2001 as cited in Rahman et al 2010).

It is worth noting that there are similarities in almost all models on customer satisfaction, service quality and customer loyalty. Elements such as service quality (reliability, assurance, tangibles, empathy and responsiveness), service pricing, corporate image, almost run through in all the models. These elements are going to be the subjects for investigation in this study.

1.1.3 State of Theory and Research on Customer Loyalty

Service loyalty is a fundamental concept in strategic marketing. It is generally recognized as a plus, the rationale being that it increases pricing flexibility. There may be some debate over the extent of the phenomenon, but the consensus is clear that loyalty is a concept of major importance (Islam, 2010). Given this, it is not surprising that a lot of consumer behavior literature is concerned with the sources of loyalty and the mechanisms through which it comes about (Yen, 2010). Similarly, there is a market level literature on how a firm, primarily through advertising, can foster customer loyalty (Day, 1994). Yet, at the market level, the cornerstone in this knowledge is missing among marketing practitioners and marketers (Kuusic, 2007). Scholars in particular raise several conceptual concerns: How can a firm exploit customer loyalty once it has it? and what amount to customer loyalty. These questions are not answered in literature. It will therefore be intriguing to ascertain and analyse the factors influencing the customer's loyalty to a particular mobile phone service provider.

Some past studies have indicated that consumers quite frequently regarded products as unsatisfactory. 15 – 25% of customers were found to be dissatisfied in the USA, similar figures were found in Norway and 17% of customers were

neutral or dissatisfied (Anderson, 1988; Peterson and Wilson, 1992 as cited in East et al 2009). However according to East et. al. (2009), improvements in design and computer-controlled manufacturing have raised quality and it is likely that satisfaction rating have risen for goods and concluded that it is more difficult to ensure high service quality.

Other studies indicate that customer satisfaction is closely linked to many relationship marketing dimensions and other marketing instruments, such as customer loyalty, relational benefits or confidence, and price or distribution, respectively (Huber et al., 2001). However, factors such as price fairness or price acceptance have not received the degree of empirical attention paid to other antecedents and consequences of satisfaction. If the central role of pricing in consumer behaviour as well as cost effectiveness is considered as one of the criteria that customers rank as being particularly important when selecting a good or service, the fact that the price has received little attention when analyzing customer satisfaction is astonishing. Consequently, in order to understand the relationship between satisfaction, loyalty and price, an empirical study needs to be conducted.

These conceptual issues assessed in the context of the telecommunication sector in Kenya raise practical implications due to the significance of this sector. This sector has been rated as the fastest growing sector keeping appropriate pace with global advancements, especially the mobile telecommunication market. This development has become a catalyst for the growth of the nation's commercial and industrial sectors. This telecommunication sector contributed much to the nation's

economic growth and development, which is consistent with the National Vision 2030. For instance, the nation accrued, according to CCK (2011), Kshs 48 billion at the end of June 2011 as the total amount of deposits made through mobile money transfer. Mobile phone becoming the main gateway for communication, money transfer, information, and commerce in Kenya. The growth rate in the use of telecommunication facilities has increased dramatically, especially in the rank of increasing number of telephone subscribers (CCK Report, 2010). According to the Communications Commission of Kenya (CCK) 4th Quarter Sector Statistical Report, Kenya had 25.27 million subscribers as at June 30, 2011, representing 64% of the total population. However, it seems little empirical study have been conducted in the sector to ascertain how the growth can be sustained through loyalty (CCK, 2011).

In view of this evaluated state of the art in the relevant theory on customer loyalty, it is observable that a number of areas call for further explanation. For example, most of these models have been developed and experimented in western economies with distinct macro economic conditions likely to produce consumer behavioral patterns from those prevailing in most developing country market conditions (Kuusik, 2007; Consuegra, 2007). Secondly, the models generalise across industries and brands leaving a relatively wide room for possible dilemmas for practicing marketers in diverse macroeconomic settings (Wernerfelt, 1991; Islam, 2010). The vast range of products and service brands arising due to innovation by many firms will yet present complex scenarios that may question the extent to which these models may apply in explaining buyer behaviour. With

the rapid adoption of the mobile communication technology in developing countries, research will be required to demonstrate how the existing models may explain the phenomenon experienced in this industry. Specifically, research is needed to demonstrate the relationship between the basic set of factors in the models likely to influence customer loyalty and the level of customer loyalty. In addition the influence of the level of customer satisfaction and the context in which consumers do the purchase needs investigation.

1.1.4 Mobile Telecommunication Industry Information

According to Tyler et al. (1994), Kenya's earliest telecommunications connections to the outside world were the submarine cables linking Zanzibar, Mombasa, and Dar es Salaam laid by the Eastern and South African Telegraph Company in 1888. Internally, the construction of a telegraph network began with a 200-mile coastal line linking the port city of Mombasa with Lamu. In 1908, the public telephone network began service in Nairobi, the capital, and in Mombasa. 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. DELs rose from 69,996 at the end of 1979 to 95,000 at the end of 1983. Growth in the sector continued until mobile telecommunication emerged. CCK (2010) postulated that as of December 2010, the number of main fixed lines declined to 243,656 from 247,654. This represents a 1.6 per cent decline and 1.5 per cent decline in the same period of the previous year.

There are four main operators in the mobile telecommunication service industry in Kenya. They include Orange Kenya, operators of orange network; Essar

Telcom, operators of YU network; Bharti Airtel, operators of Airtel network; and Safaricom Ltd, operators of safaricom network.

Telkom/Orange started with fixed mobile operator. From 1948 to 1977, postal service in Kenya, Tanzania and Uganda was provided by the East African Posts and Telecommunications Corporation. The dissolution of the first East African Community since that era forced Kenya to establish its own monopoly communications company, KPTC. It was privatized in 2007. Government then sold shares to French operator Orange. The company operates and maintains the infrastructure over which Kenya's various internet service providers. As of June 2011, the company holds a market share of 10.8% with a subscriber base of 2,729,016 (CCK, 2011).

Safaricom launched its operation in 1993 based on an analogue ETACS network and was upgraded to GSM in 1996. Safaricom is the leading telecommunications company operating in Kenya, which provides a host of products and services for Telephony, GPRS, 3G, EDGE, Data and Fax. It holds 68.6% market share and 17,353,186 subscribers as of September 2010 (CCK Quarterly Report, June 2011). In May 2000, Vodafone group Plc of the United Kingdom, acquired a 40% stake and management responsibility for the company.

Airtel Kenya launched operations in 2000 under the name of Kencell, it was sold to Celtel International in 2005 and in 2008, and it was rebranded to Zain and now Airtel. As of September 2010, they control 14.3% market share with a subscriber base of 3,614,619 (CCK, 2011).

Econet Wireless Kenya Ltd. operates as a subsidiary of Econet Wireless International. Econet wireless Kenya won the fourth license in 2004 and launched operation in 2008. It controls 6.3% market share and 1,582,947 subscribers as September 2010 (CCK, 2010).

Kenya's communications market began full liberalization in 1999, when policy and regulatory functions were de-linked from mainstream operation. As a result, the Communications Commission of Kenya (CCK, 2010), an independent regulatory authority, and the National Communications Secretariat (NCS), a policy advisory arm were created. The Commission is financially and administratively independent, transparent in its processes and protects the rights of both operators and consumers. This is meant to ensure that operators make reasonable return on their investment while giving customers value for money. The Commission is funded through annual licence fees and spectrum management fees. The Commission issues two main categories of operating licences: facility based network operator licences (i.e. major licences) and non-facility based service provider licences (i.e. minor licences) (CCK, 2010).

The following tables and figure give an overview of the Kenyan mobile operators. Each offers similar technology and coverage to a similar primarily prepaid customer profile. Table 1.1 gives a summary of the operators and Table 1.2 gives subscription per operator. Figure 1.1 presents trends in market share per operator.

Table 1.1 Mobile Telecommunication Service Providers in Kenya

ITEM	SAFARICOM	AIRTEL	ORANGE	ESSAR TELECOM	TOTAL
Ownership	Ownership Government of Kenya (60%) Vodafone Kenya Limited (40%)	Celtel-International (80%) Sameer Group Kenya (20%)	Telkom Kenya (France Telekom 51%, Kenyan Govt. 49%)	Essar group 80%, Local Share Holders 20%	
Market share	68.6 %	14.3%	10.8%	6.3%	100%
Subscriber Base	17,353,186 as at June 2011	3,614,619	2,729,016 as at June. 2011	1,582,947 as at June. 2011	
Technology	GSM 900 and GSM 1800: 1996, GPRS: July 2004, 3G Full Licence: November 2007	GSM 900: August 2000, GPRS: December 2005	GSM	GSM 900/1800	

Source: Compiled from CCK Quarterly Report 2011

Table 1.2 Mobile Subscriptions per Operator

Name of operator	June-11	Mar-11	Dec-10	Sep-10	Net additions over Mar-11 (3mths)	Net additions over Dec-10 (6mths)	Net additions over Sep-10 (9mths)	Annual net additions (12mths)
Safaricom	17,353,186	17,205,123	17,451,325	16,714,548	148,063	-98,139	638,638	1,112,617
Airtel	3,614,619	3,817,589	3,792,404	2,977,696	-202,970	-177,785	636,923	1,780,276
Essar Telecom	1,582,947	1,584,501	1,591,700	1,465,832	-1,5540	-8,753	117,115	90,849
Telkom Orange	2,729,016	2,613,489	2,133,462	875,592	115,527	595,554	1,853,424	2,176,722
Total	25,279,768	25,220,702	24,968,891	22,033,668	59,066	310,877	3,246,100	5,160,464

Source: CCK (2011)

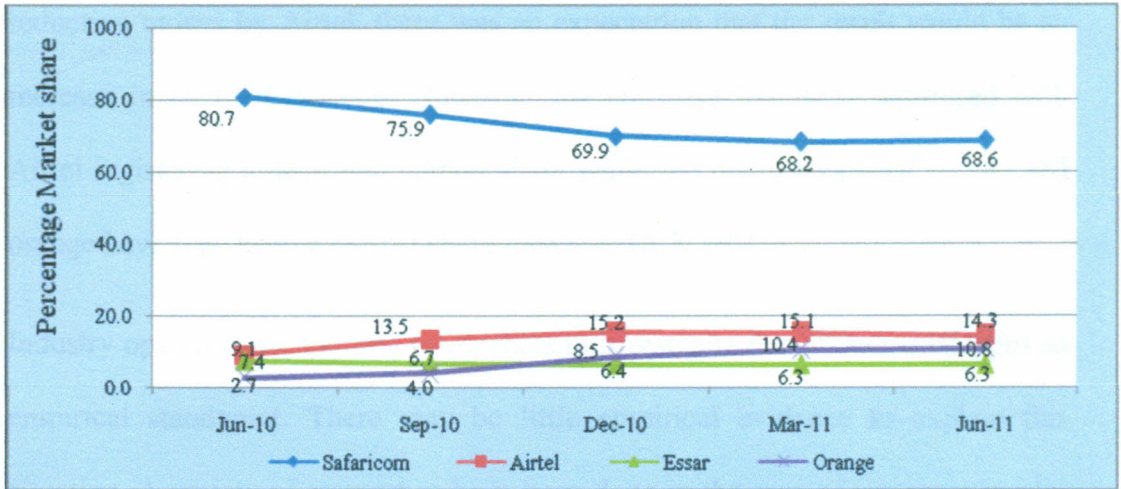


Figure1.1 Trend in market share per operator
Source: CCK (2011)

1.2 Statement of the Problem

Customer service loyalty is a strategic tool in service industries especially in this competitive world. Competition in the mobile phone service industry has been tense all over the globe of which Kenya is no exception. Every firm in the industry has not relented in its effort in making its products and services known to the general public. All forms of promotional campaign messages are over the airwaves and billboards. Value added services for example the use of mobile phone to carry out financial transaction (M-Pesa for safaricom, orange money for Orange network, ZAP for Airtel and Y cash for econnet). According to CCK (2011), there were 17.3 million registered mobile money transfer subscribers in the country at the end of June 2011. All these services have been employed with the view that consumer loyalty can be sustained.

Recent strategic moves by the mobile phone service providers in Kenya have produced market results that have surprised managers and scholars. With price

reduction moves by Airtel, there was an expectation that the result would be an increase in its market share. However, the converse has been witnessed with Airtel registering a declining market share while the major rivals, safaricom and orange have registered a market share increase (CCK, 2011)

Industry operators are inviting researchers to investigate this phenomenal from an empirical standpoint. There may be little empirical evidence to explain this situation. A variety of researches have been done in the area of customer loyalty in developed countries (Kuusik, 2007; Wernerfelt 1991; Islam, 2010; Consuegra, 2007), however none has come out clear to explain the phenomenon of this concept in relation to the models of customer loyalty. Here in Africa, studies that have been conducted on consumer behaviour (Boahene and Agyapong, 2011; Nukpezah and Nyumoy, 2009; Omotayo and Abiodun, 2001), however, it appears that scanty empirical studies have focused on the factors affecting consumer loyalty especially in the area of mobile telecommunication. In order to close this research gap in the literature, this study will identify and empirically analyse the factors that influence customer loyalty in the Kenyan mobile phone service industry. This research work would be unique since it will contribute to existing literature in the area of consumer loyalty from the Kenyan perspective.

1.3 Objectives of the Study

The general objective of the research aimed to identify and empirically analyse the factors that influence customer loyalty in the Kenyan mobile phone service industry.

Specifically, the research sought to:

1. Determine the relationship between service quality and customer loyalty in mobile telecommunication service industry in Kenya.
2. Determine how the dimensions of service quality namely reliability, responsiveness, assurance and empathy vary in the degree to which they drive customer loyalty.
3. Identify the relationship between corporate image on customer loyalty in mobile telecommunication service industry in Kenya.
4. Determine the relationship between service pricing and customer loyalty in mobile telecommunication service industry in Kenya.
5. Identify the relationship between switching cost and customer loyalty in mobile telecommunication service industry in Kenya.
6. To assess the influence of the level of customer satisfaction on the relationship between the determinants of customer loyalty and the level of customer loyalty
7. To assess the influence of the regulatory environment for mobile telephone service on the determinants of customer loyalty and the level of customer loyalty

1.4 Significance of the Study

This study is valuable in several ways. First, it adds to literature; the study of consumer service loyalty, specifically the behaviour of consumers in choosing

brands in the mobile service industry in Kenya. Little is known about consumer loyalty in the mobile phone service industry in Kenya. Most available literatures are studies done in Europe, Asia and USA and other parts of the world. This study therefore adds to knowledge, the Kenyan perspective.

Second, the research will help consumers to form insight into their own consumption related decisions: what they buy, why they buy and what influences them to select a particular brand.

Third, the study will also be beneficial to regulatory bodies, for example CCK. The findings from the study may be useful for regulatory bodies when setting and revising policies related to consumers and mobile phone service operators.

Fourth, this study presented a more comprehensive review of literature and analysis of past studies on consumer loyalty. Such a review is important because it examines the effects that consumer loyalty has on sales, which undoubtedly is a significant ingredient for an organisation's survival.

Fifth, the findings and conclusion of the study will be useful to the operators in the industry. Antecedents of loyalty was clearly spelt out with their relationship and level of influence on loyalty. This is beneficial to the operators in planning and strategising their marketing programmes.

Further, the findings and conclusions of the study are beneficial to researchers and those in the academic fraternity to gain insight on areas of further study.

1.5 Scope of the Study

The service sector comprises of banking, telecommunication, insurance, health, hospitality/tourism, airlines etc. For the purpose of this study, the mobile phone service sub sector was the focus. This is because it is believed that in this sub-sector, all types of consumers are at play; minors, students, aged as well as industrial consumers.

Geographical coverage of this study was limited to Kenyatta University campuses, which is the second largest University in Kenya with eight campuses spread over the country. The choice of Kenyatta University as the research study population was guided by the availability of necessary population suitable for the study. The study is also limited to sampled university students in six out of the eight campuses in the country.

1.6 Chapter Organization

The research project involved five chapters: chapter one dealt with the introductory background of the study, customer loyalty, theory of customer loyalty, state of theory and research on customer loyalty, statement of the research problems, significance/relevance of the study, general and specific objectives, scope of the study, limitations of the study, industry information and chapter organisations. Chapter two reviewed the existing literature both theoretical and empirical relevant to the study. The conceptual framework for this study was also presented. It also looked at the research hypotheses set for the study. Chapter three described the research methodology- the research study area, the research study population, the research design, instrument used in data collection, the

administration of the instrument and procedure followed in data collection. It also described the method used for data collection and analysis and test of hypothesis. Chapter four presented the results of data analysis and discussion. The last chapter comprised of the summary, recommendation and conclusion.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature concerning the theoretical and empirical evidence on customers' loyalty, the concept of consumer loyalty, service quality, customer satisfaction, corporate image, competitive pricing and switching cost.

2.2 Theoretical Review

Five main models are discussed in respect to customer loyalty, satisfaction and service quality.

2.2.1 The Kano Model

The Kano Model of consumer satisfaction classifies product attributes based on how they are perceived by customers and their effect on customer satisfaction. These classifications are useful for guiding design decisions in that they indicate when good is good enough, and when more is better. It is classified as threshold or basic attribute, performance attribute, excitement attribute and indifferent attributes.

Threshold (or basic) attributes are the expected attributes or "musts" of a product, and do not provide an opportunity for product differentiation. Increasing the performance of these attributes provides diminishing returns in terms of customer satisfaction, however the absence or poor performance of these attributes results in extreme customer dissatisfaction (Kano, et al. 1984).

Performance attributes are those for which more is generally better, and will improve customer satisfaction. Conversely, an absent or weak performance attribute reduces customer satisfaction. Out of the needs that customers verbalise, most will fall into the category of performance attributes (Kano, et al. 1984). These attributes will form the weighted needs against which product concepts will be evaluated. The price for which customer is willing to pay for a product is closely tied to performance attributes (Kano et. al. 1984). For example, customers would be willing to pay more for a car that provides them with better fuel economy.

Exciter or delighter attributes represent characteristics the customer was not expecting but receive as a bonus. Unlike performance attributes they do not affect customer satisfaction when they are discontinued from a product or service (Kano et. al. 1984). An example would be the discontinuation of extra planes and train s during the holiday season which are discontinued at the end of the holiday season. The challenge is that some exciter/delighter attributes can become threshold attributes. An example is a dealership that always washes the customer car after servicing. At first it as a exciter/lighter but over time becomes an exciter.

The indifferent attributes do not affect customer satisfaction. They may include such items as the company logo on their stationery or the socks worn by company personnel.

The strength of the Kano model is that it identifies that some aspects of service are simply required to be "in the game" whereas others serve to genuinely provide

competitive advantage and that there are diminishing returns to be gained from simply focusing on must-be qualities. The information obtained from the Kano Model analysis, specifically regarding performance and excitement attributes, provides valuable input for the satisfaction level of customers. However Kano does not provide diagnostic tools to identify or measure the different aspects, nor does it suggest how they change with time or environment.

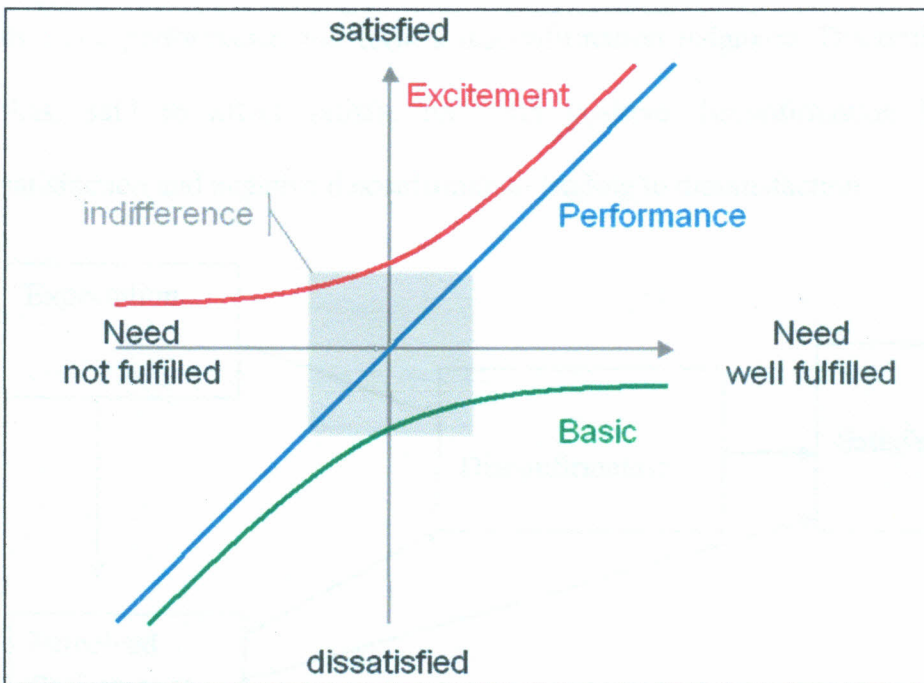


Figure 2.1 Kano customer satisfaction model

Source: Adopted from Kano (1984)

2.2.2 Expectations-confirmation theory (ECT)

Expectations-confirmation theory (ECT) posits that expectations, coupled with perceived performance, lead to post-purchase satisfaction. This effect is mediated through positive or negative disconfirmation between expectations and performance. If a product outperforms expectations (positive disconfirmation)

post-purchase satisfaction will result. If a product falls short of expectations (negative disconfirmation) the consumer is likely to be dissatisfied (Oliver, 1980).

The four main constructs in the model are expectations, performance, disconfirmation, and satisfaction. Expectations reflect anticipated behaviour. They are predictive, indicating expected product attributes at some point in the future. Expectations serve as the comparison standard in ECT – what consumers use to evaluate performance and form a disconfirmation judgment. Disconfirmation is thus, said to affect satisfaction, with positive disconfirmation leading to satisfaction and negative disconfirmation leading to dissatisfaction.

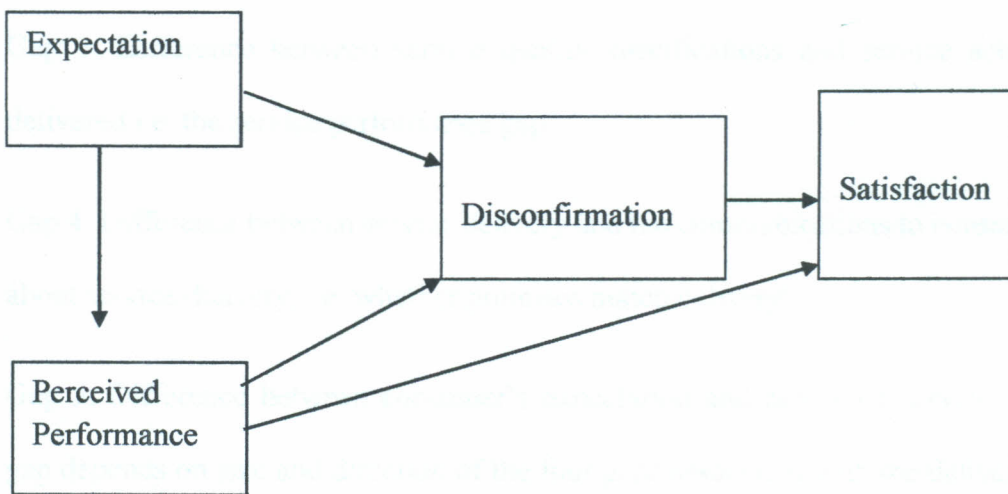


Figure 2.2 Expectations-Confirmation Theory (ECT)

Source: Adopted from Sorebo et. al. (2005)

A major debate within the marketing literature concerns the nature of the effect of disconfirmation on satisfaction. The root of the problem lies in the definition of predictive expectations as the comparison standard for perceived performance (Oliver, 1980). In such case, the confirmation of negative expectations is not likely to lead to satisfaction.

2.2.3 GAP model

Parasuraman et al. (1985) proposed that service quality is a function of the differences between expectation and performance along the quality dimensions. They developed a service quality model based on gap analysis. The various gaps visualized in the model are:

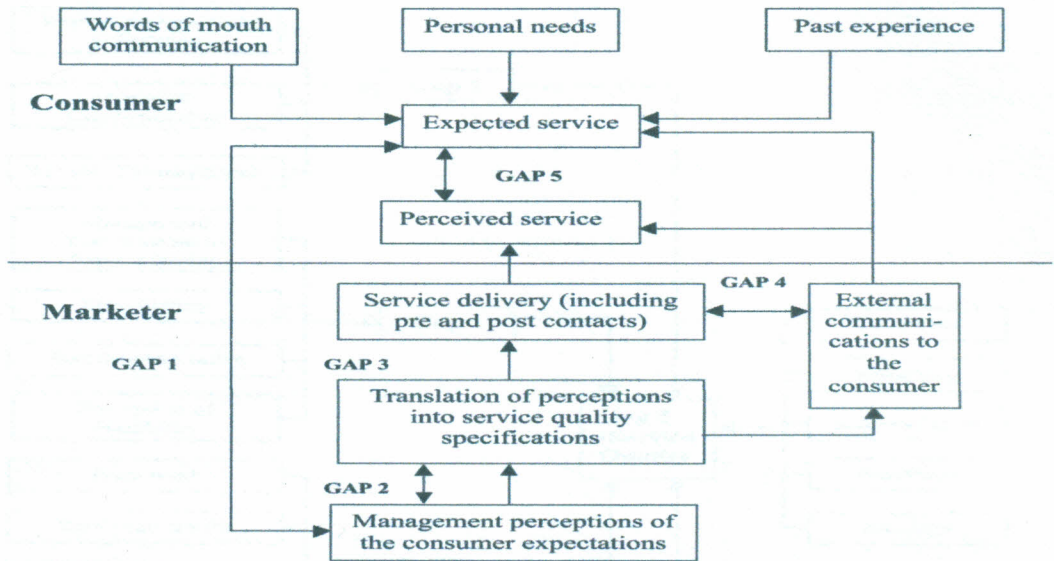
Gap 1: Difference between consumers' expectation and management's perceptions of those expectations, i.e. not knowing what consumers expect.

Gap 2: Difference between management's perceptions of consumer's expectations and service quality specifications, i.e. improper service-quality standards.

Gap 3: Difference between service quality specifications and service actually delivered i.e. the service performance gap.

Gap 4: Difference between service delivery and the communications to consumers about service delivery, i.e. whether promises match delivery?

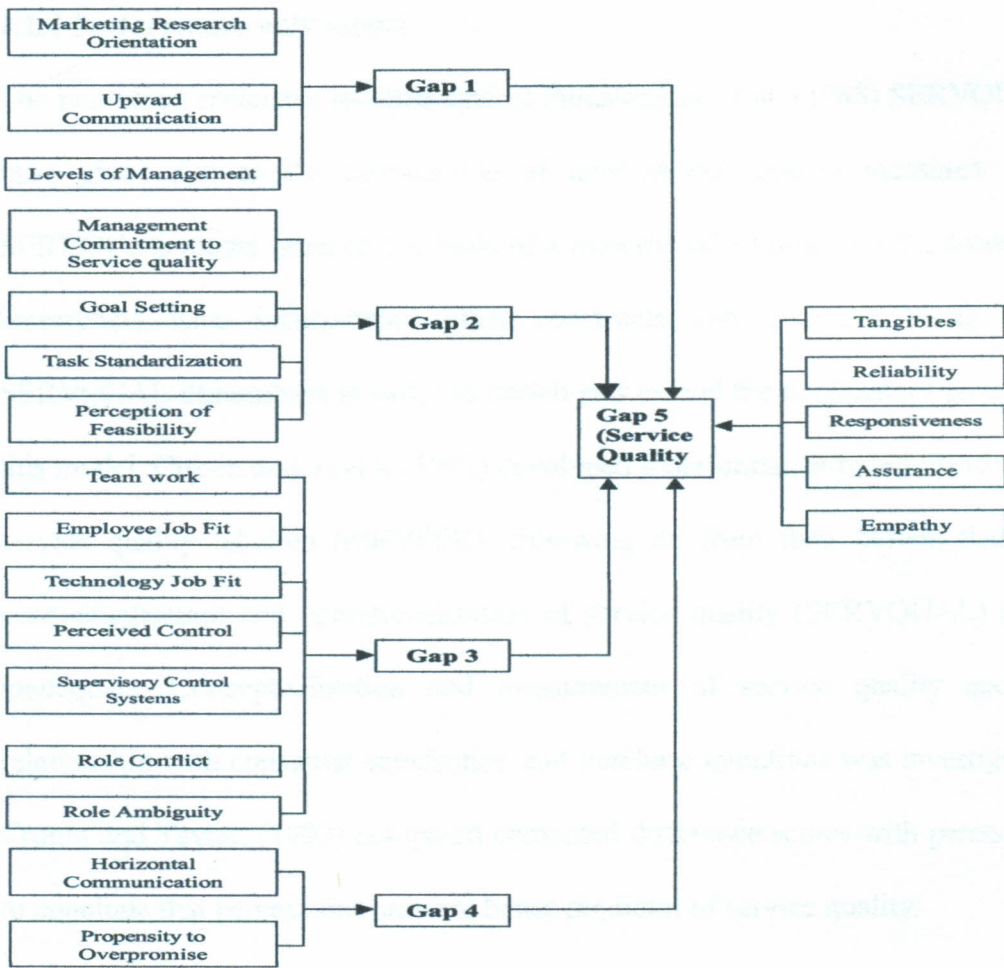
Gap 5: Difference between consumer's expectation and perceived service. This gap depends on size and direction of the four gaps associated with the delivery of service quality on the marketer's side.



Source: Parasuraman *et al.* (1985)

Figure 2.3 SERVQUAL Model

This was refined with their subsequent scale named SERVQUAL for measuring customers' perceptions of service quality (Parasuraman *et al.*, 1988). At this point the original ten dimensions of service quality collapsed in to five dimensions: reliability, responsiveness, tangibles, assurance (communication, competence, credibility, courtesy, and security) and empathy which capture access and understanding/knowing the customers. Later SERVQUAL was revised in 1991 by replacing "should" word by "would" and in 1994 by reducing the total number of items to 21, but five dimensional structure remaining the same. In addition to this empirical research, the authors characterized and further delineated the four gaps identified in their research of 1985. This led to extended service quality model. Parasuraman's study contributed to the three marketing mix of service being physical evidence; process and people.



Source: Zeithaml *et al.* (1988)

Figure 2.4 SERVQUAL Model Modified

While the SERVQUAL instrument has been widely used, it has been subject to criticism (Ling, 2000). Criticisms include the use of difference scores, dimensionality, applicability and the lack of validity of the model, especially with respect to the dependence or independence of the five main variables. Another criticism is the point that SERVQUAL focuses on the service delivery process and does not address the service encounter outcomes.

2.2.4 Performance only model

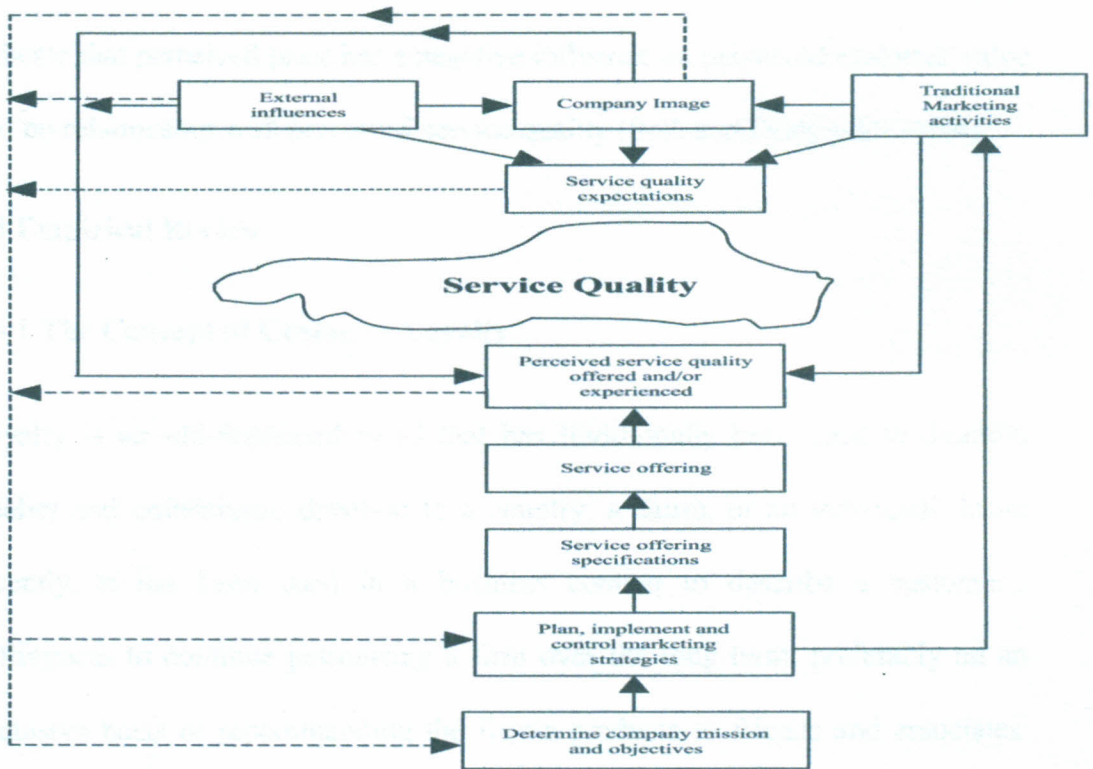
The numerous criticisms levelled against Parasuraman et al. (1988) SERVQUAL have given rise to the introduction of new service quality measures. The SERVQUAL model remains the basis of a majority of all other works, however, researchers have incorporated other constructs and measures along with SERVQUAL dimensions in order to enrich and extend the explanatory power of this model. Cronin and Taylor (1992) developed a performance-based measure of service quality labelled SERVPERF following on from their beliefs that the conceptualisation and operationalisation of service quality (SERVQUAL) were inadequate. Conceptualization and measurement of service quality and its relationship with consumer satisfaction and purchase intentions was investigated. Cronin and Taylor, (1992) compared computed difference scores with perception to conclude that perceptions only are better predictor of service quality.

Cronin and Taylor (1992) maintained that 'performance' rather than 'perception-expectation' determines service quality and provide significant substantiation to show expectations have little or no impact on the evaluation of consumers, particularly in relation to service quality (Cronin and Taylor, 1992). Cronin and Taylor (1992) further concluded that the SERVQUAL measurement appeared to have a good fit in only two of the industries they examined, whereas SERVPERF had an excellent fit in all four industries examined. They argued on the framework of Parasuraman et al. (1985), with respect to conceptualization and measurement of service quality and developed performance only measurement of service quality called SERVPERF by illustrating that service quality is a form of

consumer attitude and the performance only measure of service quality is an enhanced means of measuring service quality. They argued that SERVQUAL confounds satisfaction and attitude. Other researchers have reported findings similar to that of Cronin and Taylor (1992). For example, combining expectations and perceptions into a single measure outperforms the SERVQUAL scale in terms of both reliability and validity (Babakus and Boller, 1992).

Brady et al. (2002) thus argue that SERVQUAL measures only the service process dimension but not the perceived quality of the service outcome. Babakus and Boller (1992) questioned the universal applicability of SERVQUAL. They opined that whilst service quality may be complex and multi-dimensional in some contexts, it may require uni-dimensionality in other contexts. Consequently, adaptation of the scale became the norm. For instance, Carman (1990) calls for expansion of some of the dimensions to include 13 additional ones in order for SERVQUAL to capture service quality adequately in diverse contexts. Later researchers such as Peter et al. (1993) and Dabholakar et al. (2000) attempted to combine expectations and perceptions into a single measurement scale that is more effective, reliable and valid and industry specific - emphasis is ours- rather than a single generic scale.

Cronin and Taylor (1992) stated that service quality can be conceptualized as “similar to an attitude”, and can be operationalized by the adequacy-importance model. In particular, they maintained that performance instead of “performance-Expectation” determines service quality (Seth, et. al., 2004).



Source: Brogowicz et al. (1990)

Figure 2.5 SERPRF Model 2.5

2.2.5 Service quality, customer value and customer satisfaction model

Oh (1999) proposed an integrative model of service quality, customer value and customer satisfaction. The proposed model focuses mainly on post purchase decision process. The model incorporates key variables such as perceptions, service quality, consumer satisfaction, customer value and intentions to repurchase. Finally word of mouth communication intention is conceptualized as a direct, combined function of perceptions, value, satisfaction and repurchase intentions. The model provides evidence that customer value has a significant role in customer's post-purchase decision-making process. It is an immediate antecedent to customer satisfaction and repurchase intentions. Results also

indicate that perceived price has a negative influence on perceived customer value and no relationship with perceived service quality (Seth and Deshmukh, 2004).

2.3 Empirical Review

2.3.1 The Concept of Customer Loyalty

Loyalty is an old-fashioned word that has traditionally been used to describe fidelity and enthusiastic devotion to a country, a cause, or an individual. More recently, it has been used in a business context to describe a customer's willingness to continue patronising a firm over the long term, preferably on an exclusive basis or recommending the firm's products to friends and associates. Customer loyalty extends beyond behaviour and includes preference liking and future intentions (Loverlock and Wirtz, 2007).

Loyalty as a concept has its root from the consumer behaviour theory and is something that consumers may exhibit to brands, services or activities. Often customer loyalty is used as opposed to brand loyalty to emphasise that loyalty is a feature of people, rather than something inherent in brands. Customer loyalty conceptualisation has received tremendous attention in the literature over the past two decades because according to Nukpezah and Nyumuyo (2009) practitioners have observed the intricate relationship with a firm's profitability. Thus customer loyalty is now accepted as indispensable in strategic decision making because it costs more to attract new customers than to retain old ones.

Unfortunately, there is no universally agreed definition of loyalty (Jacoby and Chestnut, 1978; Dick and Basu, 1994; Oliver, 1999). According to Beerli et al

(2002), loyalty has been, and continues to be defined as repeat purchasing frequency or relative volume of same-brand purchasing. This, Oliver (1999) considered as an inadequate definition. He posits that most definitions of the concept in the literature suffer from the problem that they record what the consumer does, and none taps into the psychological meaning of loyalty. He thus defined loyalty as a deeply held commitment to re buy or repurchase a preferred product/service consistently in the future, thereby causing repetitive, same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour.

However, Wernerfelt (1991) asserted that there are many definitions of customer loyalty in the literature. Among many possible distinctions, the definitions can be classified as behavioural versus cognitive or static versus dynamic. He mentioned, his definitions are cognitive and dynamic. Kuusik (2009) distinguished customers as behaviourally and emotionally loyal. Behaviourally loyal customers act loyal but have no emotional bond with the brand or the supplier whereas emotionally loyal customers do. According to Nukpezah and Nyumuyo (2009) this reflects the degree to which attitudinal feelings are translated into loyalty behaviour. In other words, it reflects intentions being translated into actions. Behavioural loyalty in the words of Kim (2004), examines the customer's continuity of past purchases, then measures customer loyalty by rate of purchase, frequency of purchase, and possibility of purchase.

Attitude also plays a role in customer loyalty. It infers customer loyalty from psychological involvement, favouritism, and a sense of goodwill towards a

particular product or service (Kim, 2004). Emotional loyalty is much stronger and longer lasting than behavioural loyalty. Also, East et al., (2009) identified three types of loyalty behaviour that consumers can show. First, when they buy several brands in a category, consumers can give a high share to one of them. Second, they can continue to buy a brand for a long time; this is retention. Third, when they recommend a brand to others and recruit new customer, this they term recommendation. Kuusik (2007) went further to sub-classified behaviorally loyal customers by the reason of acting: forced to be loyal, loyal due to inertia or functionally loyal. Nukpezah and Nyumuyo (2009) added attitudinal loyalty. This they said it reflects a situation whereby different feelings create an individual's overall attachment to a product, service or organisation. These feelings define the individual's cognitive degree of loyalty (Hallowell, 1996).

Jacoby and Kyner (1973) from a different perspective saw loyalty as the biased (nonrandom) behavioural response (purchase), expressed over time, by some decision-making unit, with respect to one or more alternative brands out of a set of such brands. This means that it is necessary to distinguish between exclusivity and loyalty and a function of psychological processes, which involves the evaluation of different alternatives using specific criteria. Accordingly, the combination of these forgone discussions enables the researcher to distinguish three basis of customer loyalty concepts.

First, loyalty based on inertia, where a brand is bought out of habit merely because this takes less effort and the consumer will not hesitate to switch to another brand if there is some convenient reason to do so. That is, the consumer is

buying the same brand, not because of true brand loyalty, but because it is not worth the time and trouble to search for an alternative; and (Wernerfelt, 1991; Boahene and Agyapong, 2011)) described it as when brand utilities have no inter-temporal dependence but consumers may be slow to become aware of the most attractive values.

Second, Cost-Based Brand Loyalty, when brand utilities have positive inter-temporal inter-dependence, such that the brand last purchased has an advantage (Wernerfelt, 1991). He went further to include the causes as brand specific user skills, information effect, behavioural effect and compatibility effect.

Third, true brand loyalty, which is a form of repeat purchasing behaviour reflecting a conscious decision to continue, buying the same brand, must be accompanied by an underlying positive attitude and a high degree of commitment toward the brand. Several factors have been identified to influence customer loyalty.

As Beerli, et al. (2002) pointed out, there has been a growing interest in recent years in analysing the factors influencing customer loyalty especially in marketing of services. Among such variables that influence customer loyalty they said includes customer satisfaction and switching costs. Boahene and Agyapong (2011) in their view outlined the factors to be service quality, customer satisfaction, and image which Kim (2004) buttressed and added switching barrier. Virvilaite et al., (2009) in a descriptive study came out with service price-value, service quality and customers' service. Also, (Kim and Lee, 2010) in descriptive

study revealed that corporate image, brand awareness, service price, and service quality are strong antecedents for establishing customer loyalty in mobile communications service markets. However, they were quick to mention that corporate image plays the most important role in establishing and maintaining customer loyalty in the markets.

Nukpezah and Nyumuyo (2009) in their study came out with the relative importance of business attributes influencing customer loyalty which is shown in figure 2.6.



Figure 2.6 Relative importance of business attributes influencing customer loyalty
Source: Nukpezah and Nyumuyo (2009)

Key: Blue colour indicate relationship drivers for loyalty and gold colour indicate core service attributes

In the view of Kuusik (2007), it is important to segment customer based on their loyalty. Theories of behavioral loyalty were dominating until 1970 considering loyalty as the function of the share of total purchases, function of buying frequency or buying pattern, or function of buying probability. These approaches looked at brand loyalty in terms of outcomes (repeat purchase behavior) rather than reasons, until Day (1969) introduced the two-dimensional concept of brand loyalty, which stated that loyalty should be evaluated with both behavioral and attitudinal criteria. Contemporary researches consider and accent the psychological (mostly attitudinal and emotional) factor of loyalty (Jacoby et al. 1973; Oliver 1999; Reichheld 2003 cited in Kuusik, 2007). The relationship is so important for the customer that he or she makes maximum efforts to maintain it. Highly bonded customers will buy repeatedly from a provider to which they are bonded, recommends that provider to others, and strongly defend these choices to others – insisting that they have chosen the “best” product or service.

Rahman and Azhar (2010) after conducting a survey among university students (belonging to the age group 19-28) in order to verifying three important areas related to the brand in the context of Pakistan. First, they set out to verify the proposition that the stated brand preference may differ from the actual choice behavior. *Second, they verified the speculated low loyalty behavior of consumers* belonging to generation Y sub segment – adults. Finally, it verifies the perceptions of consumers regarding various brands of mobile phone service industry. The findings of the research suggest that some additional attributes may

help explain actual choices made by the consumers and relying on stated preference may not be enough. Therefore, marketers should focus their attention in determining those characteristics that consumers consider in making their stated preference as well as actual choice. The consumers do exhibit loyalty for their preferred brand. However, the perceived personalities of various brands seem to be similar by the consumers.

2.3.2 Service Quality

Service quality is an important topical issue in service management (Kotley and Armstrong, 2010). As a result researchers are making efforts to assess what amounts to service quality and its relationship with customer satisfaction vis-a-vis customer loyalty. Boahene and Agyapong (2011), in analysing the antecedent of customer loyalty in Ghana, concluded, that telecommunication management needs to emphasize quality. They emphasized, that because service firms do not provide tangible products, their service is usually assessed measures of the service provider's relationship with customers. Service quality was found in the study to correlate positive and significant to customer loyalty. Similarly, Krishman et al. (1999) in studying customer satisfaction found that satisfaction with product offerings is a primary driver of overall customer satisfaction. That is quality of customer service with respect to financial statements and services provided through different channels of delivery, are also important in determining overall satisfaction.

A study by Nukpezah and Nyumuyo (2001) on customer loyalty in the Ghana banking industry found among other that service quality (especially empathy

and reliability) and bank image and reputation are important instigators of customer satisfaction and loyalty.

From the review of the theoretical and empirical concepts underpinning service quality, it is evident that blanket adoption of the SERVQUAL scale is not always beneficial and there is the need to modify the scale to suit the research purpose in order to provide valid and reliable results. It is therefore necessary to find out through empirical study the relationship between service quality and customer loyalty. It is based on this that the researcher formulated the null hypothesis that, there is no statistically significant relationship between service quality and the level of customer loyalty in mobile telecommunication service industry in Kenya.

2.3.3 Customer Satisfaction

Rust and Oliver (1994) suggest that customer satisfaction or dissatisfaction - a “cognitive or affective reaction” - emerges as a response to a single or prolonged set of service encounters. In the words of Giese and Cote (2000), consumer satisfaction comprises three basic components including the type of response (cognitive, affective or conative); the centre of interest or the subject on which the response is focused; and the moment in time at which the evaluation is made. However, Anderson and Fornell (1994) are of the view that the literature is not very clear about the distinction between quality and satisfaction. Satisfaction is a “post consumption” experience which compares perceived quality with expected quality, whereas service quality refers to a global evaluation of a firm's service delivery system (Anderson and Fornell, 1994; Parasuraman et al., 1985).

According to Besterfield (1994) customer satisfaction is a complex construct as it has been approached differently. Satisfaction is conceptualized as an overall customer attitude towards a service provider. In addition, customer satisfaction has been described as an affective response, focused on product performance compared to some pre-purchase standard during or after consumption (Halstead et al., 1994). Oliver (1999) established that satisfaction is an attitude or evaluative judgment varying along the hedonic continuum focused on the product, which is evaluated after consumption.

Fornell (1992) was of the view that high customer satisfaction will result in increased loyalty for the firm and that customers will be less prone to overtures from competition. Similarly, Jones and Sasser (1995) found that an increase in customer satisfaction produces a stronger effect on loyalty among customers who are at the high end of the satisfaction scale. Nevertheless, the difficulty has always been how to define the scale of satisfaction. However, in Coyne (1989), it was accomplished that the relationship between loyalty and customer satisfaction is weak when customer satisfaction is low, moderate when customer satisfaction is intermediate and strong when customer satisfaction is high. Thus, since different factors seem to affect the propensity to be loyal under the conditions of low and high satisfaction, it may be assumed that the form of the relationship between customer satisfaction and loyalty is different at different levels of satisfaction.

Additionally, the relationship, between satisfaction and loyalty is neither simple nor linear and satisfied customers may defect (Jones and Sasser, 1995). As a result, there are no simple solutions for turning loyalty into profits. If it were easy,

however, everyone would already be doing it. Despite the lack of consensus, however, they agreed there exist some relationship between customer satisfaction and customer loyalty.

2.3.4 Corporate Image

Signaling theory provides a framework for explaining the empirical link between corporate image and customer loyalty (Erdem and Swait, 2004). According to this theoretical view, the institution's communications, developed to build its reputation for social responsibility and capability, (Kim and Lee, 2010) create a repository of credible information signals. Customers use these cues to ascertain the quality and value of the intangible services the firm provide.

Corporate image has also been described as the overall impression made on the minds of the public about a firm (Kotler and Armstrong, 2010). Kim and Lee (2010) described corporate image as the perception of an organization that customers' hold in their memories, because it works as a filter through which a company's whole operation is perceived, and it reflects a company's overall reputation and prestige. Among the factors that influences customer loyalty, they concluded , corporate image influences most. In a similar vein, (Nukpezah and Nyumuyo, 2001 and Islam, 2010) claim that corporate image is related to the physical and behavioural attributes of the firm, such as business name, architecture, variety of products/services, and the impression of quality communicated by each person interacting with the firm's clients. They concluded that corporate image relates positively with customer loyalty in three sectors including telecommunication, education and retailing. Although a customer may

not have enough information about a firm, information obtained from different sources such as advertisements and word of mouth will influence the process of forming the corporate image. Rowley and Dawes (1999) posit that image (brand/corporate image) and expectations that users hold with respect to the nature and quality of their services affect customer loyalty. Consequently, corporate image as an attitude must affect behavioural intentions such as customer loyalty.

Anderson and Fornell (1994), again in a business-to-business context, found effects of company reputation on trust. Their construct of company image includes (stability and firmly established, social contribution for society, concern with customers, reliability of what the firm says and does, innovative and forward looking). They argued for a possible relationship between image, not only between image and trust (that would then function as a mediator between image and loyalty), on the obvious grounds that trust is to some extent built on reputation, but also for possible direct effects of image on loyalty. That is, consumers may be loyal to a firm or brand because it is viewed as having a positive image among other consumers; particularly in credence goods and this alone may provoke some amount of unwillingness to switch (Wang, 2010). Corporate image has a significant positive impact on customer loyalty (Andreassen, 1999). A good corporate image can compensate for a bad or mediocre complaint resolution.

Brown and Dacin (1997) claim corporate image derives from customers' perceptions of capability and social responsibility. Corporate capability refers to

the company's expertise in delivering product and service offerings, such as effective innovation and high service quality, while corporate social responsibility refers to the company's management of social issues. Corporate image thus impacts a customer's evaluation of service quality, satisfaction and loyalty (Kim and Lee, 2010).

2.3.5 Competitive Pricing

Competitive pricing is another attribute that is hypothesised to relate to customer loyalty. For many consumers, price is a very important attribute. Indranyani et al. (2008) concluded that, the attribute price could indeed be more important on decision making than that of quality, brand name and others. Generalizations about the effect of price should be tempered however because consumer reactions to a price differential clearly depend on the magnitude of the differential as well as the brand names which are considered.

According to Virvilaite et al. (2009) in marketing literature service price is indicated as the most important factor, conditioning customers' satisfaction, because, if customers estimate the value of obtained service, they usually think of price. Studying price relationship with satisfaction, She mentioned that scientists have indicated the level of satisfaction, depends on service quality, price and personal factors. However in analysing customer loyalty in Ghana banking sector, Nukpezah and Nyumuyo (2009), found that competitive pricing showed a weak linear relationship with customer satisfaction and loyalty. Indranyani et al. (2008) in their study revealed that customer tendencies to switch to another brand become stronger when the price changes from 1% to 2%, from 4% to 5%, from

5% to 6%, and from 9% to 10%. The result implied to marketing manager that every one digit of price changing on product/service pricing, would give effect customer loyalty hence on sales. In a study by Consuegra, et. al. (2007) it was concluded that perceived price fairness in service industries can be viewed as a threshold factor in order to maintain satisfied and loyal customers. Managers should as such consider that price acceptance depends on the level of satisfaction and loyalty. The study provides useful information on the relationship among price fairness, customer satisfaction, loyalty, and price acceptance in service industries.

According to economic theory, the price level dictates demand in a competitive market. Thus, price is an important influence on product and service acceptance. However perception may neutralise this view in that customers may accept premium price because of perceived quality, image and loyalty to a brand. According to Best (2009), acceptable price may not attract customers because of switching cost and loyalty to a competitor's brand. It suggests therefore that the evidence regarding the relationship between price satisfaction and customer loyalty may be inconclusive. Price perception, price acceptance, price sensitivity and price elasticity are critical areas that the researcher thinks need to be studied to assessed their impact of customer loyalty. Hence the null hypothesis that, there is no statistical significant relationship between service pricing and the level of customer loyalty in the mobile telecommunication industry in Kenya.

2.3.6 Switching Cost

Switching cost is formally defined as the cost of changing services in terms of time, monetary value, and psychological factor (Li-Hua, et. al. 2011). It can happen for the lack of loyalty when a firm fails to satisfy and anticipate its customer's expectations and perceptions. Switching costs are costs that are incurred by buyers for terminating transaction relationships and initiating a new relation. Porter (1980) defined switching costs as one time costs facing the buyer of switching from one supplier's product to another's; that is, switching costs can be conceptualized as the perception of the extent of the additional costs required to terminate the current relationship and secure an alternative.

In the telecommunication sector, there are a number of critical costs that must be considered when switching. These includes the costs of informing others of the change (friends, colleagues and business associates), the cost of acquiring new lines, cost associated with breaking long standing relationships with a service provider, cost of learning any new procedures in dealing with the new service provider and cost of finding new service provider with comparable or higher value than the existing firm (Oyeinyi and Abiodun 2009). Apart from these, there is time and psychological effort of facing uncertainty with the new service provider (Dick and Basu, 1994.) In the words of Lee et al. (2001), he categories the various types of switching costs in mobile telecommunication as transaction costs (the costs in time and effort of filling out forms, having a phone switched to a different provider, etc.) and search costs (the costs in time of seeking information on prices, benefits, service, etc. from the various providers.

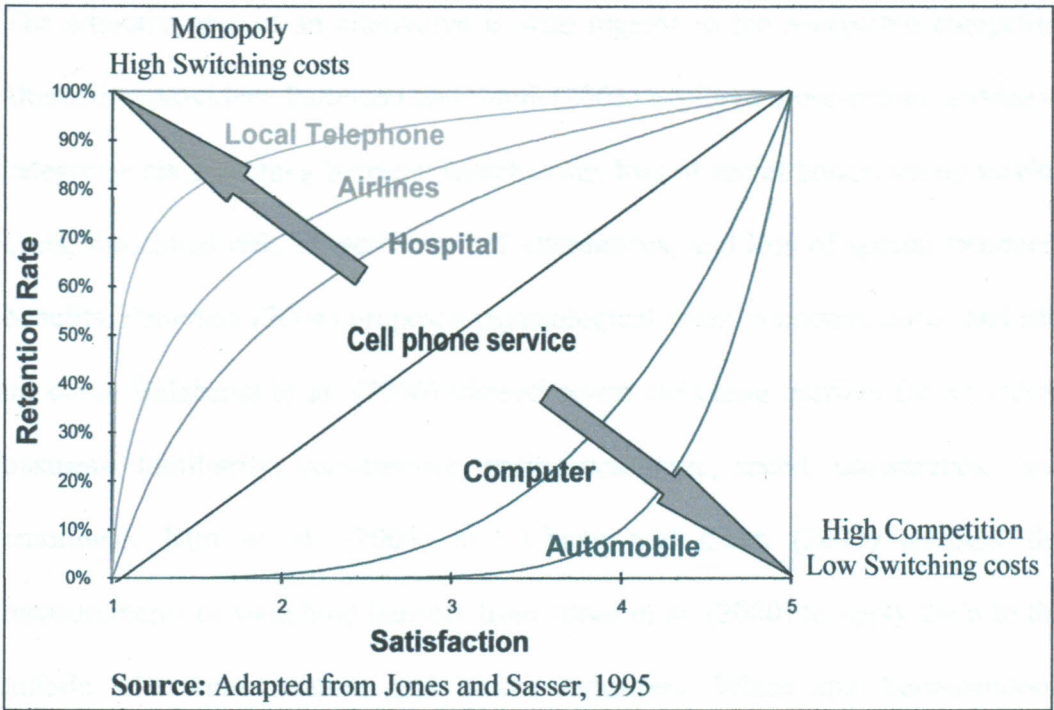


Figure 2.7 Satisfaction-loyalty link related to market competition and switching costs.

According to Tung et al. (2011) barriers to switching affect the extent to which customer can switch from one service provider to another. Jones et al. (2000) defined the switching barriers as three barriers: interpersonal relationships, perceived switching costs, and attractiveness of alternative. Interpersonal relationships refer to the existence and strength of the personal relationship between a customer and a service employee. They revealed the switching barriers that became particularly important with the low satisfaction of core-service and which were positively influenced on the retention. Perceived switching costs are the perceived cost of time, money, and effort from customers associated with changing providers.

The attractiveness of an alternative is with regards to the acceptable competing alternative providers. Patterson and Smith (2003) explored cross-culture service to categorize six switching barriers: search costs, loss of social bonds, set-up service costs, functional risk, attractiveness of alternatives, and loss of special treatment benefits. Patterson (2004) proposed psychological costs, economic costs, and set-up costs. Balabanis et al. (2006) viewed seven switching barriers for an online business: familiarity, convenience, parity, economic, speed, unawareness, and emotional. Kim et al. (2004) and Chang and Chen (2007) adopted the measurements of switching barriers from Jones et al. (2000) to apply them to the mobile telecommunications and airline industries. White and Yanamandram (2007) referred to five switching costs: uncertainty costs, pre-switching costs, set-up costs, post-switching costs, and benefit/loss costs. Uncertainty cost is the psychological uncertainty for an untested service provider. Pre-switching costs are the time and effort of search and evaluation costs, which are the same in Jones et al. (2000). Set-up costs are the time and effort for setting up the new service process associated with a new provider. Post-switching refers to acquiring and adapting to the new procedures from Jones et al. (2000). Benefit/loss costs are the loss of benefit, which is offered from an incumbent when the customers switch to the new provider.

A research conducted by Tung et al (2011) on the relationship between switching barriers and loyalty reveals partially the same results as the switching barriers theory of Jones et al. (2000). They concluded that interpersonal relationships and switching cost have positive and significant influences on loyalty. However, the

attractiveness of an alternative does not support the negative relationship to loyalty significantly. The findings show that switching costs positively influence customer loyalty. In addition, perceived risks will affect the relationship of switching costs and customer loyalty. For customers with low perceived risks, switching costs are also positively associated with customer loyalty. However, for customers with high perceived risks, the relationship of switching costs and customer loyalty is weak or negative.

The concept of perceived risks denotes customers have a feeling of psychological uncertainty when they cannot predict the outcome of a purchase decision (Yen, 2010). He pointed out that perceived risks come from the customers' uncertainty about what decision can satisfy their goals, or assume that the products or services cannot satisfy the customers after purchased.

Table 2.1 Summary of Literature Review

RESEARCHER	FOCUS	FINDINGS	COMMENT / RESEARCH GAP
Boahene and Agyapong (2011)	Antecedents of Customer Loyalty in Vodafone (Ghana)	Quality service is critical for customers to stay with service provider. Higher level of customer satisfaction may not necessary provide customer loyalty.	The study was based on only a single service provider. To better understand how consumers behave more than one service provider should be brought on board.
Consuegra (2007)	An integrated model of price, satisfaction and loyalty: an empirical analysis in the service sector	Perceived price fairness influences customer satisfaction and loyalty, customer satisfaction and loyalty are two important antecedents of price acceptance.	The study ponders the relationship between customer satisfaction and loyalty and price acceptance, while other factors that have an influence on price acceptance are not considered
Islam (2010)	Examine the relationship between the various antecedents of loyalty and loyalty in Bangladesh	Mixed relationships were realised.	That of Kenyan perspective is yet to be unearthed.

Table 2.1 Cont...

RESEARCHER	FOCUS	FINDINGS	COMMENT / RESEARCH GAP
Kuusik (2007)	Affecting Customer Loyalty: Do Different Factors Have Various Influences In Different Loyalty Levels?	Four analysed factors affecting customer loyalty (satisfaction, trustworthiness, image and importance of relationship) are playing different role on the different levels of Customer loyalty.	Method for collecting the source data set certain constraints on the adequacy of the model. Too much attention was offered on satisfaction. Other determinants were therefore omitted.
Nukpezah and Nyumuyo (2009)	What Drives Customer Loyalty and Profitability? Analysis of Perspectives from Retail Customers in Ghana's Banking Industry	Increased market share influence profitability. Service quality and bank image and reputation are important instigators of customer satisfaction and loyalty	Methodology used brings a lot of drawbacks. The sampling and sample size may not be representative and therefore may be difficult to generalized.
Weenwefelt (1991)	Brand Loyalty and Market Equilibrium	Inertial brand loyalty leads to equilibrium with price dispersion, while cost-based brand loyalty also may allow single price equilibrium. In all cases as brand loyalty vanishes, so does the difference between the average trading price which obtain with no brand loyalty	The focus was mainly on brand loyalty that of service loyalty was never considered
Yen (2010)	Can perceived risks affect the relationship of switching costs and customer loyalty in e-commerce?	Marketing practitioners should understand the relationship among switching costs, perceived risks and customer loyalty for their customers because they affect loyalty	The focus of the study was on perceived risk. Switching cost should be investigated in whole

Source: Modified from past studies (Boahene and Agyapong (2011), Consuegra (2007), Islam (2010), Kuusik (2007), Nukpezah and Nyumuyo (2009), Weenwefelt (1991), Yen (2010),

2.4 Conceptual Framework

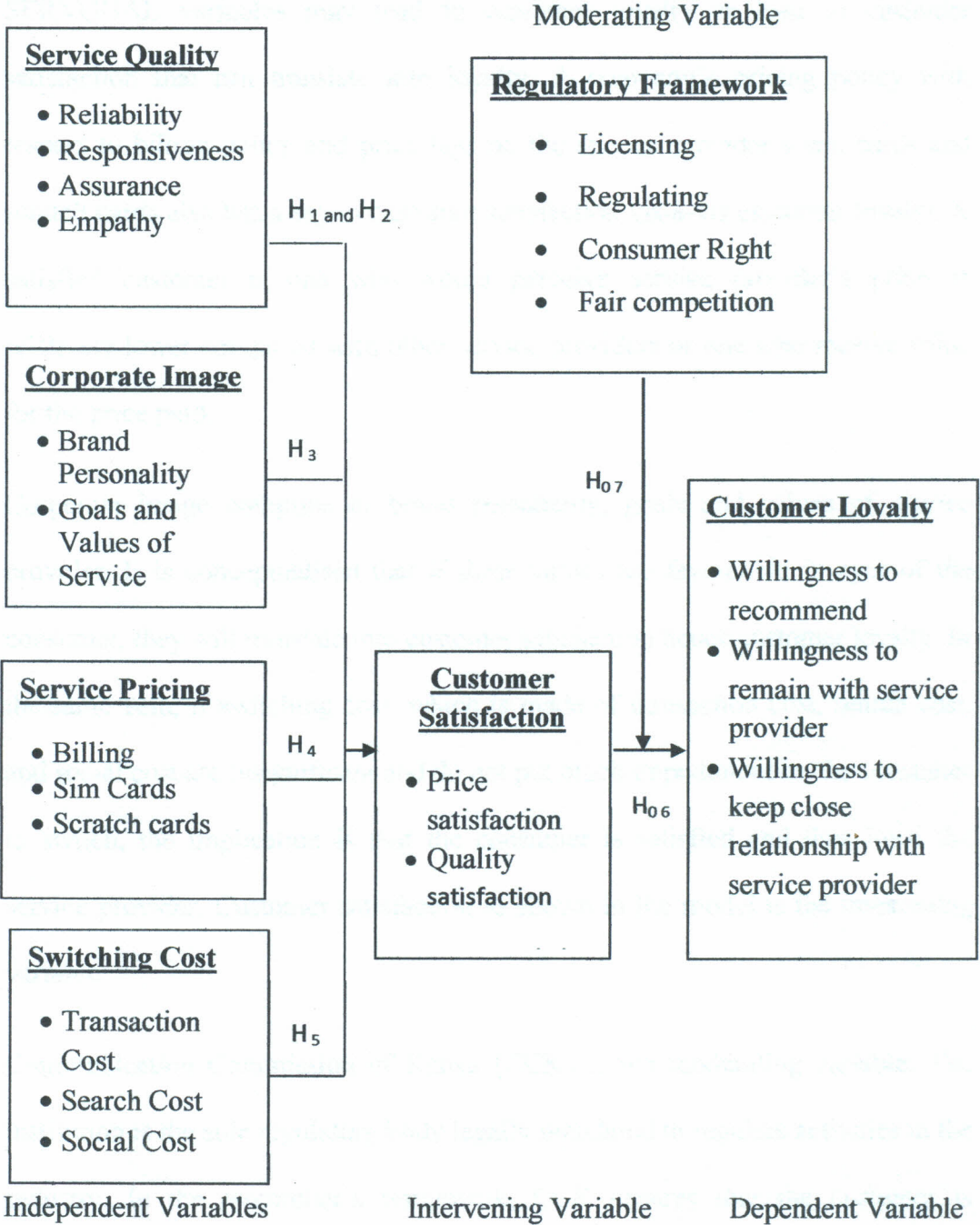


Figure 2.8 Conceptual framework
Source: Conceptualised for the study

The framework indicates that perceived quality is considered an antecedent of customer satisfaction. It indicates that the quality of service measured by the SERVQUAL variables may lead to customer loyalty or lead to customer satisfaction that can translate into loyalty. A company's pricing policy with respect to billing policy and price tags on the service provider's sim cards and scratch cards also has a say in customer satisfaction vis-à-vis customer loyalty. A satisfied customer is one who would perceive service provider's price as relatively lower compared with other service providers or one who receive value for the price paid.

Corporate image comprise of brand personality, goals and values of service provider. It is conceptualised that if these values are favourable in eyes of the consumer, they will translate into customer satisfaction hence customer loyalty. In the same vein, if switching cost, which is made of transaction cost, search cost, and social cost are insignificant and do not put much impediment on the consumer to switch, the implication is that the consumer is satisfied and thus loyal the service provider. Customer satisfaction as shown in the model is the intervening variable

Communication Commission of Kenya (CCK) is the moderating variable. The institution is the sole regulatory body legally mandated to regulate activities in the industry. In the researcher's framework, CCK ensures that the customer is satisfied by ensuring that the parties within the industry comply with some quality standard.

2.5 Hypotheses

Based on the stated specific objectives in chapter one and literature review in chapter two, the following seven hypotheses were formulated.

- H_{0 1} There is no statistically significant relationship between service quality and the level of customer loyalty in mobile telecommunication service industry in Kenya.
- H_{0 2} The dimensions of service quality namely reliability, responsiveness, assurance and empathy do not vary in the degree to which they drive customer loyalty.
- H_{0 3} There is no statistically significant relationship between good corporate image and the level of customer loyalty in the mobile telecommunication industry in Kenya.
- H_{0 4} There is no statistically significant relationship between service pricing and the level of customer loyalty in the mobile telecommunication industry in Kenya.
- H_{0 5} There is no statistically significant relationship between switching cost and the level of customer loyalty in the mobile telecommunication service industry in Kenya.
- H_{0 6} Customer satisfaction level does not mediate the relationship between the determinant of customer loyalty and loyalty.
- H_{0 7} The regulatory environment moderates the relationship between the determinant of customer loyalty and loyalty.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the various research methods that was used to generate data in this study. Attention was focused on research design, target population, sampling procedure and sample design, data collection procedure and analysis.

3.2 Research Design

The research design serves as a master plan of the methods and procedures that should be used to collect and analyze the data needed by the decision maker. According to Saunders et al. (2007) a research design is the general plan of how one goes about answering the research questions. The research design therefore constitutes a blue print for the collection, measurement and analysis of data. Several research designs are available ranging from exploratory studies, descriptive studies and explanatory studies with their respective strategies employed for a respective study such as experiment, survey and case study.

This study adopted the descriptive survey method where both qualitative and quantitative data were obtained in order to establish the factors influencing customer service loyalty in Kenyan Mobile Service Industry. The descriptive survey design was selected because it is suitable according to Mugenda and Mugenda (2003) for gathering of data and describes the characteristics of the population. It presents facts concerning the nature and status of a situation, as it exists at the time of the study and to describe present conditions, events or systems based on the impressions or reactions of the respondents of the research

(Creswell, 1994). It is also concerned with relationships and practices that exist, beliefs and processes that are ongoing, effects that are being felt, or trends that are developing. The objective in a descriptive study is to learn who, what, when, where and how of a topic.

3.3 The Target Population

The population comprises of all members of the Kenyatta university community and its environs. The Kenyatta university community is spread across Main Campus, Parklands, city and other satellite campuses such as Kitui, Ruiru, Mombasa, Nakuru and Kerico. The study focused on members of this community within the main campus and five other satellite campuses. Kenyatta University was selected because its eight campuses are situated in key cities spread over Kenya. Respondents views will therefore serve as a fair representation of Kenyans, hence will be easy to generalise the findings of the study. Approximated total population size of 41070 formed the total number of students under study.

3.4 Sampling Design, Techniques and Size

Determination of sample size is a crucial decision in any study because the size of the sample dictates the level of sample error that could hinder on the validity and reliability of the study. However, Kothari (2004) gave out some guidelines in choosing a correct sample size which include the degree of variance within the population and the level of precision.

This study adopted the multi-stage stratified sampling technique. The researcher followed the following procedures. First, a design of sample frame was made. This is where the entire population was divided in to two or more relevant and significance strata based on one or a number of attributes. The sample frame was students from the various campuses.

Stage 1 Population Strata Size

Table 3.1 Population Size

STRATA	POPULATION SIZE
KU Main campus	37000
KU City campus	2000
KU Parklands campus	900
KU Nakuru campus	200
KU Nyeri campus	170
KU Mombasa campus	800
TOTAL	41070

Source: K. U website www.ku.ac.ke

Stage 2 Stratified Sampling

Second is to proportionately sampling the population. The researcher used the formula below adopted from Kothari (2004).

$$N_c = \frac{Z^2 p \cdot q \cdot N}{d^2 (N-1) + Z^2 \cdot p \cdot q}$$

Where: N_c is the strater sample size

Z is the confidence level (95%); that is, $Z = 1.96$

p is the proportion of the of the strata population for entire population

(0.3)

q (1-P) is the proportion to total population of other clusters (0.7)

d is the desired precision (0.05 level)

N is the total number of population in the target population.

Based on the above and subsequent calculations, 320 sample size was obtained as showed in appendix III. The sample size was spread among the campuses, as shown in Table 3.2.

Table 3.2 Sample Size

STRATA	SAMPLE SIZE
K U Main campus	220
KU City campus	20
KU Parklands campus	20
KU Nakuru campus	20
KU Nyeri campus	20
KU Mombasa campus	20
TOTAL	320

Source: Developed for the study

Stage 3 Selection of Respondent.

In the final stage, the researcher selected respondents randomly.

3.5 Data Collection Techniques

In every study, appropriate instruments need to be developed with which to collect the necessary information. In social science research, according to Mugenda and Mugenda (2003), the most commonly used instruments are; questionnaires, interview schedules, observational forms and standardised test.

This study used questionnaire.

3.5.1 Questionnaire

This is the most populous methods of data collection. It has been adopted by private individuals, research workers, private and public organization and even by governments (Kothari, 2004). A self administered structured questionnaire was used to collect data with respect to the object of the study from a total sample size of 320 from the researcher's sample flame. Close-ended styles of questions was used. The questionnaire was divided into three sections. Section A concentrated on preliminary and personal data of respondents.

The second section 'B' focused on the independent variables. Respondents view on each of the independent variables namely service pricing, service quality, corporate image and switching cost was measured using a five point Likert-type scales as a guidance. The third section 'C' was centred on the moderating variable: CCK, intervening variable: satisfaction and the dependent variable: customer loyalty.

3.5.2 Preparation and Data Collection Procedures

The following procedures were observed in collecting data. According to Kothari (2004) questionnaire is said to be the heart of any survey study. As a result, the researcher first ensured that the questionnaire were properly designed and constructed to meet the intended aim of the study. Secondly, the researcher obtained the number of students from Kenyatta university main campus and the its satellite campuses.

Third, research assistants were identified and trained for data collection. They played a major role in administering the pre- questionnaire interview as well as in the collection of the data. They received training on key protocols observed during the data collection. These include; contacting respondents personally and requesting for their consent to participate in the study, ensuring that all questionnaires and covering letters are printed and complete, handing over the questionnaire to who are ready to participate, introducing the questionnaire stressing its anonymity or confidentiality, lastly how to collect the field questionnaire.

The last procedure was the actual data collection. It involved administration of final questionnaire to the respondents involved.

3.6 Reliability and Validity

According to Mugenda and Mugenda (2003), reliability refers to the measure of the degree to which a research instrument yields consistent results or data after repeated trials. It is the stability of measurement and relates to the absence of random errors of measurements. Reliability measure demonstrates that the operations of the study such as data collection procedures could be repeated, with the same results. A Cronbach's Alpha reliability was measured on all questionnaire items as well as on each variable. The results are presented in Chapter four. Validity on the other hand refers to the accuracy and meaningfulness of inferences, which are based on the research results.

3.6.1 Internal Validity

This study conformed to the three main validity; construct validity, content validity and criterion-related validity.

Construct validity is a measure of the degree to which data obtained from an instrument meaningfully and accurately reflects or represents a theoretical concept (Mugenda and Mugenda, 2003). It has four dimension face validity, convergent validity, discriminant validity, and nomological validity. Face validity amounts to the belief that an instrument seems to correspond to common sense without empirical evidence. This was ensured by receiving extant literature to understand the relevant concepts and by constructing the measurement based on previous studies. In addition, this study investigated empirically, hypothesised relationships among variables (constructs) some of which have been statistically validated already. For example, 'service quality' as a construct has been based on Parasuraman et al. (1988). SERVQUAL scale which has been validated analysing data from four independent samples.

Content validity according to Mugenda and Mugenda (1999) is a measure of the degree to which data collected using a particular instrument represents a specific domain of indicators or contents of a particular concept. To ensure this the researcher through theoretical and empirical review of existing literatures identified all necessary variables necessary to validate the content of the study. Again, the researcher consulted professions in the field of marketing in general and service marketing in particular.

Criterion-related validity on the other hand is the use of a measure in assessing subjects' behaviour in specific situations. Mugenda and Mugenda (2003) observed two ways of ensuring this validity, concurrent and predictive. Predictive validity, which is the degree to which obtained data predict future behaviour of a subject, will be demonstrated by the results of the hypothesis testing. Concurrent validity is the degree to which data are able to predict the behaviour of subjects in the present and not in the future will be ensured by the use of earlier validated measures of constructs.

In a nutshell, regarding reliability of primary data collected, the researcher stated in the questionnaire that the study was purely for academic purposes, respondents were asked to give their names, there was no reward associated with responding to the questionnaire and it was fully voluntary. This is to instil confidence in respondents to give reliable responses. Additionally, the researcher eliminated questionnaires that were not fully completed as well as responses with excessively missing data from the analysis. In relation to secondary data, data was collected from published researched works and articles from credible magazines and websites. To the extent that the researcher made use of multiple sources of data, used multiple indicators and used constructs based on solid theory, as well as made use of constructs validated in earlier studies.

3.6.2 External Validity

External validity is the extent to which the finding of a particular study or experiment can be applied to the individual and settings beyond those that were studied. That is it the degree to which findings can be generalised to populations

and environment outside the experimental settings (Mugenda and Mugenda, 2003). The researcher's careful selection of the sample size will to a larger extent ensures this validity.

3.7 Measurement and Operationalisation of Variables and test of Hypothesis

Service quality was measured using the SERQUAL model (Parasuraman, 1988). The 22 statements as pointed out by the model will be modified and adopted using the 5-point Likert scale. The scale measures from 5 being the largest to 1 the lowest.

Customer loyalty was measured by repurchase intent, resistance to switch, and willingness to recommend preferred network to friends and relatives. Competitive price was measured using local and foreign call rate charged, cost of sim cards, and interconnection rate.

Table 3.3 Test of Hypotheses

OBJECTIVE	HYPOTHESIS	STATISTICAL APPROACH	RESEARCH QUESTIONNAIRE	INTERPRETATION
Determine the relationship between service quality and customer loyalty in mobile telecommunication service industry in Kenya.	(H ₀₁) There is no significant relationship between service quality and the level of customer loyalty in mobile telecommunication service industry in Kenya	Pearson Correlations coefficient	Section B Question Number 7 – 26	Value of r ranges from 0 to 1 Values 0 - 0.3 weak relationship 0.4-0.6 moderate relationship 0.7 above strong relationship
Determine how the dimensions of service quality namely reliability, responsiveness, assurance and empathy vary in the degree to which they drive customer loyalty	(H ₀₂) The dimensions of service quality namely reliability, responsiveness, assurance and empathy do not vary in the degree to which they drive customer loyalty	Pearson Correlations coefficient	Section B Question Number 7 – 26	Value of r ranges from 0 to 1 Values 0 - 0.3 weak relationship 0.4-0.6 moderate relationship 0.7 above strong relationship
Identify the relationship between corporate image on customer loyalty in mobile telecommunication service industry in Kenya.	(H ₀₃) There is no statistically significant relationship between good corporate image and the level of customer loyalty in the mobile telecommunication industry in Kenya	Pearson Correlations coefficient	Section B Question Number 34 – 38	Value of r ranges from 0 to 1 Values 0 - 0.3 weak relationship 0.4 - 0.6 moderate relationship 0.7 above. Strong relationship
Determine the relationship between service pricing and customer loyalty in mobile telecommunication service industry in Kenya	(H ₀₄) There is no statistically significant relationship between service pricing and the level of customer loyalty in the mobile telecommunication industry in	Pearson Correlations coefficient	Section B Question Number 27 – 33	Value of r ranges from 0 to 1 Values 0 - 0.3 weak relationship 0.4 - 0.6 moderate relationship 0.7 above. Strong relationship

Table 3.3 Cont...

OBJECTIVE	HYPOTHESIS	STATISTICAL APPROACH	RESEARCH QUESTIONNAIRE	INTERPRETATION
Identify the relationship between switching cost and customer loyalty in mobile telecommunication service industry in Kenya.	(H ₀₅) There is no statistically significant relationship between switching cost and the level of customer loyalty in the mobile telecommunication service industry in Kenya.	Pearson Correlation coefficient	Section B Question Number 39 - 42	Value of r ranges from 0 to 1 Values 0 - 0.3 weak relationship 0.4 - 0.6 moderate relationship 0.7 above. Strong relationship
To assess the influence of the level of customer satisfaction on the relationship between the determinants of customer loyalty and the level of customer loyalty	(H ₀₆) Customer satisfaction level mediates the relationship between the determinant customer loyalty and loyalty.	Regression Analysis	Section C Question Number 43-47	R ² Adj. r ² t value F value Level of significance 0.05
To assess the influence of the regulatory environment for mobile telephone service on the determinants of customer loyalty and the level of customer loyalty	(H ₀₇) The regulatory environment moderates the relationship between the determinant customer loyalty and loyalty	Regression Analysis	Section B Question Number 54 - 58	R ² Adj. r ² t value F value Level of significance 0.05

All variables tested at alpha level of 5% level of significant

Source: Developed for the study

3.8. Ethical Consideration

The clearance to carry out the research was obtained from the school of business, Kenyatta University. Respondents identity was not identified and used in any way. The code of ethics in conducting a research was adhered, to ensure that the research does not harm the safety, dignity or privacy of the respondents.

3.9 Methods of Data Analysis

The researcher made use of quantitative approach in the analysis. According to Creswell (1994), quantitative research focuses on examining a problem based on testing a theory and analysing it using statistical techniques.

Univariate descriptive statistics was used to describe individual variable in the data set, separately. Various descriptive statistics such as arithmetic mean and standard deviation were determined for each of the variables using Statistical Package for the Social Sciences (SPSS) version 16.

In order to investigate the hypothesised relationships in this study, the researcher employed parametric statistical techniques. Bivariate analysis was conducted to show the relationships between pairs of variables, the focus was to determine the coefficient of association between two variables and to eliminate multi-collinearity problems in the data set, where two variables influence each other. The researcher made use of correlation analysis and regression analysis.

Karl Pearson's coefficient of correlation was use to measure the degree of relationship between service quality and customer loyalty as well as service pricing and customer loyalty. Correlation coefficient of zero (0) indicated no relationship, negative one (-1) indicated perfectly negative relationship and positive one (+1) indicated perfectly positive relationship. If the probability is more than ± 0.8 (Kothari, 2004), then the relationship was considered strongly correlated, less than ± 0.4 weak correlation. Multivariate analysis comprises a set of statistical techniques dedicated to the analysis of data sets with more than

two variables (Johnson et al, 2002). Multivariate data analysis was carried out using a multiple linear regression model to test the effect or the relationship between the dependent variable and the four independent variables. Also the researcher used the regression model in predicting the value of customer loyalty as the dependent variable given corporate image and switching cost as the independent variables (Kothari, 2004).

The regression model used is as shown below:

$$CL = \beta_0 + \beta_1CP + \beta_2SQ + \beta_3CIR + \beta_4SC + \beta_5RB + \beta_6CS + \varepsilon$$

Where:

CL	-	Customer Loyalty (dependent variable)
β	-	Regression constant
ε	-	Error of prediction. This will explain variation in growth that is not explained by the regression.
CP	-	Service Price
SQ	-	Service Quality
CI	-	Corporate Image
SC	-	Switching Cost
RB	-	Regulatory Body
CS	-	Customer Satisfaction

3.10 Pilot Study

This was used to ascertain whether repeated observations using same instruments by different researchers or times would yield similar results (Khan, 2008). The instruments were piloted. It helped in determining the average instrument completion time, sample representativeness, data consistencies and accuracy.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study on the factors influencing customer loyalty in the Kenyan mobile telecommunication industry. Descriptive and inferential statistics were used in the analysis. Responses on each variable were described using descriptive statistics whilst inferential statistics were used to test the various hypotheses of the study.

This chapter is divided into four sections. The first section tested the reliability of the study. The second section comprises the results of descriptive statistics and the third section entails results of inferential statistics and test of hypotheses. The chapter ends with a conclusion of the findings.

A total of three hundred and twenty (320) students from five out of the eight campuses of Kenyatta University were intended to be used. However, during the actual data collection, 313 responses were obtained (representing 97.8% response rate) which according to Kothari (2004) is large enough to undertake such a study.

4.2 Test of Reliability

A reliability test was done using SPSS on all the questionnaire items. A Cronbach's Alpha of 0.942 was obtained as shown in Table 4.1. This is a strong indication of reliability. According to Mugenda and Mugender (2003), reliability of 0.7 and above is strong and reliable.

Table 4.1 Reliability Statistics

Cronbach's Alpha	Number of Items
0.942	83

Source: Survey Data (2012)

Results of Descriptive Statistics

The descriptive analyses are presented according to the demographic characteristic of the sample and the six objectives set of the study, which covered relationship between service quality and customer loyalty, relationship between corporate image on customer loyalty, relationship between service pricing and customer loyalty, relationship between switching cost and customer loyalty. It also covered the influence of the level of customer satisfaction on the relationship between the determinants of customer loyalty and the level of customer loyalty as well as the influence of the regulatory environment for mobile telephone service on the determinants of customer loyalty and the level of customer loyalty.

4.3 Demographic Characteristics of the Sample

Data on the sample were analysed in terms of various demographic variables such as campus of study, gender and age group. The findings of this analysis are described below.

4.3.1.1 Gender Distribution of the Sample

The sample comprised both males and females. Their distribution is shown in Table 4.1 and figure 4.1

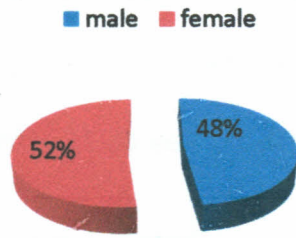


Figure 4.1 Gender of Respondents

Source: Survey Data (2012)

Figure 4.1 shows that there were some differences in the distribution of males and female respondents, with females (51.76%) being slightly more than the males (48.24%).

4.3.1.2 Age distribution in the Sample

The age of the respondents varied from 16 years to over 41 years. The distribution of respondents across the age brackets is as shown in figure 4.2.

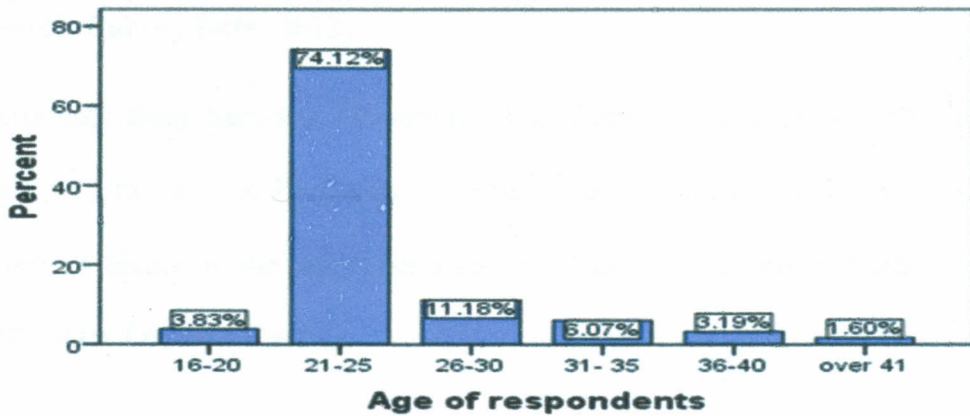


Figure 4.2 Ages of Respondents

Source: Survey Data (2012)

From figure 4.2, respondents within the age group of 21 – 25 year was the highest (72.12%) while those above the age of 40 years (1.6%), the lowest. The mean age of participants was traced to 21-25 year bracket ($M = 2.35$, $SD = 7.94$).

4.3.1.3 Respondent's Campus of study

Figure 4.3 shows the distribution of sample of students among the various university campuses used in the study.

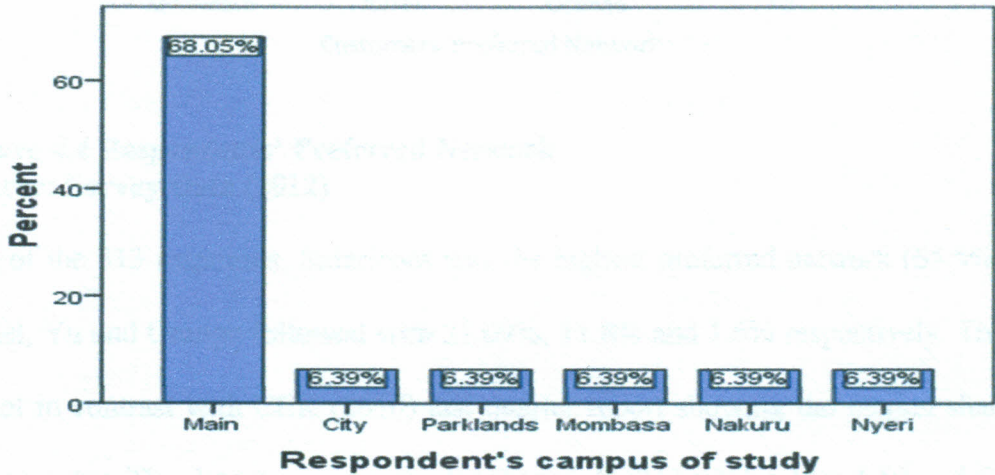


Figure 4.3 Respondents Campus of Study

Source: Survey Data (2012)

Responses from Kenyatta University Main Campus constitute 68.05%. 6.39% each for City campus, Parklands, Mombasa, Nakuru and Nyeri (figure 4.3). This is not a violation to the researcher's sample distribution as shown Table 3.2. $M = 1.96$, $SD = 1.61$ and $N = 313$.

4.3.1.4 Respondent's Preferred Network

Most respondents answered that they use more than one network. In response to their preferred network the following responses were produced as described in figure 4.4

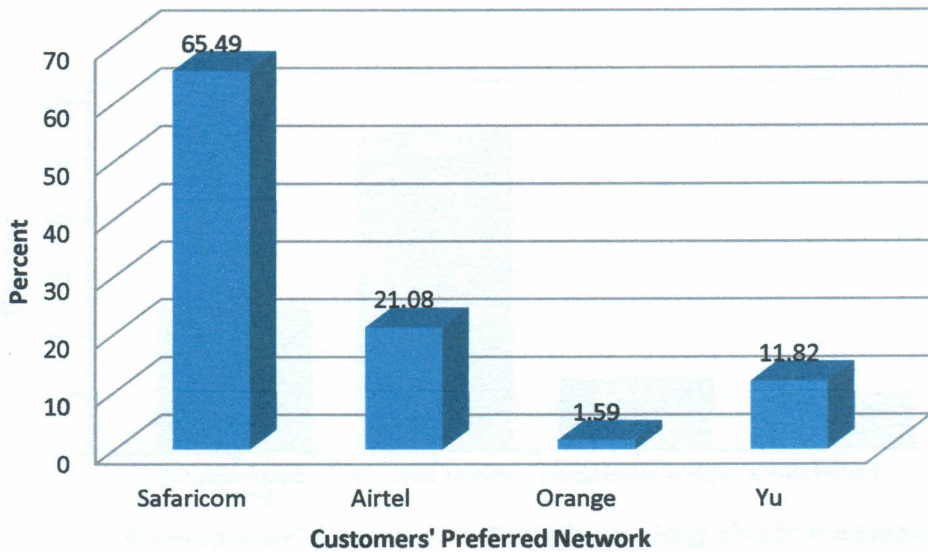


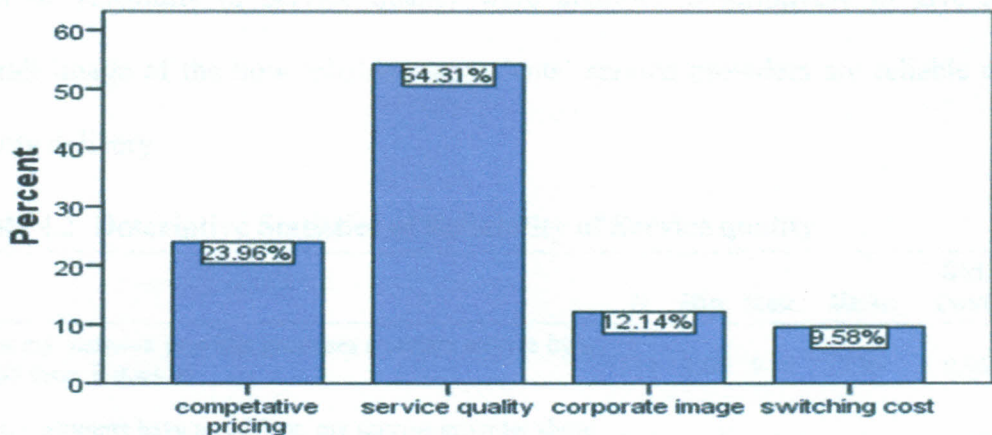
Figure 4.4 Respondents' Preferred Network

Source: Survey Data (2012)

Out of the 313 responses, Safaricom was the highest preferred network (65.5%). Airtel, Yu and Orange followed with 21.09%, 11.8% and 1.6% respectively. This is not in contrast with CCK (2010) last quarter report showing the market share per operator. The data was normally distributed, $N=313$ while $M = 1.59$ and $SD = 0.99$.

4.3.1.5 Respondent's Reason for their Preferred Network

Respondents were asked to choose among the variable given, their reasons for choosing their preferred network. The responses are presented in figure 4.5.



Customer's reasons for choosing their network

Figure 4.5 Respondents' reasons for Choosing a Network

Source: Survey Data (2012)

Figure 4.5 depicts that out of the reasons given, service quality was the highest (54.3%) reason for choosing a network. Competitive pricing follows with 24%, while corporate image and switching cost followed with 12.1% and 9.6% respectively. In the data $M = 2.07$, $SD = 0.86$ and $N = 313$

Respondents' views on the various variables are presented descriptively in the next presentations. Questionnaire items for each independent variable were computed and recoded using SPSS, results are as follows.

4.3.2 Service Quality

Service quality was analysed based on the four main elements in the SERQUAL model (Parasoraman et al, 1988).

4.3.2.1 Reliability of Service Quality

Data on reliability of service quality were analysed descriptively to give an overall image of the how reliable respondents' service providers are reliable on quality delivery.

Table 4.2 Descriptive Statistics of Reliability of Service quality

	N	Min.	Max.	Mean	Std. Devt.
When my network provider promises a certain service by a certain time, it does so	313	1.00	5.00	3.80	0.95
When customers have a problem, my service provider show sincere interest in solving it	313	1.00	5.00	3.71	1.09
The staff at my mobile telephone service centres constantly provide fast and courteous services to their clients	313	1.00	5.00	3.58	1.14
My mobile telephone network provider always performs the service right the first time.	313	1.00	5.00	3.51	1.10
Aggregated score: Reliability of Service Quality				3.65	1.07

Source: Survey Data (2012)

From Table 4.2, mean (*M*) of reliability of service quality was 3.65 with a standard deviation (*SD*) of 1.07

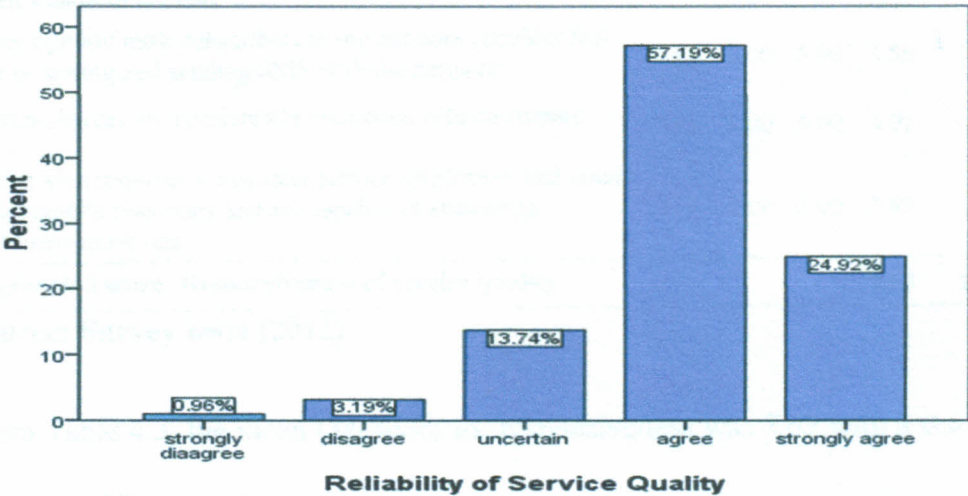


Figure 4.6 Reliability of Service Quality

Source: Survey Data (2012)

From figure 4.6 majority of respondents (57.19%) agreed that their service providers were reliable. Only a small (0.96%) group of students strongly disagreed. Those who disagreed, strongly agreed and were uncertain stood at 3.19%, 24.92% and 13.74% respectively.

4.3.2.2 Responsiveness of Service Quality

Participants' views on the responsiveness of their preferred network service providers were also sought.

Table 4.3 Descriptive statistics of responsiveness of service quality

	N	Min.	Max.	Mean	Std. Dev
My service provider service tells me exactly when service will be provided	313	1.00	5.00	3.49	1.12
The service provider's customer service employees give me a prompt service	313	1.00	5.00	3.51	1.06
My service provider's customer service employees are always willing to help its clients when they call upon them	313	1.00	5.00	3.89	1.01
My service provider's customer service employees are never too busy to respond to my requests	313	1.00	5.00	2.79	1.36
The service provider instills confidence in customers even when situations are bad	313	1.00	5.00	3.65	1.01
In my opinion most subscribers to my network provider feel safe in talking and sending SMS with the network	313	1.00	5.00	3.89	1.08
The employees are consistently courteous with customers	313	1.00	5.00	3.92	.91
The service provider's customer service employees and issues about mobile telephony and are capable of answering customers questions	313	1.00	5.00	3.95	.91
Aggregated score: Responsiveness of service quality				3.63	1.06

Source: Survey Data (2012)

From Table 4.3, the mean (*M*) score for responsiveness was 3.63 with a standard deviation (*SD*) of 1.06

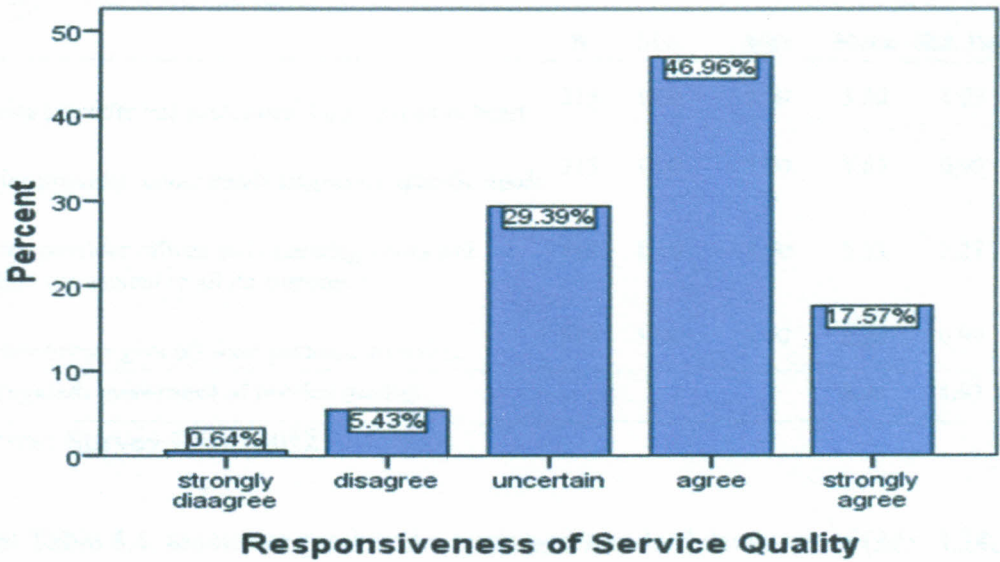


Figure 4.7 Responsiveness of Service Quality
Source: Survey Data (2012)

From figure 4.7, a little below half of the respondents (46.9%) agreed that their preferred service providers were responsive to their service quality issues. However, only 0.64% of the respondents strongly disagreed. 5.43%, 17.57% and 29.39% were respondents views with respect to disagree, strongly agree and uncertain respectively.

4.3.2.3 Assurance of Service Quality

Data on participants view on assurance of service quality were statistically analysed, the statistics are given in Table 4.4.

Table 4.4 Descriptive statistics of assurance of service quality

	N	Min	Max	Mean	Std. Dev
Service provider has customers' best interest at heart	313	1.00	5.00	3.52	1.09
Service provider understands customers specific needs	313	1.00	5.00	3.63	0.99
Service provider offices and operating hours and location convenient to all its customers	313	1.00	5.00	3.33	1.27
The employees give off their personal attention	313	1.00	5.00	3.30	0.99
Aggregated: assurance of service quality				3.34	1.09

Source: Survey Data (2012)

From Table 4.4, assurance produced a mean and standard deviation of ($M = 3.34$, $SD = 1.08$).

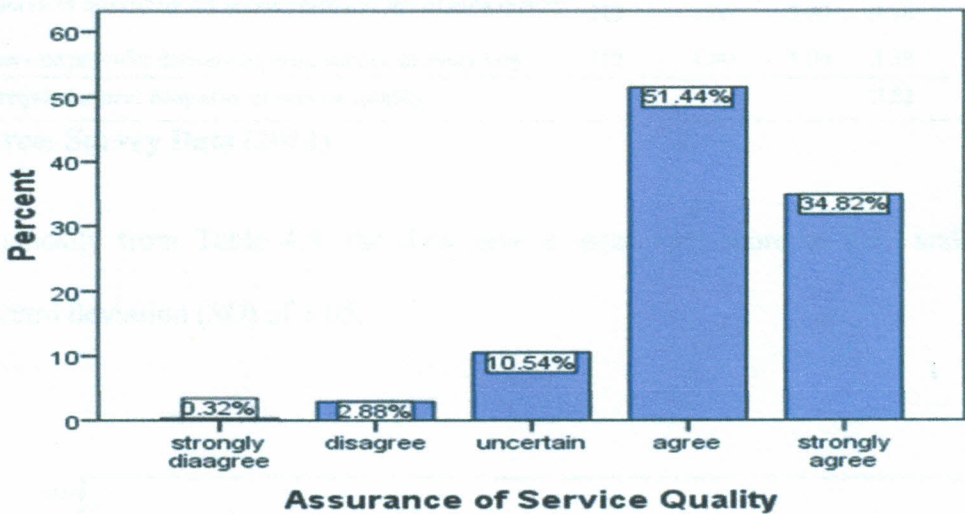


Figure 4.8 Assurance of Service Quality

Source: Survey Data (2012)

In figure 4.8, a little above half of the respondents (51.44%) agreed on the assurance of service quality of their preferred networks. Likewise, those who strongly agreed represented 34.82%. 0.32% and 2.88% were in favour of strongly disagree and disagree while 10.54% were uncertain.

4.3.2.4 Empathy of Service Quality

Respondents on eight questionnaire items gave responses on how knowledgeable their service providers were on service quality. Find in Table 4.5 and figure 4.9 results of respondents' views.

Table 4.5 Descriptive statistics of empathy to service quality

	N	Min	Max	Mean	Std. Dev
The service provider has customers' best interest at heart	313	1.00	5.00	3.52	1.09
The service provider understands customers specific needs	313	1.00	5.00	3.63	0.99
My service provider offices has operating hours and location convenient to all its customers	313	1.00	5.00	3.33	1.26
The employees give off their personal attention	313	1.00	5.00	3.30	.999
Customer Perceived overall service quality	313	1.00	5.00	3.62	.93
My service provider delivers excellent overall service	313	1.00	5.00	3.60	1.01
The services offered by my service provider are of high quality	313	1.00	5.00	3.76	0.97
My service provider delivers superior service in every way	313	1.00	5.00	3.39	1.15
Aggregated score: Empathy of service quality				3.52	1.05

Source: Survey Data (2012)

Statistically from Table 4.5, the data gave a mean (M) score of 3.52 and the standard deviation (SD) of 1.05.

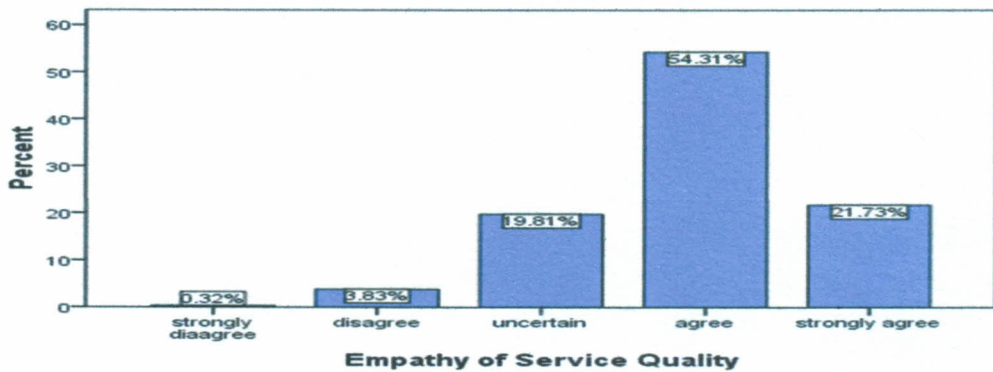


Figure 4.9 Empathy of Service Quality

Source: Survey Data (2012)

From figure 4.9, more than half of the respondents (54.31%) agreed and another 21.73% of the respondents responded to the strongly agreed scale. However, 0.32% and 3.83% responded negatively representing strongly disagree and disagree respectively 19.81% were uncertain.

To have a single attribute as service quality, its four attributes were aggregated. A Cronbach's alpha reliability of 0.77 was attained on the variable.

The result is shown in Table 4.6 and figure 4.10.

Table 4.6 Descriptive statistics of service quality

Category	N	Min	Max	Mean	Std Dev
Reliability	313	1	5	3.65	1.07
Responsiveness	313	1	5	3.63	1.06
Empathy	313	1	5	3.52	1.05
Assurance	313	1	5	3.34	1.09
Aggregated score: Service quality				3.53	1.07

Source: Survey Data (2012)

Statistically, service quality produced ($N = 3.53$, $SD = 1.07$) with $N=313$

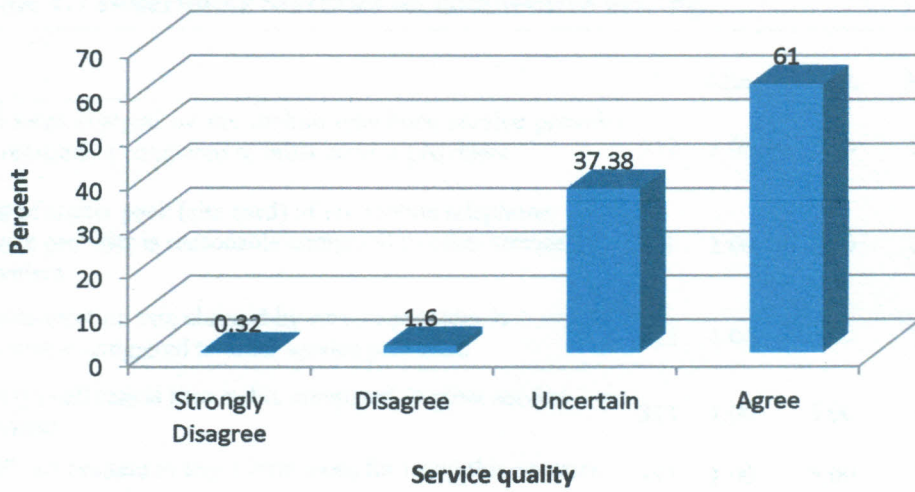


Figure 4.10 Service Quality
Source: Survey Data (2012)

Figure 4.10 shows that majority (60.70%) of the respondents, with respect to their service providers' service quality levels, responded favourably. Only 0.32% strongly disagreed while 1.60% disagreed. However, 37.38% were uncertain.

4.3.3 Competitive Pricing

Respondents' view in respect to their service providers' price were sought. The variable produced a Cronbach's alpha reliability of 0.87. The results is shown in Table 4.7 and figure 4.11.

Table 4.7 Descriptive Statistics on competitive pricing

	N	Min.	Max.	Mean	Std. Dev
Call rates charged by my mobile telephone service provider are reasonable compared to other service providers	313	1.00	5.00	2.69	1.56
Cost of starter pack (sim card) of my mobile telephone service provider is reasonable compared to other service providers	313	1.00	5.00	2.90	1.45
Interconnection rate charged by service provider is reasonable compared to other service providers	313	1.00	5.00	2.77	1.41
Foreign call rate is reasonable compared to other service providers	313	1.00	5.00	2.75	1.38
I will not hesitate to pay a little more for using this network	313	1.00	5.00	2.42	1.36
I will continue using this network even if the call charges are increased moderately	313	1.00	5.00	2.52	1.40
My service provider has no hidden cost, they are transparent on cost	313	1.00	5.00	3.08	1.41
Aggregate scores: Competitive pricing				2.73	1.42

Source: Survey Data (2012)

Statistics with the data proved $M= 3.14$ and $SD = 1.42$ a Cronbach's alpha reliability of 0.87. Figure 4.11 illustrate respondent's views.

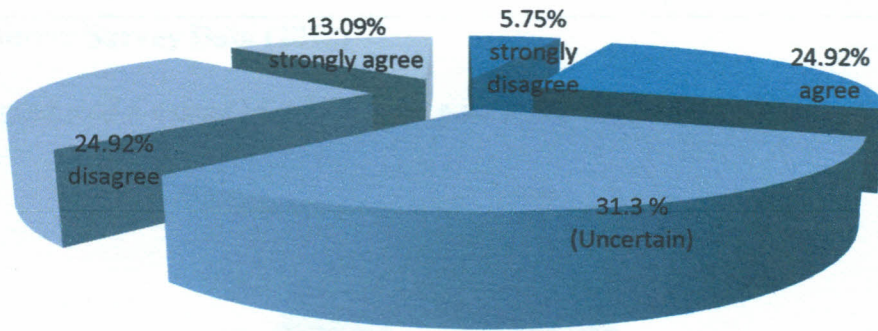


Figure 4.11 Competitive Pricing

Source: Survey Data (2012)

Responses on competitive pricing produced an interesting result. Most of respondents (31.3%) were uncertain on pricing related issues with respect to their preferred network. 5.8% of respondents strongly disagreed while 13.1% agreed

strongly that their service providers were competitive on pricing. Interestingly an equal percentage of 24.9% were for those who disagreed and agreed.

4.3.4 Corporate Image and Reputation

Issues on respondents' service providers' corporate image and reputation were sought. The variable had a Cronbach's alpha reliability of 0.79. Table 4.8 and figure 4.12 indicate the outcome.

Table 4.8 Descriptive Statistics for Corporate Image and Reputation

	N	Min	Max	Mean	Std. Dev
My service provider's brand name is holds in high esteem and is incomparable	313	1.00	5.00	3.88	1.10
In my opinion, this service provider would rank first among the other service providers	313	1.00	5.00	3.81	1.26
The network I use reflect a lot about who I am	313	1.00	5.00	3.34	1.28
The goals and values of my service provider is incomparable	313	1.00	5.00	3.48	1.07
Repeatedly, the performance of this service provider is superior to that of competitor's one	313	1.00	5.00	3.69	1.19
Aggregate scores: Corporate image and reputation				3.64	1.18

Source: Survey Data (2012)

It produced a mean (M) of 3.64 and a standard deviation (SD) of 1.18. $N = 313$

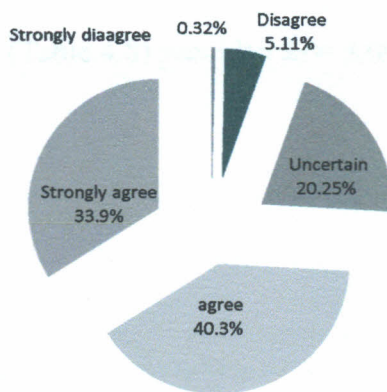


Figure 4.12 Corporate Image and Reputation

Source: Survey Data, (2012)

Out of 313 responses, 40.3% agreed, 33.9% strongly agreed. Those who disagreed represented 5.11% while 0.32% strongly disagreed. However, 20.45 were uncertain (Figure 4.12).

4.3.5 Switching Cost

Whether financial or social cost involve in changing networks could influence loyalty levels, respondents answered a four-questionnaire item on a five likert scale. A cronbach's alpha reliability of 0.7 was obtained on the variable. Table 4.9 and figure 4.13 explained the outcome.

Table 4.9 Descriptive Statistics for Switching cost

	N	Min	Max	Mean	Std. Dev
The costs to be incurred in switching to another service provider influence my ability to switch	313	1.00	5.00	3.24	1.39
The cost of searching for another service provider will influence my switching behaviour	313	1.00	5.00	3.15	1.29
The cost of losing contacts of friend and relatives will influence my switch to a different service provider.	313	1.00	5.00	2.83	1.49
I will consider switching to another service provider.	313	1.00	5.00	3.12	1.35
Aggregate scores: switching cost				3.09	1.38

Source: Survey Data (2012)

Statistics of the data (Table 4.8) provided $M = 3.09$, $SD = 1.3$. $N = 313$.

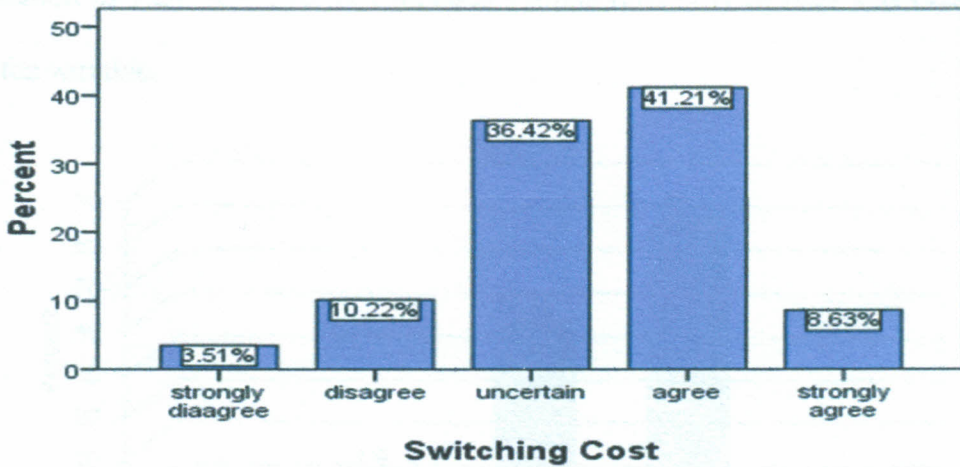


Figure 4.13 Switching cost
Source: Survey Data (2012)

Figure 4.13 indicated that 41.25%, 36.42%, 10.22%, 8.63% and 3.51% responded agree, uncertain, disagree strongly agree and strongly disagree respectively.

4.3.6 Customer Satisfaction

The researcher sought to know the satisfaction level (as a mediating variable) of respondent with their respective preferred network. A five-liket type of five-questionnaire items were asked. Table 4.10 depicts the statistics of the respondents.

Table 4.10 Descriptive Statistics on customer satisfaction

	N	Min	Max	Mean	Std. Dev
I am completely satisfied with the services delivered by my service provider	313	1.00	5.00	3.15	1.31
I feel very pleased with services offered by my service provider	313	1.00	5.00	3.41	1.18
I am satisfied with pricing offered by my service provider	313	1.00	5.00	2.71	1.42
I am satisfied with the quality of service offered by my service provider	313	1.00	5.00	3.60	1.11
I feel absolutely delighted with my network services	313	1.00	5.00	3.37	1.20
Aggregate scores: customer satisfaction				3.25	1.24

Source: Survey Data (2012)

From Table the statistics produced a mean (M) score of 3.25 and a standard deviation of 1.24. N = 313. A Cronbach's alpha reliability of 0.85 was obtained on the variable.

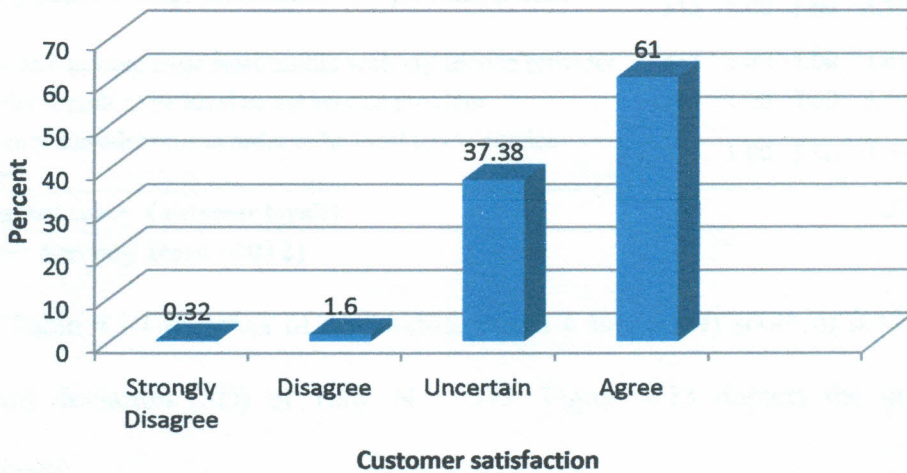


Figure 4.14 Customer Satisfaction

Source: Survey Data, (2012)

Figure 4.14 shown that out of the 313 responses 37.7% agreed that they were satisfied with their respective service providers. 19.2% strongly agreed to it but 9.58% and 3.19% disagreed and strongly disagreed respectively disagreed to it. Some were however uncertain on whether they were satisfied or not, they represented 30.35%.

4.3.7 Customer Loyalty

Loyalty levels (dependent variable) of respondents were sought for. Reliability of the variable produced a Cronbach's alpha reliability of 0.84. Table 4.11 and figure 4.15 describes the outcome.

Table 4.11 Descriptive Statistics on Customer Loyalty

	N	Min	Max	Mean	Std. Dev
I would like to remain as a customer of my service provider	313	1.00	5.00	3.48	1.18
I would like to recommend my service provider to friends and people I know	313	1.00	5.00	3.44	1.23
I will say positive things about my service provider to other people	313	1.00	5.00	3.53	1.13
I would like to keep close relationship with my service provider	313	1.00	5.00	3.61	1.07
I consider myself to be loyal to my service provider	313	1.00	5.00	3.50	1.19
I will only consider cost in order to be loyal to my service provider	313	1.00	5.00	3.57	1.31
Aggregated score: Customer loyalty				3.52	1.38

Source: Survey Data (2012)

From Table 4.10 statistics of responded shown a mean (*M*) score of 3.52 and a standard deviation (*SD*) of 1.38. N = 313. Figure 4.15 depicts the outcome graphically.

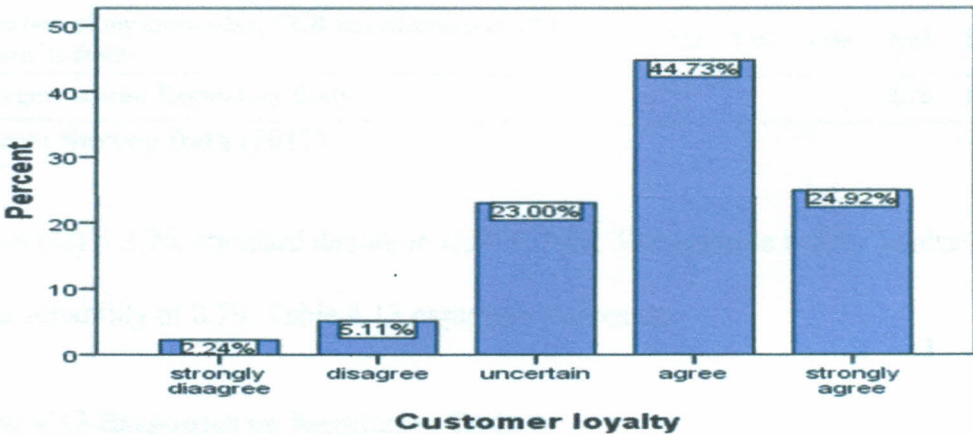


Figure 4.15 Customer Loyalty

Source: Survey Data, (2012)

From figure 4.15, 44.73% of the respondents agreed that they are loyal to their preferred service provider while 24.92% strongly agreed. However, a small percentage (5.11%) disagreed and (2.24%) strongly disagreed.

4.3.8 Regulatory Body

Five questionnaire items were used to solicit view from respondents among others on the meaningfulness of Communication Commission of Kenya (CCK) (as the moderating framework). The output produced the following statistics as shown in Table 4.12 and 4.13.

Table 4.12 Descriptive Statistics of Regulatory body

	N	Min	Max	Mean	Std. Dev
The regulatory body in the industry (CCK) has done well in licensing all operators	313	1.00	5.00	3.82	1.12
The regulatory body in the industry (CCK) has done well in protecting consumers' rights.	313	1.00	5.00	3.72	1.21
The regulatory body in the industry (CCK) has done well in checking against unfair competition among the operators.	313	1.00	5.00	3.51	1.29
To the best of my knowledge, the existence of CCK is meaningful	313	1.00	5.00	3.96	1.03
To the best of my knowledge, CCK has enough powers to perform its duties.	313	1.00	5.00	3.81	1.22
Aggregate scores: Regulatory Body				3.76	1.17

Source: Survey Data (2012)

Mean (M) = 3.76, standard deviation (SD) = 1.17. The variable had a Cronbach's alpha reliability of 0.79. Table 4.12 explained the results.

Table 4.13 Responses on Regulatory Body

	Frequency	Valid Percent
Strongly Disagree	3	1.0
Disagree	12	3.8
Uncertain	45	14.4
Agree	138	44.1
Strongly agree	115	36.7
Total	313	100.0

Source: Survey Data (2012)

From Table 4.12 the results indicates that the large number of respondents agreed to the meaningfulness of (CCK) ($n=138$, 44.1%), followed by those who strongly

agreed ($n=115$, 36%). Those who disagreed comprised of 3.8% ($n=12$) while only 1% ($n=3$) strongly objected to it. However, 14% ($n=45$) were uncertain.

4.3.9 Comparison of customer's preferred network and reasons for a choice of network

Table 4.14 gives a summary of customers' reasons for a choice of a particular network.

Table 4.14 Comparison of networks and customers' reason for a choice of network

		Customer's reasons for choosing their network					
		Competitive pricing	Service quality	Corporate image	Switching cost	Total	
Customer's Preferred Network	Safaricom	Count	18	134	37	16	205
		% within Customer's Preferred Network	8.8%	65.4%	18.0%	7.8%	100.0%
		% within Customer's reasons for choosing their network	24.0%	78.8%	97.4%	53.3%	65.5%
	Airtel	Count	31	27	1	7	66
		% within Customer's Preferred Network	47.0%	40.9%	1.5%	10.6%	100.0%
		% within Customer's reasons for choosing their network	41.3%	15.9%	2.6%	23.3%	21.1%
	Orange	Count	1	3	0	1	5
		% within Customer's Preferred Network	20.0%	60.0%	.0%	20.0%	100.0%
		% within Customer's reasons for choosing their network	1.3%	1.8%	.0%	3.3%	1.6%
	Yu	Count	25	6	0	6	37
		% within Customer's Preferred Network	67.6%	16.2%	.0%	16.2%	100.0%
		% within Customer's reasons for choosing their network	33.3%	3.5%	.0%	20.0%	11.8%
Total	Count	75	170	38	30	313	
	% within Customer's Preferred Network	24.0%	54.3%	12.1%	9.6%	100.0%	
	% within Customer's reasons for choosing their network	100.0%	100.0%	100.0%	100.0%	100.0%	

Source: Survey Data (2012)

Out of the reasons for choosing Yu, competitive price (67.6%) came first, switching cost and service quality were next with 16.2% each. Corporate image was 0%. With respect to Safaricom, service quality was the favourite (65.5%), corporate image (18%), competitive price (8.8%) and switching cost (7.8%). Airtel on the other hand had a higher score on price competitiveness (47%), service quality came next (40.9%). The least score was corporate image (1.5%) while switching cost was 10.6%. Lastly, service quality was the highest ranked (60%) among the reasons choosing for orange network. Competitive pricing was 20% and switching cost 20% while corporate image was 0%.

In comparing the networks in their areas of competitiveness, in terms of competitive pricing, Airtel, was the favourite (41.3%), followed by Yu with 33.3%, Safaricom 24% and Orange 1.3%. With respect to service quality, Safaricom was the favourite (78.8%). Airtel was next with 15.9%, Orange and Yu had 1.8% and 3.5% respectively. Safaricom became the desired network when it comes to corporate image (97.4%), Airtel came next with 2.6%. Orange and Yu networks scored zero percent. With switching cost, safaricom had 53.3%, followed by Aitel, Yu and Orange with 23.3%, 20% and 3.3% respectively.

Descriptive statistic showing mean and standard deviation of the various variables for the analysis are shown in Table 4.15.

Table 4.15 Descriptive Statistics of the various variables

	N	Range	Min	Max	Mean	Std. Dev.	Skewness
Switching Cost	313	4.00	1.00	5.00	3.09	1.42.	-.502
Competitive pricing	313	4.00	1.00	5.00	3.09	1.42	.031
Corporate Image and Reputation	313	4.00	1.00	5.00	3.64	1.18	-.607
Customer Satisfaction	313	4.00	1.00	5.00	3.25	1.24	-.469
Customer loyalty	313	4.00	1.00	5.00	3.52	1.38	-.755
Service Quality	313	4.00	1.00	5.00	3.53	1.07	-.597
Regulatory Body	313	4.00	1.00	5.00	3.76	1.17	-.961

Source: Survey Data (2012)

4.4 Testing of Hypotheses

Inferential statistics such as Pearson product-movement correlation coefficient, regression analysis were used to test and analyse the various hypotheses of the study. Results of such analyses are presented in subsequent discussions.

4.4.1 Test of Hypothesis One and Two (H_1 , H_2)

To investigate the relationship between service quality and job performance, the researcher hypothesised that, ($H_{0 1}$) there is no statistical significant relationship between service quality and customer loyalty in the mobile telecommunication industry in Kenya. ($H_{0 2}$) The dimensions of service quality namely reliability, responsiveness, assurance and empathy do not vary in the degree to which they drive customer loyalty.

To test these null hypotheses, Pearson product-movement correlation Coefficient (r) was chosen. The two variables, service quality and customer loyalty were quantitatively measured and each individual case had scores on the two quantitative variables. In addition, the data met the two key assumptions of

correlation. These are; that the variables are bivariately and normally distributed as indicated by a linear relationship between the two variables and that the cases represent a random sample from the population, with scores on one case being independent of score of other cases (Green and Salkind, 2003).

Table 4.16 Correlation between Service Quality and Customer Loyalty

	1	2	3	4	5	6
1. Reliability of Service Quality	1					
2. Assurance of Service Quality	.405**	1				
3. Responsiveness of Service Quality	.466**	.449**	1			
4. Empathy of Service Quality	.457**	.500**	.456**	1		
5. Service Quality	.589**	.641**	.684**	.668**	1	
6. Customer loyalty	.324**	.435**	.405**	.482**	.473**	1

** Correlation is significant at the 0.05 level (2-tailed). N=313

Source: Survey Data (2012)

From Table 4.16, the two variables (service quality and customer loyalty) were positively, but moderately correlated $r(313) = 0.47, p < .05$. In relation to hypothesis one (H_1), the results did not support the null hypotheses (H_0) that there is no statistically significant relationship between service quality and customer loyalty. This is because $r(313) = 0.47, p < 0.05$, therefore, the null hypotheses is rejected but the alternate hypothesis was failed to be rejected.

The results indicated that as service providers increase their service quality levels, the level of customer loyalty increases and it is in line with a similar study by Nukpezah and Nyumuyo (2001) and Boahene and Agyepong (2011).

It is vital to note that the indicators of service quality as indicated by Parasuraman (1988) and as shown in the researcher’s conceptual framework all correlated positively with the dependent variable (customer loyalty).

Reliability of service quality: $r(313) = 0.32, p < 0.05$

Responsiveness of service quality: $r(313) = 0.41, p < 0.05$
 Assurance of service quality: $r(313) = 0.44, p < 0.05$
 Empathy of service quality: $r(313) = 0.48, p < 0.05$.

However, the degree of correlation between the indicators differs. While empathy correlated highly among them, reliability was the least. A regression analysis was conducted to assess the prediction levels. The results are shown in table 4.17 and Table 4.18.

Table 4.17. Regression Model Summary for Reliability, Responsiveness, Assurance and Empathy of Service Quality

Model	R	Adjusted R Square	Std. Error of the Estimate	Change Statistics					
				R Square Change	F Change	Sig. F Change			
1	.553 ^a	.306	.297	.77995	.306	33.937	4	308	.000

a. Predictors: (Constant), Empathy of Service Quality, Responsiveness of Service Quality, Reliability of Service Quality, Assurance of Service Quality

b. Dependent Variable: Customer loyalty.

Source: Survey Data (2012).

From Table 4.17, the model explained a significant proportion of variance in customer loyalty scores. $R^2 = 0.306$, $F(4, 308) = 33.93$, $p < 0.05$. Indicating that, the model produced 30.6% of the variance in customer loyalty.

Table 4.18 Regression Coefficient for Reliability, Responsiveness, Assurance, and Empathy of Service Quality

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part Tolerance	VIF	
(Constant)	.575	.299		1.923	.055					
Reliability of Service Quality	.037	.068	.031	.539	.590	.324	.031	.026	.691	1.447
Responsiveness of Service Quality	.188	.065	.168	2.895	.004	.405	.163	.137	.671	1.491
Assurance of Service Quality	.250	.071	.203	3.499	.001	.435	.196	.166	.673	1.486
Empathy of Service Quality	.350	.071	.290	4.897	.000	.482	.269	.232	.643	1.556

a. Dependent Variable: Customer loyalty

Source: Survey Data (2012)

Table 4.18 pointed out that responsiveness of service quality significantly predicted customer loyalty, $b = 0.19$, $t(313) = 2.89$, $p < 0.05$. It contributed 2% of the total R^2 . Assurance of service quality significantly predicted customer loyalty, $b = 0.25$, $t(313) = 3.50$, $p < 0.05$. It contributed 3% of the total R^2 . Empathy of service quality significantly predicted customer loyalty, $b = 0.35$, $t(313) = 4.90$, $p < 0.05$. It contributed 5% of the total R^2 . Reliability of service quality predict customer loyalty, but did not meet the significant level, $b = 0.37$, $t(313) = 0.54$, $p > 0.05$.

From above discussion, it was concluded that the null hypothesis (H_0) was rejected, but it alternate hypothesis (H_1), that the dimensions of service quality namely reliability, responsiveness, assurance and empathy vary in the degree to which they drive customer loyalty was maintained.

4.4.2 Test of Hypotheses Three, Four and Five (H₃, H₄, H₅)

In order to establish the relationship between the independent variables; competitive pricing, corporate image and switching cost and the dependent variable customer loyalty, the following null and alternate hypotheses were formulated, that;

H_{0 3} There is no statistical significant relationship between competitive pricing and customer loyalty in the mobile telecommunication service industry.

H_{1 3} There is statistical significant relationship between competitive pricing and customer loyalty in the mobile telecommunication service industry.

H_{0 4} There is no statistical significant relationship between corporate image and reputation and customer loyalty,

H_{1 4} There is statistical significant relationship between corporate image and reputation and customer loyalty,

H_{0 5} There is no statistical significant relationship between switching cost and customer loyalty.

H_{1 5} There is statistical significant relationship between switching cost and customer loyalty.

To test the above hypotheses, Pearson product moment correlation coefficient was run on the various variables. The results indicated in Table 4.5.

Table 4.19 Correlation coefficient between Complete Pricing, Corporate Image, Switching Cost and Customer Loyalty

		Switching Cost	Competitive pricing	Corporate Image and Reputation	Customer loyalty
Switching Cost	Pearson Correlation	1			
	Sig. (2-tailed)				
	N				
Competitive pricing	Pearson Correlation	-.022	1		
	Sig. (2-tailed)	.698			
	N	313	313		
Corporate Image and Reputation	Pearson Correlation	.068	.343**	1	
	Sig. (2-tailed)	.229	.000		
	N	313	313	313	
Customer loyalty	Pearson Correlation	-.014	.564**	.410**	1
	Sig. (2-tailed)	.809	.000	.000	
	N	313	313	313	313

**Correlation is significant at .05 level (2 tailed).

Source: Survey Data (2012)

Table 4.17 revealed the following on how the independent variables relates to the dependent variable; switching cost: $r(313) = -0.014, p > 0.05$; Corporate image and Reputation: $r(313) = 0.41, p < 0.05$; Competitive pricing: $r(313) = 0.56, p < 0.05$. In relation to hypothesis three (H_3), since it was observed that competitive pricing relates moderately positive at 0.56 with a $p < 0.05$ and that the relationship is significant, the null hypothesis (H_{03}) was therefore rejected but the alternate hypothesis (H_{13}) maintained. This suggests that as price becomes competitive in favour of the consumer, loyalty levels improve.

Corporate image and reputation was found to correlate significantly ($p < 0.05$) but moderately positive (0.41) to customer loyalty. The null hypothesis (H_{04}) was therefore rejected. However, the alternate hypothesis was maintained. It implied

that as service providers improves their corporate image and reputation, customer loyalty levels goes high.

The results of the correlation coefficient with respect to switching cost on other hand was not significant ($p > 0.05$), weakly correlated and negative (-0.014). The researcher therefore failed to reject the null hypothesis ($H_{0\ 5}$) but the alternate hypothesis was rejected.

4.4.3 Test of Hypothesis Six (H_6)

The researcher in a quest to analyze the influence of the level of customer satisfaction and on the relationship between the determinants of customer loyalty and the level of customer loyalty hypothesised that, ($H_{0\ 6}$) Customer satisfaction level does not mediates the relationship between the determinant of customer loyalty and loyalty. ($H_{1\ 6}$) Customer satisfaction level mediates the relationship between the determinant of customer loyalty and loyalty.

In testing the above hypotheses, multiple sequential regression regression was used to run the variables. Three stages were involved. In the first stage, the independent variables were regressed against the dependent variable and the output is shown in Tables 4.20 and 4.21. Regression analysis proved worthwhile because the variables met the necessary conditions. First, a check on multi-collinearity proved that the variables correlated within the acceptable range of 0.3 and 0.7 (Tabachnick and Fidell, 2001). Secondly, the variables produced a Tolerance value greater than 0.10 and a Variance Inflation Factor (VIF) value less than 10.

Table 4.20 Regression Model Summary for Independents and Dependent Variable

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.645 ^a	.416	.408	.71556	.416	54.801	4	308	.000

a. Predictors: (Constant), Switching Cost, Competitive pricing, Corporate Image and Reputation, Service Quality

b. Dependent Variable: Customer loyalty

Source: Survey Data (2012)

From Table 4.20, the model explained a significant proportion of variance in customer loyalty scores. $R^2 = 0.416$, $F(4, 308) = 55.80$, $p < 0.05$. Indicating that, the model produced 41.6% of the variance in customer loyalty. This is quite a respectable amount. Table 4.19 shows the regression coefficient.

Table 4.21 Regression Coefficient for Independents and Dependent Variable

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta				Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	.647	.314			2.056	.041					
Corporate Image and Reputation	.200	.051	.190		3.953	.000	.410	.220	.172	.822	1.216
Competitive pricing	.333	.041	.398		8.050	.000	.564	.417	.351	.778	1.286
Service Quality	.410	.085	.239		4.814	.000	.473	.265	.210	.767	1.304
Switching Cost	-.035	.045	-.034		-.782	.435	-.014	-.045	-.034	.988	1.012

a. Dependent Variable: Customer loyalty

Source: Survey Data (2012)

In evaluating the independent variables, Table 4.21 pointed out that: Service quality significantly predicted customer loyalty, $b = 0.41$, $t(313) = 4.81$, $p < 0.05$. It contributed 4.4% of the total R^2 . Competitive pricing significantly predicted customer loyalty, $b = 0.33$, $t(313) = 8.05$, $p < 0.05$. It contributed 12% of the total

R^2 . Corporate image and reputation significantly predicted customer loyalty, $b = 0.2$ $t(313) = 3.95, p > 0.05$. Switching cost did not significantly predict customer loyalty, $b = -0.035$ $t(313) = -0.78, p > 0.05$.

The regression model is $CL = \beta + \beta_1CP + \beta_2SQ + \beta_3CIR + \beta_4SC + \varepsilon$

Where:

CL	-	Customer Loyalty (dependent variable)
β	-	Regression constant
ε	-	Error of prediction. This will explain variation in growth that is not explained by the regression.
CP	-	Competitive Price
SQ	-	Service Quality
CI	-	Corporate Image and Reputation
SC	-	Switching Cost

$$CL = 0.647 + 0.33CP + 0.41SQ + 0.2CI + -0.35SC$$

In the second stage, the mediating variable was regressed against the dependent variable. The output is shown in Tables 4.22 and 4.23.

Table 4.22 Regression Model Summary for mediating and dependent variable

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.666 ^a	.444	.442	.69498	.444	247.898	1	311	.000

a. Predictors: (Constant), Customer Satisfaction

b. Dependent Variable: Customer loyalty

Source: Survey Data (2012)

From Table 22, the model explained a significant proportion of variance in customer loyalty scores. $R^2 = 0.444$, $F(1, 311) = 247.89, p < 0.05$. Indicating that, the model produced 44.4% of the variance in customer loyalty. This is quite a respectable amount. Table 4.19 shows the regression coefficient.

Table 4.23 Regression Coefficients for mediating and dependent variable

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	1.630	.146		11.140	.000					
Customer Satisfaction	.616	.039	.666	15.745	.000	.666	.666	.666	1.000	1.000

a. Dependent Variable: Customer loyalty

Source: Survey Data (2012)

Table 4.23 indicated that: customer satisfaction significantly predicted customer loyalty, $b = 0.616$, $t(313) = 15.75$, $p < 0.05$.

The regression model is $CL = \beta + \beta CS + \varepsilon$

Where CL - Customer loyalty
 CS - Customer Satisfaction
 E - Error of prediction. This will explain variation in growth that is not explained by the regression.

The last stage, the independent and mediating variables were regressed against the dependent variable. The results are shown in Table 4.24 and 4.25.

Table 4.24 Regression Model Summary for independents, mediating and dependent variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
						F Change	df1	df2	
1	.716 ^a	.512	.505	.65472	.512	64.548	5	307	.000

a. Predictors: (Constant), Switching Cost, Competitive pricing, Corporate Image and Reputation, Service Quality, Customer Satisfaction

b. Dependent Variable: Customer loyalty

Source: Survey Data (2012)

From Table 4.24, the model explained a significant proportion of variance in customer loyalty scores. $R^2 = 0.512$, $F(5, 307) = 64.55$, $p < 0.05$. Indicating that,

the model produced 51.2% of the variance in customer loyalty. This is quite a respectable amount. Table 4.25 shows the regression coefficient.

Table 4.25 Regression Coefficients for independents, mediating and dependent variables.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	.642	.288		2.230	.026					
Customer Satisfaction	.396	.051	.428	7.804	.000	.666	.407	.311	.529	1.891
Service Quality	.254	.080	.148	3.156	.002	.473	.177	.126	.719	1.390
Competitive pricing	.191	.042	.228	4.538	.000	.564	.251	.181	.631	1.585
Corporate Image and Reputation	.075	.049	.071	1.523	.129	.410	.087	.061	.734	1.363
Switching Cost	-.008	.041	-.008	-1.199	.843	-.014	-.011	.008	.982	1.019

a. Dependent Variable: Customer loyalty

Source: Survey Data (2012)

In Table 4.25, when the independent and mediating variables were regressed against the dependent variables, switching cost failed to predict significantly to customer loyalty: $b = -0.008$, $t(313) = -0.199$, $p > 0.05$. Similarly, Corporate image and reputation failed to predict: $b = 0.07$, $t(313) = 1.523$, $p > 0.05$. However, service quality, competitive pricing and customer satisfaction positively and significantly predicted customer loyalty: $b = 0.254$, $t(313) = 3.154$, $p < 0.05$; $b = 0.191$, $t(313) = -4.538$, $p < 0.05$; $b = 0.396$, $t(313) = 7.804$, $p < 0.05$ respectively.

The regression model is $CL = \beta_0 + \beta_1CP + \beta_2SQ + \beta_3CIR + \beta_4SC + \beta_5 + \beta_6CS + \epsilon$

Where: CL - Customer Loyalty (dependent variable)
 β - Regression constant
 ϵ - Error of prediction .This will explain variation in growth that is not explained by the regression.

CP	-	Competitive Price
SQ	-	Service Quality
CI	-	Corporate Image
SC	-	Switching Cost
CS	-	Customer Satisfaction

Table 4.26 Summary of Regression Analysis when Mediating Variable was introduced

Parameter	Before	After	Change	Significance of change
β	0.647	0.642	-0.005	Significance
R ² value	0.416	0.512	+0.096	Significance
F value	54.80	64.55	+9.75	Significance
t value	2.056	2.230	+0.174	Significance

Source: Survey Data (2012)

The regression model thereafter becomes

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + \beta_{med} (\text{Mediating Factor})$$

Where: Y - Dependent Variable

β_0 - Constant regression coefficient

β_{1-n} - Regression coefficient for the independent variables

β_{med} - Regression coefficient for the mediating variable

$$Y = 0.642 + 0.254(SQ) + 0.042(CP) + 0.075(CI) - 0.008(SC) + 0.396(CS)$$

In conclusion, it was observed that the explanatory factor has a stronger empirical factor when the mediator is presented (introduced). It influenced with an R² value of 9.6%, $p < 0.05$. In reference to hypothesis six (H₆) and in relation to the above discussions, the researcher rejects the null hypothesis while the alternate was maintained.

4.4.3 Test of Hypothesis Seven (H₇)

The researcher in a quest to analyse the Influence of the Regulatory Body on the relationship between the determinants of Customer Loyalty and the level of Customer Loyalty, hypothesised that; (H_{0 7}) the regulatory environment does not moderates the relationship between the determinant of customer loyalty and loyalty. (H_{1 7}) The regulatory environment moderates the relationship between the determinant of customer loyalty and loyalty.

A three-stage sequential regression analysis was used. In the first stage, the independent variables were regressed against the dependent variable and the output is the same as shown in Tables 4.20 and 4.21. From the table 4.20, the model explained a significant proportion of variance in customer loyalty scores. $R^2 = 0.416$, $F(4, 308) = 55.80$, $p < 0.05$.

At the second stage, the moderating variable was regressed against customer loyalty, the dependent variable. Figure 4.27 explains the output.

Table 4.27 Regression Model Summary for moderating and dependent variable

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
						F Change	df1	df2	
1	.327 ^a	.107	.104	.88048	.107	37.202	1	311	.000

a. Predictors: (Constant), Regulatory Body

b. Dependent Variable: Customer loyalty

Source: Survey Data (2012)

From Table 4.27 the model explained a significant proportion of variance in customer loyalty scores. $R^2 = 0.107$, $F(1, 311) = 37.2$, $p < 0.05$. Indicating that,

the model produced 10.7% of the variance in customer loyalty. Table 4.26 shows the regression coefficient

Table 4.28 Regression Coefficients for moderating and dependent variable

Model	Unstandardized Coefficients		Standardized Coefficients		Correlations			Collinearity Statistics	
	B	Std. Error	Beta	t	Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	2.394	.244		9.814	.000				
Regulatory Body	.354	.058	.327	6.099	.000	.327	.327	.327	1.000 1.000

a. Dependent Variable: Customer loyalty

Source: Survey Data (2012)

From Table 4.28 the moderating framework predicted customer loyalty: $b = 0.354$, $t(313) = 6.10$, $p < 0.05$

The last stage looked at the regressed effect of the independents variables and the moderating variable on the dependent variable. The output is shown in Table 4.29.

Table 4.29 Regression Model Summary for independents, moderating and dependents variable

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
						F Change	df1	df2	
1	.656 ^a	.431	.421	.70761	.431	46.425	5	307	.000

a. Predictors: (Constant), Switching Cost, Competitive pricing, Regulatory Body, Corporate Image and Reputation, Service Quality

b. Dependent Variable: Customer loyalty

Source: Survey Data (2012)

From Table 4.29, the model explained a significant proportion of variance in customer loyalty scores. $R^2 = 0.107$, $F(1, 311) = 37.2$, $p < 0.05$. Indicating that, the model produced 10.7% of the variance in customer loyalty. Table 4.30 shows the regression coefficient.

4.30 Regression Coefficients for independents, moderating and dependents variable

Model	Unstandardized Coefficients		Standardized Coefficients		Correlations				Collinearity Statistics	
	B	Std. Error	Beta	t	Sig.	Zero-order	Partial	Part Tolerance	VIF	
1 (Constant)	.368	.326		1.128	.260					
Regulatory Body	.142	.050	.131	2.822	.005	.327	.159	.122	.856	1.168
Service Quality	.364	.086	.213	4.244	.000	.473	.235	.183	.739	1.353
Corporate Image and Reputation	.168	.051	.160	3.280	.001	.410	.184	.141	.783	1.278
Competitive pricing	.328	.041	.392	8.021	.000	.564	.416	.345	.776	1.288
Switching Cost	-.035	.044	-.034	-7.88	.431	-.014	-.045	.034	.988	1.012

a. Dependent Variable: Customer loyalty

Source: Survey Data (2012)

From Table 4.30 the moderating framework predicted customer loyalty: $b = 0.354, t(313) = 6.10, p < 0.05$.

Table 4.31 Summary of Regression Analysis when moderating variable was introduced

Parameter	Before	After	Change	Significance of change
β	0.647	0.368		
R^2	0.416	0.421	+0.005	Significance
F	54.80	46.42		
t	0.056	1.128		

Source: Survey Data (201)

The moderated regression model therefore becomes

$$Y = \beta_0 + \beta_1 X_1 + \dots + \beta_n X_n + nxm$$

- Where: Y - Dependent variable
- β_0 - Constant regression coefficient
- β_{1-n} - Regression coefficient for the independent variables

$\beta_{med.}$	-	Regression coefficient for the moderating variable
$X_{1..n}$	-	Predictor variables
n	-	R^2 change after the moderating variable
m	-	Moderator variable

$$Y = 0.368 + 0.364(SQ) + 0.168(CIR) + 0.328(CP) - 0.035(SC) + 0.005(4.244 + 3.280 + 8.021 - 0.788) + RB$$

In summary, the moderator variable has an influence on the effect of predictor variables on the dependent variable. However, the effect is diminutive. The R^2 change was 0.5%. In reference to hypothesis seven (H_7) and in relation to the above discussion, the null hypothesis was rejected but the alternate is maintained.

Table 4.32 gives a summary of the various hypotheses tested.

Table 4.32 Summarised findings of hypotheses tested in the study

Statement of Hypothesis	Results	Decision	Conclusion
H_{01}) there is no statistically significant relationship between service quality and customer loyalty in the mobile telecommunication industry in Kenya.	$r(313) = 0.47, p < 0.05$	Rejected	Significant relationship was found. $p < 0.05$
(H_{02}) The dimensions of service quality namely reliability, responsiveness, assurance and empathy do not vary in the degree to which they drive customer loyalty	Reliability $b = 0.19, t(313) = 2.89, p < 0.05$ Assurance $b = 0.25, t(313) = 3.50, p < 0.05$ Empathy $b = 0.35, t(313) = 4.90, p < 0.05$ Reliability $b = 0.37, t(313) = 0.54, p > 0.05$	Rejected	Differences were found on how they drive customer loyalty.
H_{03} There is no statistically significant relationship between competitive pricing and customer loyalty in the mobile telecommunication service industry.	$r(313) = 0.56, p < 0.05$	Rejected	Significant relationship was found, $p < 0.05$
H_{04} There is no statistically significant relationship between corporate image and reputation and customer loyalty,	$r(313) = 0.41, p < 0.05$	Rejected	Significant relationship was found, $p < 0.05$

Table 4.32 Cont...

Statement of Hypothesis	Results	Decision	Conclusion
H _{0 5} There is no statistically significant relationship between switching cost and customer loyalty.	$r(313) = -0.014, p > 0.05$	Failed to Reject	No significant relationship was found, $p > 0.05$
H _{0 6} Customer satisfaction level does not mediate the relationship between the determinant of customer loyalty and loyalty.	An influence of R ² of 9.6%, $p < 0.05$ was observed	Rejected	Explanatory factor has a stronger empirical factor when the mediator is presented
H _{0 7} The regulatory environment does not moderate the relationship between the determinant of customer loyalty and loyalty	An influence of R ² of 0.5%, $p < 0.05$ was observed.	Rejected	Statistically influenced the predictor.

Source: Survey Data: (2012)

4.5 Discussion

Findings of this study agree in principle to the theoretical framework and the empirical review in chapter two. The discussion was made along with the objectives of the study. The following gives a discussion of the results from the data analysis.

In terms of demographic characteristics of the sample, there were various findings. In terms of gender differences, there were almost equal number of males and female. This indicates that the results of the study reflect gender balance. In terms of age, the majority of students (respondents) were in the age bracket of 21-25 years (74.1%) and the least number were within the bracket of over 41 years (1.6%). This is a sign that the respondents were youthful and an indication that when it comes to mobile communication the youth dominates. With the

distribution of questionnaire, bulk of it was administered in main campus of Kenyatta University representing 68.05%. This is evidence to the fact that majority of the students study at main campus. An equal percentage of 6.39% were administered in the other four campuses namely Nakuru Campus, Nyeri campus, Parklands campus, City campus and Mombasa campus.

With respect to customers' preferred service provider, the analysis revealed that Safaricom commands the market with a percentage score of 65.5%, followed by Airtel, YU and Orange with percentages scores of 21.1%, 11.8% and 1.6% respectively. Service quality emerged as the leading driver of customer loyalty. This to a larger extent confirms CCK (2011) statistical results on the market shares per operator in the Kenyan mobile communication industry, amid few variations. CCK in June 2011 pointed out that Safaricom has a market share of 68.6%, Airtel 14.6%, Orange 10.8% and YU 6.3% (CCK, 2011). In the current study, the variation is slim. The difference may be to the time lapses in the study and that operators of YU network might have map up more strategies at the expense of Orange network operators.

Among the reasons assigned for respondent's choice of a particular service provider, service quality ranged first with 54.3%, Competitive pricing came second with 24%. Corporate image and switching costs followed in that order with 12.1% and 9.6% respectively.

This to some extent substantiate the premise in the KANO model of customer satisfaction. Kano pointed out that performance attribute (quality) contributes

much to the satisfaction level of consumers. Indifference attributes (corporate image) example company logo does not contribute significantly to customer satisfaction (Kano, 1984). Similarly, service quality aspect validates the performance section of the Expectation Confirmation Theory (ECT) (Oliver, 1980). Empirically, the findings support similar findings by Boahene and Agyepong (2011)

Among the indicators of service quality, they all had positive relationship with customer loyalty but with different degrees to which they relate to loyalty. Empathy was first with r value of 0.48. Assurance, responsiveness and reliability followed with r values of 0.44, 0.41 and 0.32 respectively. They were all significant at 0.05 ($p < 0.05$). Service quality as whole correlated positively and significantly: $r(313) = 0.47, p < 0.05$. Therefore, it is vital to mention that service quality has a role to play so far as customer loyalty is concern. It is also evidenced that within the Kenyan mobile telecommunication service industry empathy to service quality is what consumers considers most, assurance, responsiveness and reliability follows in that order. This does not vary much with what Nukpezah and Nyumuyo (2001) and Boahene *and* Agyapong (2011) found. In addition, it proves what Krishman et al. (1999) found, that satisfaction with product offerings (quality) is a primary driver of overall customer satisfaction. In sum, service quality has a positive relationship with customer loyalty.

In comparing the networks, the study revealed that, Safaricom has comparative advantage on corporate image and service quality but performed poorly on price competitiveness. Airtel's strength centered on price competitiveness however

performed abysmally on corporate image. Competitive price was also Yu's competitive strength but lacked behind Airtel. Orange on the other was poorly ranked on all variables with the exception of switching cost.

Inferential statistics also proved that competitive pricing, customer satisfaction, service quality, and regulatory body predicted and contributed significantly to customer loyalty. Their standardized coefficient β values were 0.23, 0.76, 0.016 and 0.09 respectively. However, switching cost did not contribute significantly to customer loyalty ($p > 0.05$). The variables together contributed 52.1% ($R^2 = 0.521$).

The findings on corporate image means that as service providers' level of corporate image increases the level of customer satisfaction also goes up and vice versa. The study corresponds with similar findings by Islam (2010) and Nukpezah and Nyumuyo (2001). Both studies found that corporate image correlate significantly with customer Loyalty. Similarly, the findings are in congruent with related studies by Rowley and Dawes (1999), Wang (2010) and Brown and Dacin (1997). Rowley and Dawes for instance, posit that image and expectations that users hold with respect to the nature and quality of their services affect customer loyalty. As such, corporate image should be managed seriously, since according to Kim and Lee (2010) it influences a customer's evaluation of customer loyalty.

Finding on competitive pricing is much in line with that of Virvilaite et al. (2009). She posit that in marketing literature service price is indicated as the most important factor, conditioning customers' satisfaction, because, if customers estimate the value of obtained service, they usually think of price. Consuegra et.

al. (2007) also had similar findings. A related finding was made by Nukpezah and Nyumuyo (2001) but a weak relationship was found. However, Best (2009) had a different opinion, he argued that acceptable price may not attract customers because of switching cost and loyalty to a competitor's brand, hence in Bert's opinion there is no relation between price and loyalty.

In terms of switching cost, the findings challenged that of Tung et al (2000) and Jones et al (2000). Tung et al (2000) concluded that attractiveness of an alternative does not support the negative relationship to loyalty significantly. For customers with low perceived risks, switching costs are also positively associated with customer loyalty. However, for customers with high-perceived risks, the relationship of switching costs and customer loyalty is weak or negative. It can therefore be inferred that the respondent with the current study had some perceived risk at the time of the study.

Concerning the mediating variable (customer satisfaction), the study revealed that when the mediating variable is introduced, the effect of the independent variables on the dependent variable increases. It has an influence of 9.6%. This is tantamount to a study by Jones and Sasser (1995), who found that an increase in customer satisfaction produces a stronger effect on loyalty among customers who are at the high end of the satisfaction scale. Similarly, the study is in line with Fornell's (1992). Customer satisfaction should therefore be one of the priorities of organisation

Similarly, the moderator has an influence on how the predictor variables influence customer loyalty. From the literature, no empirical study has been done to access this kind of influence. This study therefore has unearthed such knowledge.

In conclusion, competitive pricing, service quality and corporate image had significant relationships with customer loyalty, this study however, failed to find a significant relationship between switching cost and customer loyalty. The mediator and the moderator variables were all found to have an influence on the degree to which the independents variables predicts the dependent variable.

3.7 Summary of Findings

A number of key findings were made in relation to the objectives of the study. The study sought to determine the relationship between service quality and customer loyalty in a mobile telecommunication service industry in Kenya, determining how the dimensions of service quality vary in the degree to which drive customer

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

This research set out to study the factors affecting customer service loyalty in the Kenyan mobile telecommunication industry. This chapter gives out the summary of the findings in chapter four as well as the conclusion and the researcher's recommendation.

In the first chapter, the background to the study was specified and the study variables pointed out. The objectives underpinning the study set as well as its significance outlined. In chapter two, a detailed review of related literature on the variables were reviewed. Appropriate hypotheses were also formulated. Methodology employed for the study was given in chapter three while chapter four presented the analysis, results and discussion of the study.

In this current chapter, the results of the study as presented in chapter four are summarised and conclusions drawn upon which recommendations and essential considerations for further research identified. The study's limitations were also clearly spelled out.

5.2 Summary of Findings

Summary of the findings were made in relation to the objectives of the study. The study sought to determine the relationship between service quality and customer loyalty in mobile telecommunication service industry in Kenya, determine how the dimension of service quality vary in the degree to which drive customer

loyalty, identify the relationship between corporate image on customer loyalty in mobile telecommunication service industry in Kenya, determine the relationship between service pricing and customer loyalty in mobile telecommunication service industry in Kenya. The study also intended to identify the relationship between switching cost and customer loyalty in mobile telecommunication service industry in Kenya, to assess the influence of the level of customer satisfaction on the relationship between the determinants of customer loyalty and the level of customer loyalty. Lastly, to assess the influence of the regulatory environment for mobile telephone service on the determinants of customer loyalty and the level of customer loyalty

5.2.1.1 Relationship between service Quality and Customer Loyalty in Mobile Telecommunication Service Industry in Kenya

The first objective was achieved through the establishment that, to the majority of respondents, service quality influences their loyalty level and as such, there is a direct relationship between these two variables. Inferential statistics also indicated a positive and significant relationship between service quality and customer loyalty.

5.2.1.2 Dimension of Service Quality and the degree to which they drive Customer Loyalty

Pearson product-movement correlation revealed different degrees to which reliability, responsiveness, assurance and empathy of service quality relates to customer loyalty. A further check with regression analysis also indicated different degrees to which the elements of service quality predict customer loyalty.

5.2.2 Relationship between Corporate Image and Customer Loyalty in Mobile Telecommunication Service Industry in Kenya

The study revealed a positive and statistically significant relationship between corporate image and customer loyalty. Descriptive statistics also indicated that majority of respondent viewed corporate image as an influential factor in their level of loyalty.

5.2.3 Relationship between Service Pricing and Customer Loyalty in Mobile Telecommunication Service Industry in Kenya

A positive and significant relationship was found between service quality and customer loyalty. With descriptive statistics, the highest proportions of respondents were uncertain on how price competitiveness can influence their loyalty level. Interestingly, equal percentage of respondents agreed and disagreed on that area under discussion.

5.2.4 Relationship between Switching Cost and Customer Loyalty in Mobile Telecommunication Service Industry in Kenya.

The study failed to reveal a significant relationship between these variables. A negative relationship was found although, but it failed to meet the significant level the researcher estimated.

5.2.5 Influence of the level of Customer Satisfaction on the relationship between the determinants of Customer Loyalty and the level of Customer Loyalty

Customer satisfaction was found to have a positive influence of 9.6% on the relationship between the determinants of customer loyalty and loyalty.

5.2.6 Influence of the regulatory environment for mobile telephone service on the determinants of customer loyalty and the level of customer loyalty

The moderator variable has an influence on the predictor variables on their effect on the dependent variable. However, the effect is diminutive. The R^2 change was 0.5%.

5.3 Limitations of the Study

All researches have their limitation and it is no exception on this study. The survey was conducted only in Kenyatta University community comprising of six of its campuses, therefore based on the selected sample size and the regional distribution of the population concerned, the questions will be whether the findings can be generalized. Such generalization requires further in depth studies with larger samples. In a strict sense, the results pertain only to the respondents and generalizations to a wider population or industry should be done with caution. The sample size was not large enough but was adequate for the type of analysis undertaken.

Another limitation is on the scope of study. From a theoretical point of view, the framework of this research is restricted to its own purpose. This study has considered the relationship among service quality, corporate image, price, customer satisfaction, and service loyalty. While other antecedents or consequences, such as “relationship”, promotions, employees behaviour, have not been considered. Factors affecting consumers’ satisfaction and service loyalty on mobile phone services could be examined in many perspectives and in more details.

Additionally, only four out the five variables in the SERVQUAL model were studied. Tangible as the fifth dimension of service quality was left out. Finally, it should be noted that the study focused on mobile phone service sector alone, ignoring fixed-lines service sector

5.4 Recommendation

In the light of the findings of this study, there are several recommendations for researchers, stakeholders and policy makers.

5.4.1 Recommendation for Policy Makers

The National Communication Commission (NCC) and the Communication Commission of Kenya (CCK) were found to be doing a good work in the sector. They are therefore commended and are to continue the good work.

5.4.2 Recommendation for Industry Operators

The various industry operators have in one way or the other some message from the study. Safaricom even though performed well on three variables; service cost, corporate image and switching cost, it performed feebly on price competitiveness. It has to therefore work on its pricing strategies not forgetting the other three.

Airtel was somewhat ahead on pricing related issues so far as the other networks are concerned. It failed with respect to service quality. Management of the network has to work hard on its service quality issues since the study identified that service quality influences customer loyalty. Another area of concern for the company is on its corporate image. Respondents as at the time of the study did not attached much interest on Airtel's image (it scored only 2.6%)

Operators of Yu network has much to do on service quality and corporate image. The company did perform awfully on corporate image (0%) and quite poorly on service quality (3.5%). To stay competitive in the market it should strive to improve these issues. Its main strength was on price competitiveness.

Lastly, management of orange network needs to map up strategies on all the factors influencing customer loyalty. The company failed on all the factors. Although, its highest score was on switching, it was the least among the other networks.

5.4.3 Recommendation for further Research

The study did cover four variables, however these variables may not be conclusive. Further research may be conducted to unearth other factors influencing customer service loyalty. This study was also restricted to the telecommunication service industry, nonetheless the service industry entails a lot more than this. It will be interesting to analyze how the proposed relationships may differ when compared with other service sectors or tangible products. Further researches may be done in other areas apart from the communication sector.

Furthermore, apart from reliability, responsiveness, empathy and assurance of service quality, which were fully analysed in this study, further studies might include tangibility aspect of the SERVQUAL model. Future research may also derive benefit from focusing on consumer loyalty in the fixed-line sector.

Another opportunity for further research lies in the need to use different designs. The study concentrated on quantitative survey design. Other research designs may

be experimented. Lastly, the findings are those that pertain to the Kenyan environmental settings, similar studies may be replicated in other part of the world with different economic, socio-cultural, political and legal settings.

5.5 Conclusion

The study found a significant relationship between service quality, competitive pricing and corporate image one hand and customer loyalty on the other. No significant relationship was found however between switching cost and customer loyalty. The study also established that the indicators of service quality vary in the degree to which they drive customer loyalty.

It was also revealed that Safaricom leads in the Kenyan mobile telecommunication service industry. Followed by Airtel, Yu and Orange. The main influential factor accounting for this is corporate image followed by service quality. This comes to answer a concern in the researchers problem statement that why a price cut by Orange network led to increase in market share by Safaricom and Airtel.

Additionally, the study discovered that customer satisfaction mediate the relationship between the antecedents of customer loyalty and customer loyalty. Similarly, the moderating role of CCK was found to be adequate in the Kenyan mobile telecommunication industry.

It is palpable that this study has made significant contribution to more understanding on the factors influencing customer loyalty in the Kenyan mobile telecommunication industry.

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APPENDIX I

COVERING LETTER

Kenyatta University,
School of Business
Department of Business Administration,
Post Office Box 43844-00100
Nairobi, Kenya.

Dear Respondent,

This is to kindly request you to fill this questionnaire. I am a Master of Business Administration, (MBA) student from Kenyatta University, Nairobi, Kenya. As part of my studies, I am carrying out a research on “**factors influencing customer service loyalty in the Kenyan mobile telecommunication industry**”. You have been identified as a key participant in this study. I shall appreciate it if you will please answer the following questions as candidly as you can. It takes only 15-20 minutes. Any additional information you may consider relevant for this research would be most welcome. Your acceptance to complete this questionnaire is highly appreciated.

Please be assured that the responses you give are for academic purposes only.

Thank you.

Yours faithfully,

.....

Paul M. Agyei (D53F/21244/2010)
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APPENDIX II

RESEARCH QUESTIONNAIRE

INTRODUCTION

This questionnaire is designed to obtain information for academic research purposes from respondents in the various campuses of Kenyatta University. The questionnaire has three main sections. You are kindly requested to respond to each of the questions in the various sections in the provided scale.

SECTION A

1. Gender: Male/Female
2. Age group: (a) 16-20 (b) 21-25 (c) 26 - 30 (d) 31 – 35 (e) 36 – 40 (f) over 41years. Please **highlight/circle**
3. I am a customer of the following service providers (Please select one or specify one)
 - (a) Safaricom only ()
 - (b) Airtel only ()
 - (c) Orange only ()
 - (d) Yu only ()
 - (e) Safaricom and
 - (f) Airtel and
 - (g) Orange and
 - (h) Yu and
4. What is your preferred network among or between the one chosen in question three above?
 - a) Safaricom ()
 - b) Airtel ()
 - c) Orange ()
 - d) Yu ()
5. What is your main your reason for choosing that network in question four above?
 - a) Competitive pricing ()
 - b) Service Quality ()
 - c) Corporate Image ()
 - d) Switching Cost ()
6. Please indicate your campus of study. a) Main () b) City () c) Parklands ()
d) Mombasa () e) Nakuru () f) Nyeri ()

SECTION B

Please rank the following on a scale 1-5 to reflect your feelings and the extent to which you agree with the statements. The minimum you may rank is 1 and the maximum 5. You may rank 1, 2, 3, 4, or 5. Please circle or **highlight** your answer in bold according to the scale below:

1 = Strongly Disagree 2 = Disagree 3 = Uncertain 4 = Agree 5 = Strongly Agree (*Please base on your preferred network as answered in question 4 above, respond to the statements below*)

	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
Reliability of Service Quality					
7 When my network provider promises a certain service by a certain time, it does so	1	2	3	4	5
8 When customers have a problem, my service provider show sincere interest in solving it	1	2	3	4	5
9 The staff at my mobile telephone service centres constantly provide fast and courteous services to their clients.	1	2	3	4	5
10 My mobile telephone network provider always performs the service right the first time.	1	2	3	4	5
Responsiveness to service quality					
11 My mobile telephone service provider's customer service employees tell me exactly when services will be performed	1	2	3	4	5
12 The service provider's customer service employees give me a prompt service	1	2	3	4	5
13 My service provider's customer service employees are always willing to help its clients when they call upon them.	1	2	3	4	5
14 My service provider's customer service employees are never too busy to respond to my requests	1	2	3	4	5
Assurance of service quality					
15 The service provider instils confidence in customers even when situations are bad	1	2	3	4	5
16 In my opinion most subscribers to my network provider feel safe in talking and sending SMS with the network	1	2	3	4	5
17 The employees are consistently courteous with customers	1	2	3	4	5
18 The service provider's customer service employees	1	2	3	4	5

are well vested in issues about mobile telephony and are capable of answering customers questions					
Empathy to service					
19 The service provider has customers' best interest at heart	1	2	3	4	5
20 The service provider understands customers specific needs	1	2	3	4	5
21 My service provider offices has operating hours and location convenient to all its customers	1	2	3	4	5
22 The employees give off their personal attention	1	2	3	4	5
23 Customer Perceived overall service quality	1	2	3	4	5
24 My service provider delivers excellent overall service	1	2	3	4	5
25 The services offered by my service provider are of high quality	1	2	3	4	5
26 My service provider delivers superior service in every way	1	2	3	4	5
Competitive Pricing					
27 Call rates charged by my mobile telephone service provider are reasonable compared to other service providers	1	2	3	4	5
28 Cost of starter pack (sim cards) of my mobile telephone service provider is reasonable compared to other service providers	1	2	3	4	5
29 Interconnection rate charged by service provider is reasonable compared to other service providers	1	2	3	4	5
30 Foreign call rate is reasonable compared to other service providers	1	2	3	4	5
31 I will not hesitate to pay a little more for using this network	1	2	3	4	5
32 I will continue using this network even if the call charges are increased moderately	1	2	3	4	5
33 My service provider has no hidden cost, they are transparent on cost	1	2	3	4	5

Corporate Image and Reputation					
34 My service provider's brand name is holds in high esteem and is incomparable	1	2	3	4	5
35 In my opinion, this service provider would rank first among the other service providers	1	2	3	4	5
36 The network I use reflect a lot about who I am	1	2	3	4	5
37 The goals and values of my service provider is incomparable	1	2	3	4	5
38 Repeatedly, the performance of this service provider is superior to that of competitor's one	1	2	3	4	5
Switching Cost					
39 The costs to be incurred in switching to another service provider influence my ability to switch	1	2	3	4	5
40 The cost of searching for another service provider will influence my switching behaviour.	1	2	3	4	5
41 The cost of losing contacts of friend and relatives will not influence my switch to a different service provider.	1	2	3	4	5
42 I will consider switching to another service provider.	1	2	3	4	5

SECTION C

Customer Satisfaction	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
43 I am completely satisfied with the services delivered by my service provider	1	2	3	4	5
44 I feel very pleased with services offered by my service provider	1	2	3	4	5
45 I am satisfied with pricing offered by my service provider	1	2	3	4	5

46 I am satisfied with the quality of service offered by my service provider	1	2	3	4	5
47 I feel absolutely delighted with my network services	1	2	3	4	5
Customer Loyalty					
48 I would like to remain as a customer of my service provider	1	2	3	4	5
49 I would like to recommend my service provider to friends and people I know	1	2	3	4	5
50 I will say positive things about my service provider to other people	1	2	3	4	5
51 I would like to keep close relationship with my service provider	1	2	3	4	5
52 I consider myself to be loyal to my service provider	1	2	3	4	5
53 I will only consider cost in order to be loyal to my service provider	1	2	3	4	5
Regulatory Body					
54 The regulatory body in the industry (CCK) has done well in licensing all operators	1	2	3	4	5
55 The regulatory body in the industry (CCK) has done well in protecting consumers' rights.	1	2	3	4	5
56 The regulatory body in the industry (CCK) has done well in checking against unfair competition among the operators.	1	2	3	4	5
57 To the best of my knowledge, the existence of CCK is meaningful.	1	2	3	4	5
58 To the best of my knowledge, CCK has enough powers to perform its duties.	1	2	3	4	5

Thank you for your time.

APPENDIX III

DETERMINATION OF SAMPLE SIZE

$$N_c = \frac{Z^2 p \cdot q \cdot N}{d^2 (N-1) + Z^2 \cdot p \cdot q}$$

Where: N_c is the strater sample size

Z is the confidence level (95%); that is, $Z = 1.96$

p is the proportion of the of the strata population for entire population (0.3)

q ($1-P$) is the proportion to total population of other clusters (0.7)

d is the desired precision (0.05 level)

N is the total number of population in the target population.

Adopted from Kothari (2004).

$$\begin{aligned} N_c &= \frac{1.96^2 * 0.3(1-0.3) * 41070}{0.05^2(41070-1) + 1.96^2 * 0.3(1-0.3)} \\ &= \frac{3.8416 * 0.21 * 41550}{102.6725 + 0.80676} \\ &= \frac{33132.88}{103.4} \\ &= \underline{\underline{320.42}} \end{aligned}$$

Calculated sample size is therefore 320.

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