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**AN ANALYSIS OF FACTORS AFFECTING CUSTOMER SATISFACTION AT  
SAFARICOM OUTLETS IN NAIROBI CENTRAL BUSINESS DISTRICT**

**Peter Mosoti Omwenga**

**Submitted in partial fulfillment of the requirements for the Degree of Master of Business  
Administration at Strathmore University**



**Nairobi, Kenya.**

**June 2016**

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Peter Mosoti Omwenga

June 2016

### Approval

The thesis of Peter Mosoti Omwenga was reviewed and approved by the following:

Dr. Hazel Gachunga (Supervisor)

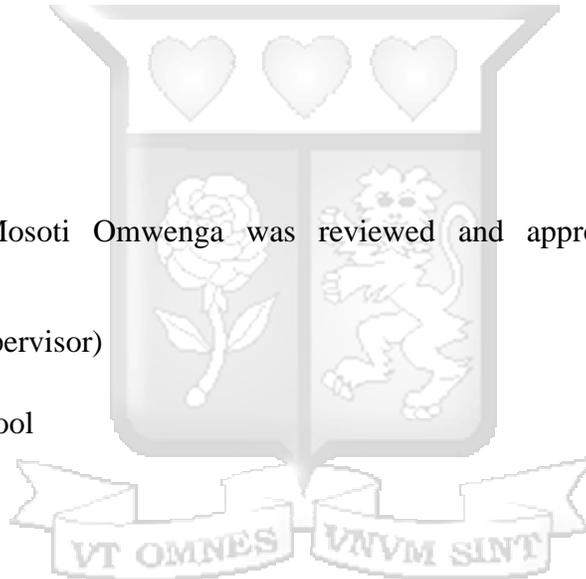
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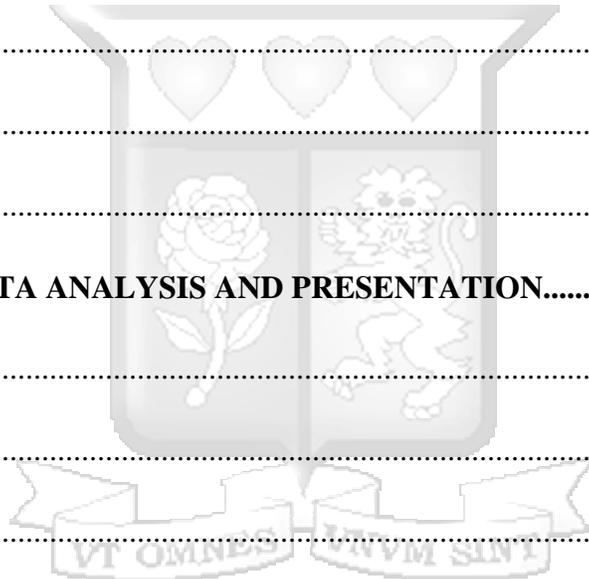
## ABSTRACT

In the present day mobile telephony business that is characterized by cut-throat competition from different players, the concept of customer satisfaction has become a critical success factor that is expected to lead to stronger competitive position and consequently to a larger market share and profitability. The research aimed to establish the factors affecting the level of customer satisfaction of Safaricom Customers in Nairobi, Kenya. Using the descriptive research design, the study sought to establish the factors affecting customer satisfaction at Safaricom (K) Limited. The constructs that defined the level of customer satisfaction in the study were the product features, product differentiation, and perception of fairness in the prices charged on the firm products as well as customer service. The data was collected from the Safaricom customers visiting the three Safaricom shops in Nairobi CBD. The study used descriptive research design and the questionnaire was the main instrument of data collection. The study established that the firm's product features, capacity to differentiate its products, perception on the fairness of the firm's product pricing and also customer service practices affect the level of customer satisfaction within customers visiting Safaricom Outlets within the Central Business District. The study findings were that the capacity of Safaricom to differentiate its product offering from the other competitors acts as a source of competitiveness to the firm due to the product being able to meet a particular need of the customers. The study found that Safaricom should enhance its rewards scheme to its customers since the strategy was found to increase customers' level of satisfaction. Further, the study found that the level of customer service at Safaricom influences customer satisfaction and it was recommended that more customer agents and support points be opened outside the CBD. The limitation of the study included the sample selection procedure in which the narrow and specific focus of the scope means that the results are limited to Safaricom Ltd may not translate to other industry and national contexts. For the recommendation, the study set that the firm enhances the features of its product to have a seamless interface with different financial institutions without compromising the security of the customers' deposits.

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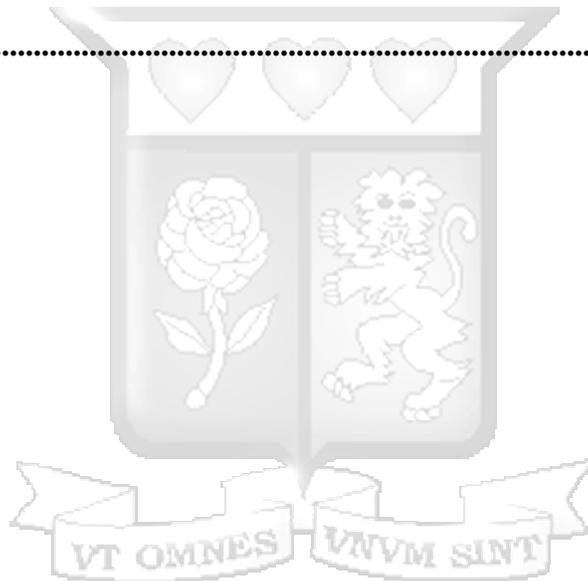
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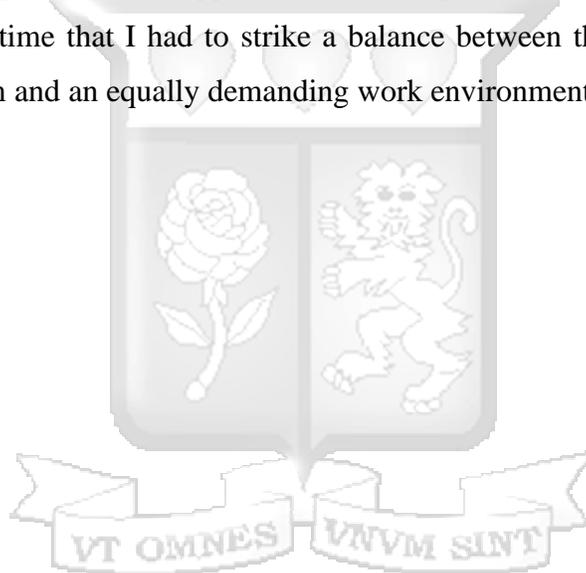


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## Dedication

This research project is dedicated to my family for their inspiration, encouragement, understanding and prayers towards the successful completion of this course. I pay glowing tribute and gratitude to the Almighty God who has given me the wisdom to undertake this course.



# CHAPTER ONE

## INTRODUCTION

The mobile telecommunication services in Kenya are showing a sign of an industry that is in a transition. With the rapid development of information and communication technologies (ICT) and high demand from enlightened customers, the service provision is now shifting from voice-centered communication to a combination of high-speed data communication and multimedia. These changes in the industry are intensifying competition between companies. Consequently, the Kenyan mobile service providers are coming to the full realization of the importance of a customer-oriented business strategy as a condition for sustaining their competitive edge and maintaining a stable profit level, and, indeed, for their very survival. Hence, it is becoming an industry-wide belief that the best core marketing strategy for the future is to try to retain existing customers by heightening customer loyalty and customer value (Lee and Cunningham, 2001).

### 1.1 Background of the Study

In today's competitive market, business entities need to develop and give to their customer's goods and services that will result in a highly satisfied customer who then becomes loyal to the company by way of repeat purchase. This is because a satisfied customer is more than often likely to return to purchase from a company that satisfied their needs, while dissatisfied customers will often make a choice that may involve taking their business to another company in the hope that their needs will be met by that company. Jones and Sasser (2008) posit that a firm's loyal customer is important to organizational survival and consequently, there is need for organizations to increase their products demand through outstanding customer support. For a firm to attain sustained excellence with their external customers, an organization requires internal systems that are aligned to serve the external customer, with each internal subsystem adding value to others within the organization that are dependent on it; as though the other subsystems were its customers (Deming, 2006). As a result, a firm's competitive advantage is gained through intelligent identification and satisfaction of customers' needs better and sooner

than competitors and sustenance of customer's satisfaction. Indeed over the past one decade, organizations of all types have increasingly appreciated the importance of customer satisfaction and loyalty and according to Webster (2010), the long term success of a firm is clearly based on its ability to rapidly respond to changing customer needs and preferences.

The level of customer satisfaction occurs in the case of services meeting or exceeding the customer expectations (Berman and Evans, 2010). For a firm to create necessary customer satisfaction not only does it have to create high-quality product but also services such as payment facilities, after-sale services, and home delivery are required to facilitate the customer needs are meet in total. Customer satisfaction that is provided by customer service is affected by customers' expectations, experience, and evaluations. Thus, besides the core product, the performances of the customer services are important in creating customer satisfaction and loyalty.

Oliver (1999) posits that customer satisfaction can be measured by the expectancy disconfirmation theory in which a comparison of the actual service delivery level after using the product or service and the desired level based on a standard is compared as better or worse. If the product or service is worse than expected, then a "negative disconfirmation" takes place, if better "positive disconfirmation" occurs and if as expected "confirmation" occurs. Consequently, as a result of the comparison between expectations and perceived performance, customer satisfaction occurs when pre-sale expectations are lower than post-purchase evaluations in the stages of positive disconfirmation and confirmation.

### **1.1.1 Brief History of Safaricom Ltd.**

Safaricom Ltd is the leading telecommunication solutions provider in Kenya. Safaricom came into existence in the year 1997 when it was created as a subsidiary of the now defunct Telkom Kenya. In May 2000, Vodafone Plc bought 40 % shares from the Kenyan Government and part of the deal involved Vodafone Plc taking management

responsibility for the company. This development left the Kenyan Government with 60% shares in Safaricom Ltd. In 2008, the government of Kenya offered 25% of its shares to the public thus leaving it with 35% shares. The current shareholding is 40% Vodafone Group, 35% Government of Kenya and 25% public. Safaricom posted Ksh 23 Billion profit after tax for the year 2013/2014 thus breaking another milestone as one of the most successful company's in Kenya. There are many reasons for its success and of them is customer service. The company started a customer care department in 2001, which has grown over the years. It's in this regard that that the company has taken seriously the perception and satisfaction of customer service to its customers.

### **1.2 Statement of the Problem**

The last ten years has been particularly demanding for business organizations due to a number of factors that include; increased competition – both from the national players and conditions, economic recession, increased customer demands, increased government scrutiny through regulation, political tensions and ever increasing alternatives of communication that keep on being introduced in the market (Fay and Luhrmann, 2004). The mobile telephony sector in Kenya has faced an environment that is dramatically different. With for example one provider 20 years ago with a handful of customers, the sector has witnessed increased number of players to the current four and many other data solution providers. The customer base has also increased to over 27 million subscribers (CAK, 2014). With these changes, coupled with increased awareness of the customers as well as the demands of the regulator in the sector, the players in this industry are now forced to differentiate themselves from the other players through the provision of high quality and value-added service to clients to remain relevant and competitive.

Safaricom, unlike the other mobile telephony firms in the country and regionally has developed effective customer service strategies that can be exemplified by the number of customer awards that it has received in the both nationally and international arena for customer service. Despite receipt of the same, the level of customer satisfaction cannot be termed as excellent based on the increased number of customer complaints ranging from poor quality reception, unaccounted data bundles usage, congested network and

high tariff rates (Safaricom Annual Report, 2014). To meet customers' expectations, service providers must provide excellent customer service and the levels of customer service offered to the market depend on some criteria such as the firm's characteristics, services provided by its competitors, type of merchandise issued to customers, brand image of its shops, income levels of the targeted market, cost of providing service (Lusch *et al.*, 2011). Safaricom customers dedicate their time to visit Safaricom Retail Shops which are 38 in total but the long queues they have to do with in those shops is an indication that the level of customer satisfaction requires attention. This research study will therefore seek to establish the factors that affect customer satisfaction at Safaricom.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

The general objective of the study was to investigate factors affecting the level of customer satisfaction at Safaricom outlets at Nairobi Central business district.

#### **1.3.2 Specific Objectives**

- (i) To determine the extent to which product features affect customer satisfaction at Safaricom outlets in the Nairobi CBD;
- (ii) To determine extent to which differentiation affect customer satisfaction at Safaricom outlets in the Nairobi CBD;
- (iii) To assess extent to which perception of fairness of the firms pricing affects customer satisfaction at Safaricom outlets in the Nairobi CBD;
- (iv) To establish the extent to which customer service affects the level of customer satisfaction at Safaricom outlets in the Nairobi CBD

### **1.4 Research Questions**

- (i) To what extent do product features affect customer satisfaction at Safaricom outlets in the Nairobi CBD?
- (ii) How does the product differentiation affect customer satisfaction at Safaricom outlets in the Nairobi CBD;

- (iii)How does perception of pricing fairness affect customer satisfaction at Safaricom outlets in the Nairobi CBD?
- (iv)How does the level of customer service affect customer satisfaction at Safaricom outlets in the Nairobi CBD?

### **1.5 Scope of the Study**

This research shall focus on Safaricom customers in Nairobi Central Business District. The study will target customers who visit Safaricom Retail shops in Nairobi Central Business District which are three i.e. Safaricom Moi Avenue Shop, Safaricom I&M Shop and Safaricom Kimathi shop. In addition, the study shall seek to establish the factors affecting customer satisfaction in Safaricom, and as such, the findings will not necessarily apply to other mobile firms in the country or service organizations sectors in Kenya. The research shall cover a period of 6 months effective June, 2015.

The study shall adopt a descriptive survey approach. The tool of the study shall be a structured questionnaire. The results of this research may need to be complemented by more empirical tests and as such other researchers should take caution while referring to this study.

### **1.6 Significance of the Study**

This study will be of benefit to the management and players in the Kenyan Telecom Industry as the information into the factors affecting customer satisfaction in Safaricom will be useful as a reference point to the stakeholders in the industry as it will inform their choice competitive strategies to be adopted. By identifying the factors that influence the Safaricom customer's level of satisfaction, the strength of each factor will enable the organization to direct their energies towards those the factor has more impact on customer satisfaction.

The findings will also be of great importance in decision making for industry players and stake holders in the telecommunications industry, for example the Communication

Authority of Kenya (CAK). By being able to identify the factors that satisfy the customers, then at the policy level these regulators might consider developing appropriate regulations geared towards improving the level of customer satisfaction while protecting their interest by extending some tax rebates to the firms upon incurring cost on such ventures. Lastly, the research will be essential for future researchers who will employ the findings of this study as the foundation for carrying out more studies in this area.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter captures the major issues relating to the customer satisfaction and covers: theories underlying the study; factors influencing customer satisfaction and the conceptual framework.

#### 2.2 Theoretical Framework

The debates on customer satisfaction can be addressed in light of two perceptions in literature: Reasoned Action theory and Conditioning theory.

##### 2.2.1 The Theory of Reasoned Action

Consumer attitudes are formed as result of product attributes beliefs. The Theory of Reasoned Action (TRA) has been consistently applied in understanding consumer attitudes. This theory was postulated by (Fishbein and Ajzen, 1980) and the model provides an expanded picture of how, when, and why attitudes predict behavior. The Theory of Reasoned Action (TORA) model describes not only the general attitude of consumers and how these attitudes are formed or changed but the theory also describes how other potential customers and people they interact with influence their general behavior. The theory places intention as the immediate antecedent of one's behavior, and this means that the stronger a customer's intention the more likely the occurrence of the corresponding behavior. The influence of intention is attitude and subjective norm that an individual has (Cherry, 2006) while the attitude component is composed of beliefs, the perceived likelihood of particular consequences of the behavior, weighted by an evaluation of the consequences. The subjective norm component is conceptualized as normative beliefs, the perceived pressure from salient referents, weighted by the motivation to comply with the referents (Buchan, 2005).

This theory takes into consideration the principle of attitude specificity (that is the more specific the attitude is to the behavior of interest, the more likely the attitude will be

related to the behavior) (Liu & Amitage, 2000). In general terms, marketers need to be aware that a consumer's action is an outcome of the consumer's general attitude towards a certain offering. If a consumer has heard of a good report about a service, then they will seek to partake the same and establish for themselves the positive aspect of the service or good. The features of the TRA model include the behavior, behavioral intentions, attitude toward the act and the subjective norms like peer pressure. The basic postulate of the model is that behavior is a function of the person's attitude toward the act and the subjective norms that operate in the situation. The model further specifies that act is determined by the consumer's beliefs about the consequences of engaging in the behavior and the consumers' evaluation of these consequences. Subjective norms are determined by the consumer's normative beliefs (that is what the consumer thinks someone wants him/her to do) and the consumer's motivation to comply.

### **2.2.2 Conditioning Theory**

The conditioning theory was advanced by B.F Skinner in 1966 and posits that a good and well informed marketer should realize that any marketing strategy is influenced by the environment, behaviour, affect and cognition (Liu et al., 2000). The mobile phone firms should therefore take into account classical conditioning, operant or instrumental conditioning and vicarious learning in order to increase up take and sales. The conditioning theory notes that consumers can be conditioned to a firm's products and services as an alternative to other products and services offered elsewhere like phones imported and sold cheaply (Law and Ngai, 2005). Safaricom can consequently condition its customers to always consider its phones as superior to others. Buyers will be conditioned to respond positively and relate these objects to the firm's product/s hence buying it and increasing sales.

Law and Ngai (2005) point that marketers must strive to achieve certain specific goals to produce positive outcomes for the consumers. Negative outcomes must be avoided at all costs. The marketers should be able to predict consumer behavior and try to control it to benefit the firm's products and increase sales. Consumers can be made to be addicts of

certain products, saving schemes in order to participate in buying other related products and services like modems, smartphones and others for example the Safaricom Bonga points fame. In addition, the company can introduce free gifts, loyalty points, free house furnishing, trips, business tips, trainings etc. to be earned weekly or monthly etc. to strengthen certain positive behaviors towards products up take.

## **2.3 Factors Affecting Customer Satisfaction**

Several factors have been identified as affecting a customer level of satisfaction. In this sub-section, the factors to be discussed include products features and quality, attribution for service success or failure, perception of equity and fairness, and customer service.

### **2.3.1 Products features and Customer Satisfaction**

Consumers tend to be affected by certain beliefs about a product or service that impact on their uptake. An individual creating beliefs first creates attitudes. Consumer beliefs are the knowledge that a consumer has about objects, their attributes, and the benefit provided by the objects and is capable of satisfying his/he need. Consumer beliefs are created by processing information through cognitive learning (Fishbein and Ajzen, 1980). Paker and Mathews (2001) further note that the outcome would be the occurrence of dissatisfaction with the product or services when there is a failure in conveying the needs and expectation. A customer would feel satisfied and delighted towards what he or she had attained when the experience of the service or product exceeds the expectation. Therefore, customers will feel satisfied when experiences match expectations.

The level of satisfaction by a customer is a function of perceived quality and expectation, and when the gap between a customers' perceived quality and individual expectation differ, then the customer will be dissatisfied (Yang, 2010). Thus, customer satisfaction relies on the fulfilling degree of expecting product benefits and appears as entire attitude to purchased products. Also, according to Yang (2010), there is a controversial discussion between customer satisfaction and brand loyalty. He commented that customer satisfaction is positively related with brand and the customer satisfaction will create loyalty, subsequently lead to the willingness to purchase and recommend to others. From

the analysis of the research, the increasing of customer satisfaction will result to the increasing of loyalty. Since there is a positive correlation between customer satisfaction and brand loyalty, the customer can well forecast brand loyalty. Hence, the firm must do the best to attain customer satisfaction and build up the loyalty of customer by improving the quality, emphasize the uniqueness and offering reasonable price.

The marketing literature has highlighted the service quality of a firm has being determined by the difference between customers' expectation of service providers' performance and their evaluation of the services they received. Parasuraman (1988) pointed that the key service quality attributes that determine the level of customer satisfaction will include five dimensions, namely; tangibility, reliability, responsiveness, assurance and empathy associated with the service. Bahia and Nantel (2010) noted that alternative measure of service quality in retail banking, which can be extended to other service organizations, can be grouped into six dimensions that include effectiveness and assurance of the service, ease of accessibility, price, service portfolio and reliability.

### **2.3.2 Product differentiation and Customer Satisfaction**

Differentiation is one of Porter's key business strategies. When using this strategy, a company focuses its efforts on providing a unique product or service (Hlavacka *et al.*, 2011). Since, the product or service is unique, this strategy provides high customer loyalty satisfaction. Through product differentiation, a firm is able to fulfill a customer need and from the same be able to charge a premium price to capture market share. The differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support (Porter, 1980). Firms following a differentiation strategy can charge a higher price for their products based on the product characteristics, the delivery system, the quality of service, or the distribution channels. The quality may be real or perceived based on fashion, brand name, or image. The differentiation strategy appeals to a sophisticated or knowledgeable consumer interested in a unique or quality product and willing to pay a higher price.

According to McCracken, (2010) the key step in devising a differentiation strategy for a firm is to determine what makes a company different from a competitor's. Factors including market sector quality of work, the size of the firm, the image, graphical reach, involvement in client organizations, product, delivery system, and the marketing approach have been suggested to differentiate a firm. To be effective, the message of differentiation must reach the clients, as the customer's perceptions of the company are important. Berthoff (2008) suggest bending the customer's will to match the company's mission through differentiation. When using differentiation, firms must be prepared to add a premium to the cost. This is not to suggest costs and prices are not considered; only it is not the main focus. However, since customers perceive the product or service as unique, they are loyal to the company and willing to pay the higher price for its products.

Some key concepts for establishing differentiation include: speaking about the product to select panels, writing on key topics affecting the company in the association's magazine or newsletter, becoming involved in the community, being creative when composing the company's portfolio, offering something the competitor does not or cannot offer, adding flair and drama to the store layout, providing e-commerce, making access to company information and products both quick and easy, using company size as an advantage, training employees with in-depth product and service knowledge, offering improved or innovative products, emphasizing the company's state-of-the-art technology, quality service, and unique products/services, using photos and renderings in brochures and selecting products and services for which there is a strong local need (Darrow *et al.*, 2011).

### **2.3.3 Perceptions of Equity in Pricing and Customer Satisfaction**

Various conceptualizations have been developed and adapted to explain the phenomenon of equity. Equity theory and distributive justice emphasize the importance of equality of outcomes among parties in an exchange. Warlop, and Alba (2008) define fairness as a judgment of whether an outcome and/or the process to reach an outcome are reasonable, acceptable, or just. The cognitive aspect of this definition indicates that price fairness judgments involve a comparison of a price or procedure with a pertinent standard,

reference, or norm. This principle maintains that people, in an exchange relationship with others, are entitled to receive a reward that is proportional to what they have invested in the relationship.

Customers' an unfairness perception and potential negative emotions usually are directed toward the party that is perceived as having caused the "unfair" situation. For price unfairness, the target of the perception and the emotions is usually the seller. Thus, the actions that buyers take when they perceive that prices are unfair are usually directed toward the seller rather than toward a comparative other buyer or the product involved in the transaction. Coughlan (2000), pointed out that price fairness is concerned with a consumer's assessment and associated emotions of whether the difference between a seller's price and the price of a comparative other party is reasonable, acceptable, or justifiable. Thus when buyers believe that sellers have increased prices to take advantage of an increase in demand or a scarcity of supply, without a corresponding increase in costs, they will perceive the new higher prices as unfair (Frey and Pommerehne 2005).

Dutta (2014) opines that brand visibility and constant reinforcement through marketing communication and advertising helps to embed the product in the buyer's minds. This also leads to better recall of the brand, which is a crucial factor to influence the buying decisions. This is because the buyer gets motivated to achieve their goals or motives, when they become aware of such needs. A customers' attitude, either positive or negative, may be developed from the perception with regard to product or the organization. For instance, if a consumer comes to know that a particular product is originated in a country which he does not like, then he may develop a negative attitude towards that product, even though the product is a popular one of superior quality (Dutta, 2014).

#### **2.3.4 Customer Service and Customer Satisfaction**

According to Emel, (2014), in the service sector, satisfying customers and having a loyal customer is very important. Development of customer satisfaction and loyalty by a firm

provides sustainable competitive advantage and this will differentiate itself with the rivals. Indeed as rightfully pointed by Levy and Weitz (2007), there are many factors that create customer satisfaction and loyalty and one of these factors is customer service. Customer service as an antecedent of both satisfaction and loyalty is being emphasized in this study. Past literature and studies tend to show the relationships of the other antecedents of satisfaction and loyalty such as perceived quality, expectations, perceived value, and service quality on satisfaction and loyalty (Sivadas and Baker-Prewitt, 2000).

Customer service can be considered as all of the action relating to retailer activities and function that increase consumer's value when shopping (Levy and Weitz, 2007). Customer services is a tangible or intangible value increasing activities which are related with products or services directly or indirectly to meet customer expectations and finally to provide customer satisfaction and loyalty (Kursunluoglu, 2011).

#### **2.4 Empirical Studies on Customer Satisfaction**

Many researchers have looked into the importance of a firm having satisfied customers. Syed and Carolyn (2006) undertook a study on the level of customer satisfaction in the restaurant industry. The research, which used the regression model, found that customer satisfaction was influenced most by responsiveness of the frontline employees, followed by price and food quality while physical design and appearance of the restaurant did not have a significant effect. From the study, it came to light that service restaurants should focus on three elements - service quality and being responsiveness to customer needs, price, and food quality (reliability) if customer satisfaction is to be treated as a strategic variable. Still in the same industry, Yap and Kew (2007) examined the relationship between service quality, customer satisfaction and customer's re-patronage intention in the context of the restaurant industry. They found that the service quality and customer satisfaction has the antecedents of customer's re-patronage intentions. The Pearson's correlation analysis, that was generated, indicated that service quality and customer satisfaction had a direct positive effect on customer's re-patronage intentions compared to service quality.

Bong, Hyoeng and Lynn (2011) investigated the mediating role of customer satisfaction on PC repurchase intention in which they aimed to investigate the impact of the independent variables of product attribute, price, service level, image, and advertising on PC repurchase intention. The research findings were that the independent variables of product attributes, price level, service level, image, and advertising were found to positively influence customer satisfaction, which also has a positive impact on the repurchase intention of the PC products. On their part, Eugene and Jamie (2000) examined the relationship between service quality, customer satisfaction and store loyalty. By using a national random telephone survey of 542 shoppers to examine the relationship between service quality, customer satisfaction and store loyalty within the retail department store context, they found that service quality influences relative attitude and satisfaction with department stores. Further, the study found that satisfaction influences relative attitude, repurchase and recommendation of the customers but has no direct effect on store loyalty. But, fostering favourable relative attitude and getting customers to recommend the product or service holds key in fostering store loyalty. This study was supported by Ding (2004) who conducted a study a service quality and customer satisfaction of bank institutions in Malaysia and found that the quality of service at the bank had positive relationship with customer satisfaction.

In a recent research done by Rahman *et al.*, (2012) on the influence of service quality and price on customer satisfaction in which they sought to identify some key drivers of customer satisfaction on restaurant services, they found that customers of restaurant have negative impression about product and service quality fairness, price fairness, staff's service, environment of the restaurant, image of the restaurant and loyalty of the restaurant. For their suggestions, the researchers suggest emphasis to be on critical issues to attract new customers and retain existing customers.

## **2.5 Research Gap**

This section covers what the literature and empirical reviews covered in the chapter has emphasized on the customer satisfaction. Emel (2014) contends that higher customer satisfaction improves financial performance of a firm by increasing the loyalty of existing

customers, lowering marketing costs and reducing price elasticity through positive word-of-mouth advertising, reducing transaction costs, and enhancing firm reputation. Businesses all over the world are rediscovering the customer and are becoming increasingly obvious that the only thing that really matter in the new world of business is delivering customer value by doing things well in order to win and keep the customer's business. Indeed it came out clearly that a customer's value is not a company product or service but rather the personal and individual meaning it has for the person experiencing it. Bahia and Nantel (2010) documented that previously, companies tended to concentrate their resources on acquiring and satisfying customers without sufficient understanding of what it takes to keep customers loyal.

There are strong arguments for a firm's management to carefully consider the range of factors that increase customer satisfaction. Although there are a number of studies supporting customers' satisfaction that has been covered in the preceding sections, there is little empirical research undertaken; Yang (2010); Rahman et al., (2012); Kursunluoglu (2011) and Dutta (2014), that the researcher is aware of that can be ascertained to investigate the constructs that explain customer satisfaction in the telecommunication industry especially in Kenya. A number of studies focused on identifying some of the constructs that are thought to be precursor to customer satisfaction and developing a measure of customer retention, customer value and customer loyalty without examining other potential constructs. This study therefore fills this lacuna and contributes to the extant literature by incorporating specific constructs that are thought to affect the level of customer satisfaction. This study will therefore focus on telecommunication industry in an emerging market economy where firms are exposed to the same level of environmental uncertainties. This would help eliminate inter-industry variations.

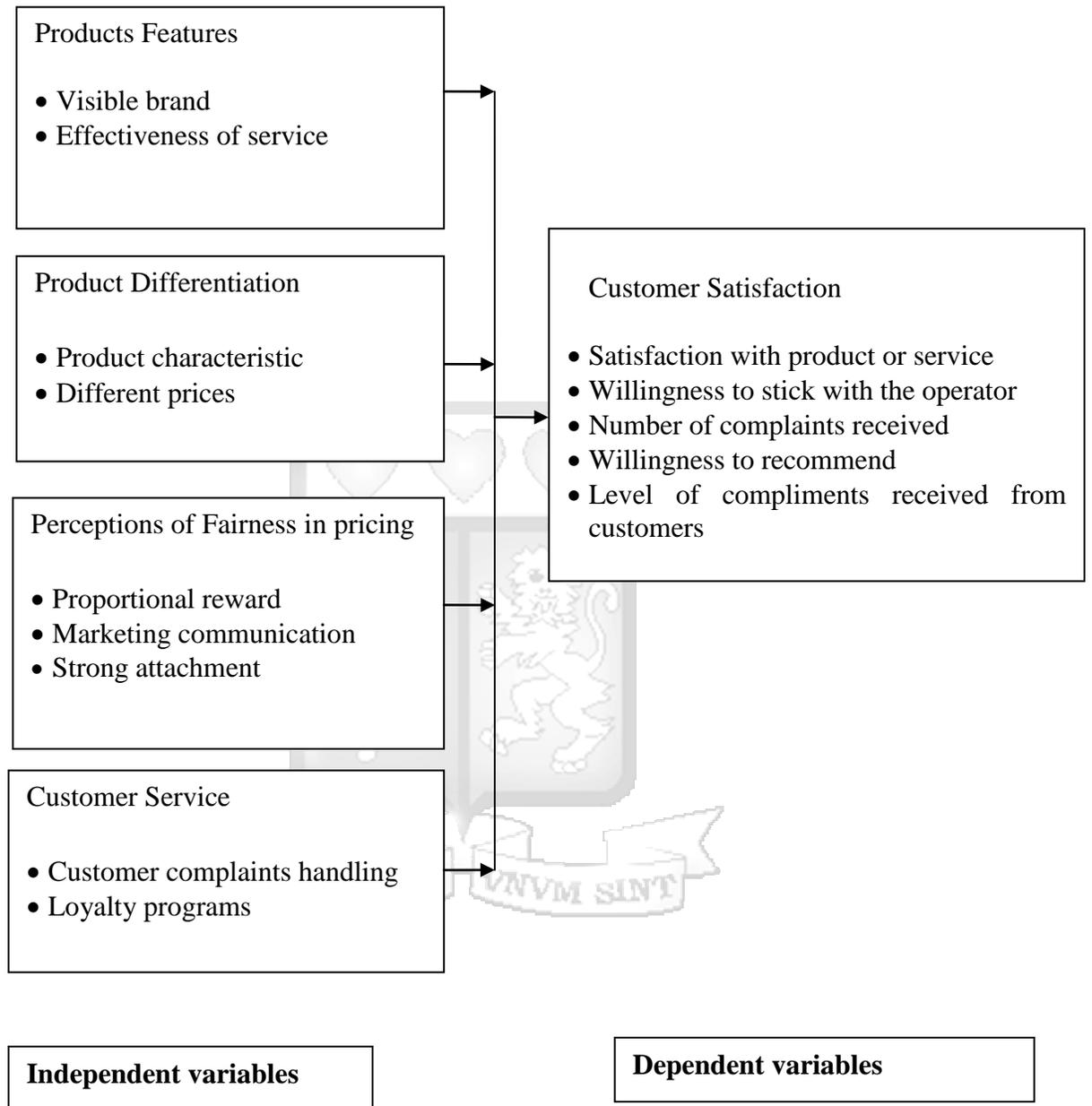
## **2.6 Conceptual Framework**

A conceptual framework can be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Reichel and Ramey, 1987). The schematic diagrams below will not only guide the study but will also

show the interrelationship among the key variables in the study as illustrated in Fig. 2.1. This study adopts a conceptual framework of strategic importance to identify some underlying forces behind different aspects of the key concept of customer satisfaction. In particular, it investigates the significance of customer service, customer tastes and preferences, psychographic factors and attitudes with their formation.



**Figure 2.1: Conceptual Framework**



**Source: Researcher 2016**

## **Hypothesis for Research**

Following the conceptual framework, the researcher hypothesizes are;

### **Product Features**

The capacity of a firm's product to meet the needs of a customer will determine the level of satisfaction that the customer derives. The mobile firm should be able to provide clear calling services and be able to be accessible in most of the regions in Kenya as well calling rates of a product should. Different customers require products with varying characteristics and this means that if a firm offers products that meet the customers taste, then the customer's satisfaction level will be improved. This capacity of the product features to meet the customer's level of satisfaction lead to the following hypothesis:

Hyp a<sub>1</sub>: The capacity of a product to meet customer taste and lifestyle, positively influences the customers satisfaction

Hyp a<sub>2</sub>: The more visible a brand the higher the customer satisfaction.

### **Product Differentiation**

The key step in devising a firms differentiation strategy is to determine what makes a company different from a competitor's in terms of product and service offering. Some of the factors include market sector quality of work, the size of the firm, the image, geographical reach, involvement in client organizations, product, delivery system, and the marketing approach have been suggested to differentiate a firm. With these differentiation features, the resultant hypothesis will be:

Hyp b<sub>1</sub>: Consumer perception about a product meeting their needs has a positive influence on the level of customer satisfaction

Hyp b<sub>2</sub>: Consumer perception on availability of different prices that matches their needs positively affects level of customer satisfaction.

### **Customer Perception of Pricing Fairness**

The price fairness involves a comparison of a price or procedure with pertinent standard or norm of a firm offering and a substitute product offered by a competitor. The principle maintains that people, in exchange relationship with others are entitled to receive a reward that is proportional to what they have invested in the relationship. This therefore led to the following hypothesis;

Hyp  $c_1$ : Continuous reward offering for product loyalty increases pricing fairness and hence customer satisfaction.

Hyp  $c_2$ : Marketing communication influence perception of equity and fairness hence customer satisfaction

### **Customer service**

Customer service is an act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. The level of customer service will depend on the ability of the firm staff to offer the services in a professional manner and this comes about through better training and being fairly remunerated. This better service then means that the workers may need less supervision and are also more likely to remain on the job longer. Better handling of customer complaints and maintaining contact with the customer is expected to improve customers' level of satisfaction.

Hyp  $d_1$ : Handling of customer complaints affects the service quality and hence level of customer Satisfaction

Hyp  $d_2$ : Customer perception about awards of loyalty point's influence customer satisfaction.

## CHAPTER THREE

### RESEARCH DESIGN AND METHODOLOGY

#### 3.1 Introduction

This chapter highlighted the research design, the study variables, the study area, the study population, sampling techniques and sample size determination, construction of research instruments, pilot study, validity and reliability of the instruments, methods of data collection and data analysis.

#### 3.2 Research Design

A research design is meant to indicate the population characteristics by presenting clearly specific details of an event, relationship and any other setting (Zikmund, 2003). It requires a more structured framework since it is less ambiguous. This research design will provide both qualitative and quantitative information from all the chosen population. It will also enable the researcher to understand the characteristics of a group, gauge a situation and assemble data around possible change.

The study adopted a descriptive research design. The reason for using this design is because descriptive research determines and reports the way things are (Cooper and Schindler, 2007). In addition, this research design was deemed appropriate for this study because it allowed the researcher to draw conclusions about the variables under the study without the interviewee being manipulated and thus allow the measurements to be fully controlled.

#### 3.3 Population of the Study

A population is defined as a complete set of individuals, cases or objects with some common observable characteristics (Mugenda and Mugenda 2003). On his part, Denscombe (2007) defines a population frame as “an objective list of the population from which the researcher can make his or her selection. The population of the study was the Safaricom customers that include dealers and Safaricom subscribers. According to the company’s official 2014 results (Safaricom, 2014) Safaricom has 76,000 dealers and 21.6

Million subscribers with approximately 30% of them located in Nairobi and this group will form the population of the study (CAK, 2014).

### 3.4 Sampling Procedure

Sampling design refers to a research plan that indicates how cases are to be selected for observation or as respondents (Denscombe, 2007). The researcher will use Krejcie Robert V. Morgan W Table generated using the following formula.

$$s = \frac{X^2 NP(1-P)}{d^2(N-1) + X^2 P(1-P)}$$

$s$  = required sample size.

$X^2$  = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

$N$  = the population size.

$P$  = the population proportion (assumed to be .50 since this would provide the maximum Sample size).

$d$  = the degree of accuracy expressed as a proportion (.05)

From the table the population of 22,800 (30% of 76,000) dealers and 6,390,000 (30% of 21,300,000) subscribers result in a sample of 380 respondents for each cadre. For the dealers, the researcher employed systematic sampling whereby from the list to be obtained from Safaricom, every 60<sup>th</sup> dealer from the list picked and this sampling design yielded 380 dealers. For the subscriber customers, the researcher interviewed 130 customers from each of the 3 Safaricom Retail Shops in Nairobi central business district.

### 3.5 Data Collection Instruments

The study utilized primary data to be collected through the use of a questionnaire and the questions were both closed and open ended (Appendix I). Two sets of questionnaires were prepared each to target the two groups of respondents namely; dealers and individual customers. The questionnaires contained questions on the factors that influence customers' LEVEL of satisfaction. Primary data according to Kothari (2004) is the data collected a fresh for the first time while secondary data is that data that has already been collected and passed through statistical process

### 3.6 Data Analysis

The data collected was analyzed using descriptive statistics (measures of central tendency and measures of variations). Once the data is collected, the questionnaires were edited for accuracy, consistency and completeness. However, before final analysis is performed, data will be cleaned up to eliminate discrepancies and thereafter, classified and then tabulated. The responses were then coded into numerical form to facilitate statistical analysis. The descriptive analysis to be adopted will involve the use of tables, pie charts, percentages, mean and standard deviations to summarize the respondent answers and answer the four research questions. The study also employed inferential statistics to establish the relationship between the study variables and customer satisfaction at Safaricom outlets at Nairobi Central business district. Specifically, the study used Spearman correlation to establish this relationship.

The following regression equation will be used;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where Y= Customer satisfaction

$X_1$ = product or service features

$X_2$  = product differentiation

$X_3$  = perception equity and fairness

$X_4$ = product or service quality

e= Error

## **3.7 Research Quality**

### **3.7.1 Reliability**

When the outcome of the measuring process is reproducible, the measuring instrument is reliable. Reliability is broadly defined as follows: the degree to which measures are free from errors and therefore yield consistent results. For this study several precautions were taken to reduce sources of errors, and thereby increase reliability. During the interview, the interviewer had a tape recorder to verify that all the replies are correctly noted and that the interviewer could concentrate on the replies. The respondents were asked control questions to test whether the respondent understood the question and as such responded correctly. Furthermore, since several repeated personal interviews were conducted and the closeness of the main respondents did not miss out on meaningful formulations and gestures (Fowler, 1993).

A pilot test was undertaken to increase the instrument validity. The data from the pilot test was analyzed using Cronbach's alpha to determine the internal consistency or average correlation of items in a survey instrument to gauge its reliability, considering a threshold alpha figure of 0.7 to demonstrate that the questionnaire is reliable. The smaller this variability (or stronger the correlation), the greater the internal consistency reliability of this survey instrument.

### **3.7.2 Validity**

Researchers want to know if their measure is valid, and the question of validity expresses their concern with accurate measure. Validity is broadly defined as the ability of a scale or measuring instrument to measure what is intended. The degree of validity of this study will depend on the reliability of the facts presented, and whether or not the right variable is being measured. The fact is that it is difficult to determine whether or not a method is 100 percent valid. An effort to avoid leading questions will be made during the interview. The following measures taken to increase the validity:

- i. Probing technique was used, which means that during the interview, control questions were asked to assure that no misunderstandings takes place regarding the questions.
- ii. The interview was made with the most knowledgeable person or customer in the Safaricom outlet.

### **3.8 Ethical Consideration**

Ethics are rules/norms that govern the conduct and have great influence on the welfare of human being. It is a way of making decision about the right and wrong behavior by an individual person (Bell and Bryman, 2007). They further noted that the researcher has a responsibility to assess carefully the possibility of harm to those participating in research, and possibility extent thus minimizing possibility of harm.

Data was collected from the sampled respondents after obtaining the consent of Safaricom. The anonymity of the respondents was upheld at all times unless with their express permission. In addition, all the dealings with the respondents were held in confidence and not shared for any other purpose other than for academic goal by the researcher. An official letter was obtained from the university and an introductory letter from the researcher was provided in the course of the interview.



## CHAPTER FOUR

### DATA ANALYSIS AND PRESENTATION

#### 4.1 Introduction

This chapter presents the data sought, the analysis done and the results obtained. The data was analyzed based on the specific objectives to be met and the variables selected for the study. The analysis was based on the specific objectives, which were: i) to investigate the extent to which product or service features affect customer satisfaction at Safaricom outlets in Nairobi CBD; ii) to evaluate the extent to which product differentiation targeting different consumer market affect the level of customer satisfaction at Safaricom outlets in Nairobi CBD; iii) to assess how the perception equity and fairness of firms products affects customer satisfaction at Safaricom outlets in Nairobi CBD and to investigate the extent to which product or service quality affect customer satisfaction at Safaricom outlets in Nairobi CBD.

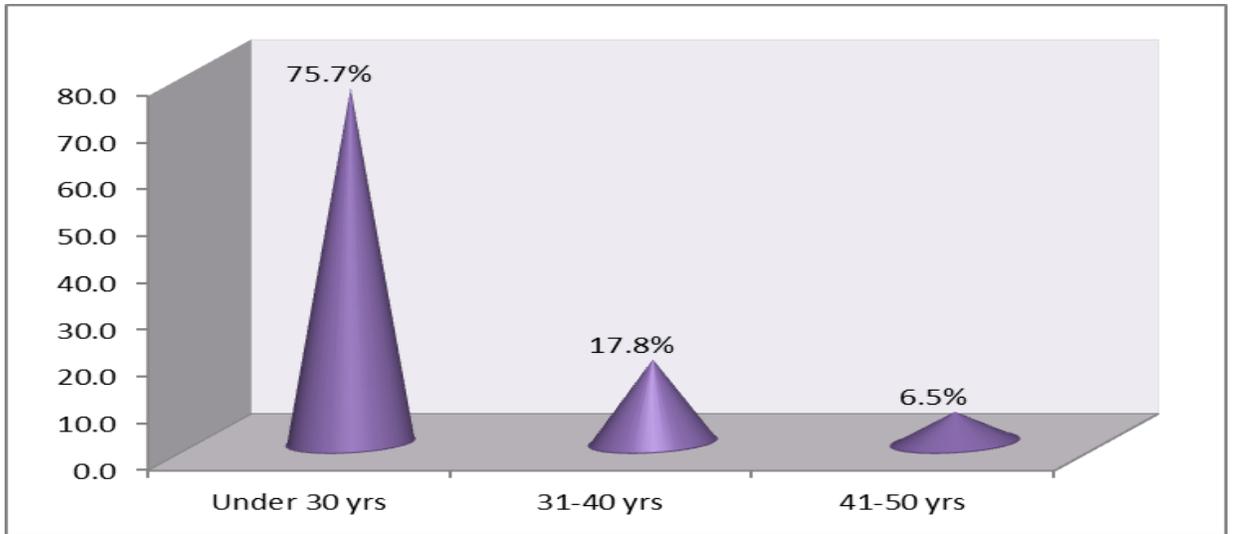
#### 4.2 Response Rate

Of the 130 questionnaires that were distributed to the customers from each of the 3 Safaricom Retail Shops in Nairobi central business district, 107 useable questionnaires were returned in good time, giving a response rate of 82.3%. This response rates were sufficient and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The chapter covered the demographic information, and the findings were based on the objectives.

#### 4.3 Respondents Profile

##### 4.3.1 Age of the respondents

The study sought to establish the age of the respondents. The findings are presented in the figure below.

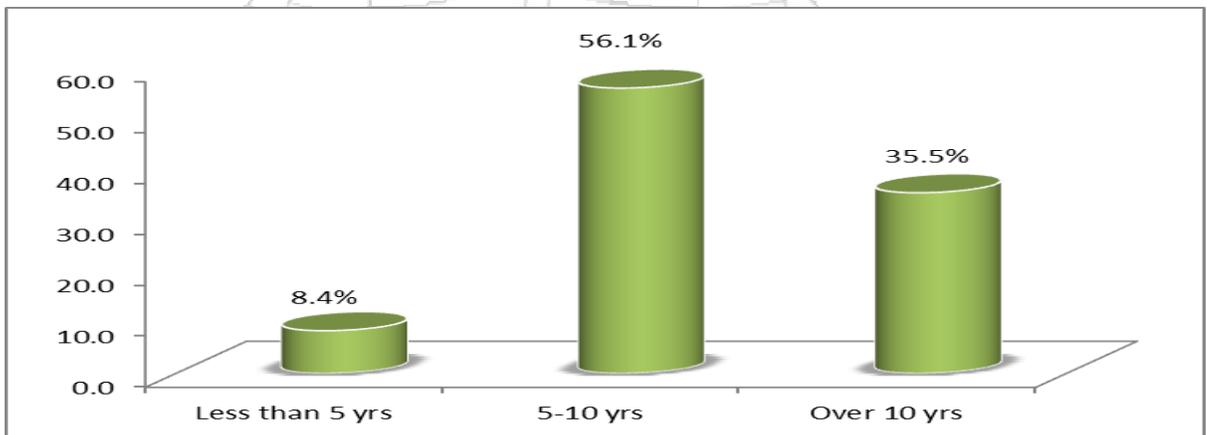


**Figure 4.1 Age of the respondents**

According to the study findings, majority (75.7%) of respondents were in the age bracket of less than 30 years, 17.8% were between 31-40 years of age and 6.5 % of the respondents were in the age brackets of 41-50 years. This implies that majority of the Safaricom customers were below 30 years of age.

#### **4.3.2 Length of continuous usage of Safaricom products**

The study sought to establish length at which Safaricom customers had used Safaricom products. The study findings were as indicated in the figure below.

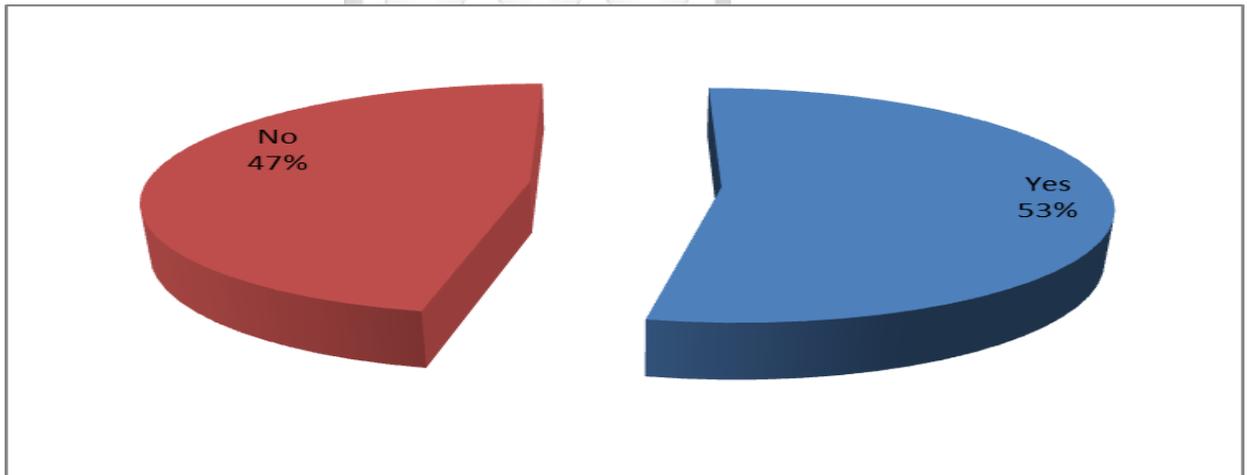


**Figure 4.2 Length of continuous usage of Safaricom products**

From the study findings in the figure above, majority (56.1%) had used Safaricom products for a period of between 5-10 years and 35.5% for a period of more than 10 years while 8.4% of the customers had used Safaricom products for a period of less than five years. This implies that majority of the Safaricom customers had used Safaricom products for a period of between 5-10 years.

#### **4.3.3 Another line that is run by a competing mobile provider to Safaricom**

The study also sought to find out whether Safaricom customers operated other lines that are run by a competing mobile provider to Safaricom. The study findings were as indicated in the figure below.

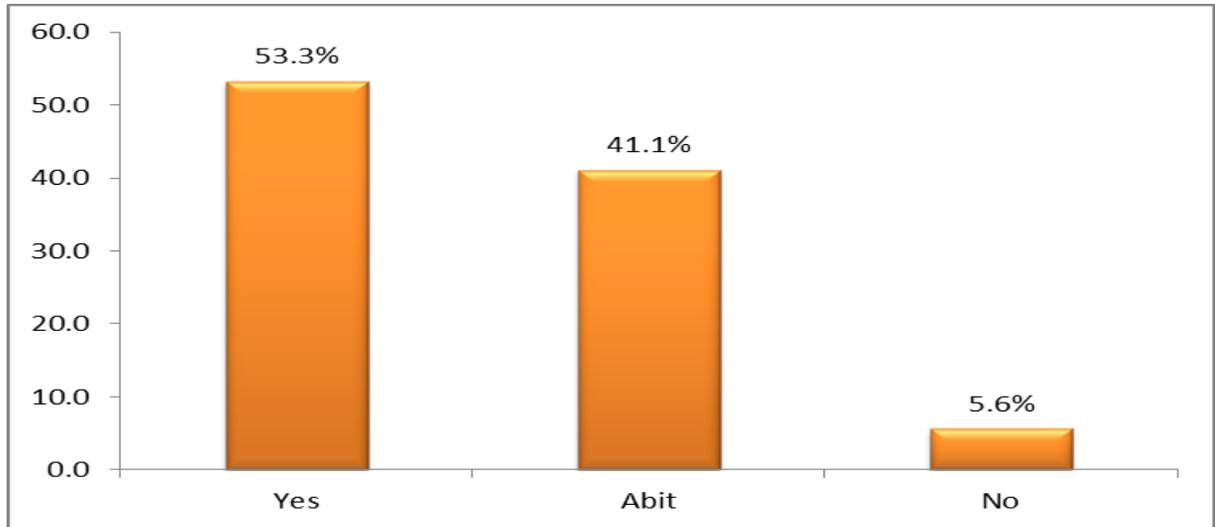


**Figure 4.3 Another line that is run by a competing mobile provider to Safaricom**

According to the study findings, majority (53%) of respondents agreed that they operated other lines that are run by a competing mobile provider to Safaricom while 47% never operated other lines that are run by a competing mobile provider to Safaricom. This implies that majority of the Safaricom customers operated other lines that are run by a competing mobile provider to Safaricom.

#### 4.3.4 Satisfied with the range of service being offered by Safaricom

The study further sought to establish Safaricom customers satisfied with the range of service being offered by the firm. The findings are presented in the figure below.



**Figure 4.4 Satisfied with the range of service being offered by Safaricom**

According to the study findings, majority (53.3%) of respondents agreed that they satisfied with the range of service being offered by the firm and 41.1% indicated that they were a bit satisfied while 5.6% indicated that they were dissatisfied with the range of service being offered by the firm. This implies that majority of the Safaricom customers were satisfied with the range of service being offered by the firm.

#### 4.4 Product Features and Customer Satisfaction

The study sought to investigate the extent to which product or service features affect customer satisfaction at Safaricom outlets in the Nairobi CBD. The responses were rated on a five point Likert scale where: 5= to a very great extent, 4= great extent, 3- Moderate extent, 2= to a small extent and 1 = Not at all. The mean and standard deviations were generated from SPSS and are as illustrated in table below.

**Table 4.1 Product Features**

<b>Statement</b>	<b>Mean</b>	<b>Std. Dev.</b>
Safaricom offers products that meet my desired lifestyle, as well as taste	4.18	0.790
Safaricom has come up with a visible brand that help to embed the product in the buyer's minds and exceed expectation	4.44	0.892
The firms products name and outlets can easily be recalled by a customer which helps in meeting the customer level of satisfaction	3.58	1.036
The customer perception of Safaricom products has been positive and this has enhanced the level of customer association with the firm and willingness to refer other potential customers	4.67	1.016
The quality of products offered is superior and has a wide coverage regionally and internationally	3.64	1.030
The reliability of the service is guaranteed in comparison to other providers in the country	3.82	0.929

From the study findings in the table above, majority of the respondents agreed to a very great extent that the customer perception of Safaricom products has been positive and this has enhanced the level of customer association with the firm and willingness to refer other potential customers and Safaricom has come up with a visible brand that help to embed the product in the buyer's minds and exceed expectation while Safaricom offers services that meet my desired lifestyle as well as taste as indicated by the mean scores of 4.67, 4.44 and 4.18 respectively.

On the other hand, most of the respondents moderately agreed that the reliability of the service is guaranteed in comparison to other providers in the country and the quality of products offered is superior and has a wide coverage regionally and internationally while the firms products name and outlets can easily be recalled by a customer which helps in meeting the customer level of satisfaction as indicated as indicated by the mean scores of 3.82, 3.64 and 3.58 respectively.

This findings implies that the customer perception of Safaricom products has been positive and this has enhanced the level of customer association with the firm and willingness to refer other potential customers and Safaricom has come up with a visible

brand that help to embed the product in the buyer’s minds and exceed expectation while Safaricom offers services that meet my desired lifestyle

#### 4.5 Product differentiation and Customer Satisfaction

The study also sought to evaluate the extent to which product differentiation targeting different consumer market affect the level of customer satisfaction at Safaricom outlets in the Nairobi CBD. The responses were rated on a five point Likert scale where: 5= to a very great extent, 4= great extent, 3- Moderate extent, 2= to a small extent and 1 = Not at all. The mean and standard deviations were generated from SPSS and are as illustrated in table below.

**Table 4.2 Product differentiation**

Statement	Mean	Std. Dev.
Safaricom has been able to offer a product range that is specifically tailored to meet my needs at different times	3.56	0.803
Safaricom has been able to offer products and services that vary not in quality but in characteristics such as, color, or favor that relate to horizontal differentiation of its consumers	3.60	1.088
Having accumulated satisfying experiences over time, I have developed positive attitudes toward Safaricom	3.61	0.938
The level of expectation among the customers determines the final level of satisfaction	4.37	0.966

From the study findings in the table above, majority of the respondents agreed to a very great extent that the level of expectation among the customers determines the final level of satisfaction as shown by the mean score of 4.37. On the other hand, most of the respondents moderately agreed that having accumulated satisfying experiences over time, they have developed positive attitudes toward Safaricom and Safaricom has been able to offer products and services that vary not in quality but in characteristics such as, color, or favor that relate to horizontal differentiation of its consumers while Safaricom has been able to offer a product range that is specifically tailored to meet my needs at different times as indicated by the mean scores of 3.61, 3.60 and 3.56 respectively. This finding implies that the level of expectation among the customers determines the final level of satisfaction.

#### 4.6 Perception of Fairness in Pricing and Customer Satisfaction

The study also sought to assess how the perception equity and fairness of firm's products affects customer satisfaction at Safaricom outlets in the Nairobi CBD. The responses were rated on a five point Likert scale where: 5= to a very great extent, 4= great extent, 3- Moderate extent, 2= to a small extent and 1 = Not at all. The mean and standard deviations were generated from SPSS and are as illustrated in table below.

**Table 4.3 Perception of Fairness in Pricing**

Statement	Mean	Std. Dev.
From my relationship with Safaricom, I receive a reward that is proportional to what I have invested in the relationship through the level of service received	4.33	0.823
The pricing of the firm services is fair in comparison to the other competitors in the industry and commensurate with the services level	3.79	1.147
There is a constant reinforcement of the product through marketing communication that makes Safaricom' products be visible and recalling becomes faster	3.55	1.039
Because Safaricom is a homegrown company, I have strong attachment with its operations and products than the other players in the market	4.43	0.943

From the study findings in the table above, majority of the respondents agreed to a very great extent that because Safaricom is a homegrown company, they have strong attachment with its operations and products than the other players in the market and that from their relationship with Safaricom, they received a reward that was proportional to what they had invested in the relationship through the level of service received as indicated by the mean scores of 4.43 and 4.33 respectively. On the other hand, most of the respondents moderately agreed that the pricing of the firm services was fair in comparison to the other competitors in the industry and commensurate with the services level and there was a constant reinforcement of the product through marketing communication that makes Safaricom' products be visible and recalling becomes faster as indicated by the mean scores of 3.79 and 3.55 respectively. This findings implies that because Safaricom is a homegrown company, they have strong attachment with its

operations and products than the other players in the market and that from their relationship with Safaricom, they received a reward that was proportional to what they had invested in the relationship through the level of service received

#### 4.7 Customer Service and Customer Satisfaction

The study also sought to assess how product or service quality affects customer satisfaction at Safaricom outlets in the Nairobi CBD. The responses were rated on a five point Likert scale where: 5= to a very great extent, 4= great extent, 3- Moderate extent, 2= to a small extent and 1 = Not at all. The mean and standard deviations were generated from SPSS and are as illustrated in table below.

**Table 4.4 Customer Service**

Statement	Mean	Std. Dev.
The firms process of addressing customer complains is adequate since they act fast enough in addressing the challenges faced by the customers	3.49	1.076
I feel that I receive value for my relationship with Safaricom	3.30	1.003
The firm has continued to come up with loyalty programs that has increased my level of satisfaction with their products	4.46	0.984
The organizations social responsibility activities has been extensive in the recent past which makes me feel that the Safaricom ploughs back some of the returns to the society	4.52	1.049

From the study findings in the table above, majority of the respondents agreed to a very great extent that the organizations social responsibility activities has been extensive in the recent past which makes me feel that the Safaricom ploughs back some of the returns to the society and that the firm has continued to come up with loyalty programs that has increased their level of satisfaction with their products as indicated by the mean scores of 4.52 and 4.46 respectively. On the other hand, most of the respondents moderately agreed that the firm’s process of addressing customer complains was adequate since they act fast enough in addressing the challenges faced by the customers and that customers feel that they received value for their relationship with Safaricom as indicated by the mea scores of 3.49 and 3.30 respectively. This findings implies that the organizations social

responsibility activities has been extensive in the recent past which makes me feel that the Safaricom ploughs back some of the returns to the society and that the firm has continued to come up with loyalty programs that has increased their level of satisfaction with their products.

#### 4.8 Safaricom products

The study also sought to assess how Safaricom products affect customer satisfaction at Safaricom outlets in the Nairobi CBD. The responses were rated on a five point Likert scale where: 5= to a very great extent, 4= great extent, 3- Moderate extent, 2= to a small extent and 1 = Not at all. The mean and standard deviations were generated from SPSS and are as illustrated in table below.

**Table 4.5 Safaricom products**

Safaricom products	Mean	Std. Dev.
M-PESA	4.88	1.101
Internet services	3.45	0.983
SMS	4.71	0.909
PrePay services i.e. for calling	4.66	1.081
Post Pay services i.e. for calling	3.35	1.021
Loyalty Scheme i.e. Bonga Points	4.57	1.055
Value added services i.e. Skiza, Okoa Jahazi, Sambaza.	3.61	0.907
International calls and roaming	4.11	5.086
Business products e.g. Biashara Smart, Cloud	3.82	1.044

From the study findings in the table above, majority of the respondents agreed to a very great extent that they were satisfied with Safaricom M-PESA, SMS, PrePay services i.e. for calling, Loyalty Scheme i.e. Bonga Points and International calls and roaming services as indicated by the mean scores of 4.88, 4.71, 4.66, 4.57 and 4.11 respectively. On the other hand, most of the respondents moderately agreed that they were satisfied with Safaricom business products e.g. Biashara Smart, Cloud, Value added services i.e. Skiza, Okoa Jahazi, Sambaza, Internet services and Post Pay services i.e. for calling services as indicated by the mean scores of 3.82, 3.61, 3.45 and 3.35 respectively.

## 4.9 Inferential Statistics

### 4.9.1 Regression Analysis

Further the researcher conducted a multiple regression analysis so as to analyze the factors affecting the level of customer satisfaction at Safaricom outlets at Nairobi Central business district. The researcher applied the statistical package for social sciences (SPSS V.21) to code, enter and compute the measurements of the multiple regressions for the study.

Coefficient of determination explains the extent to which changes in the dependent variable (as measured by customers' willingness to recommend, stick to the firm products, number of complements, reliability of the service and responsiveness of the firm) can be explained by the change in the independent variables or the percentage of variation in the dependent variable (product features, product differentiation, perception fairness in pricing and customer service).

The four independent variables that were studied, explain that 83.4% of customer satisfaction at Safaricom outlets at Nairobi Central business district as represented by the adjusted  $R^2$ . This therefore means that other factors not studied in this research contribute 16.6% of customer satisfaction at Safaricom outlets at Nairobi Central business district. Therefore, further research should be conducted to investigate the other factors (16.6%) of customer satisfaction at Safaricom outlets at Nairobi Central business district.

**Table 4.6 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.913	0.834	0.751	0.4538

**Source: Research Data (2016)**

## 4.9.2 ANOVA

**Table 4.7 ANOVA (Analysis of Variance)**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.424	4	.208	3.23	.002 <sup>a</sup>
	Residual	5.375	103	.005		
	Total	6.799	107			

**Source: Research Data (2015)**

a. Predictors: (Constant), product or service features, product differentiation, perception equity and fairness and product or service quality

b. Dependent Variable: customer satisfaction at Safaricom outlets at Nairobi Central business district

Analysis of Variance (ANOVA) consists of calculations that provide information about levels of variability within a regression model and form a basis for tests of significance.

The "F" column provides a statistic for testing the hypothesis that all  $\beta \neq 0$  against the null hypothesis that  $\beta = 0$  (Weisberg, 2005). From the findings the significance value is .002 which is less than 0.05 thus the model is statistically significant in predicting how product or service features, product differentiation, perception equity and fairness and product or service quality affect customer satisfaction at Safaricom outlets at Nairobi Central business district. The F critical at 5% level of significance was 3.23. Since F calculated is greater than the F critical (value = 2.21), this shows that the overall model was significant.

## 4.9.3 Regression Coefficients

Multiple regression analysis was conducted as to determine the relationship between customer satisfactions at Safaricom outlets at Nairobi Central business district and the four variables. As per the SPSS generated table 4.8, the equation

$(y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \epsilon)$  becomes:

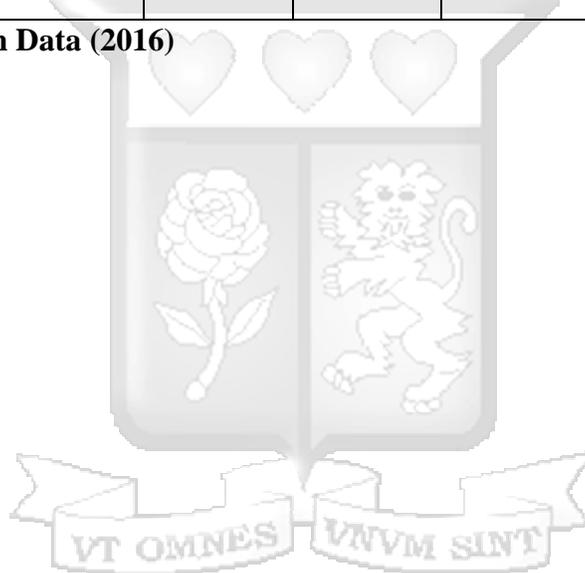
$$Y = 1.308 + 0.558X_1 + 0.785X_2 + 0.620X_3 + 0.731X_4$$

The regression equation above has established that taking all factors into account (product or service features, product differentiation, perception equity and fairness and product or service quality) constant at zero, customer satisfaction at Safaricom outlets at Nairobi Central business district will be 1.308. The findings presented also shows that taking all other independent variables at zero, a unit increase in product or service quality will lead to a 0.558 increase in customer satisfaction at Safaricom outlets at Nairobi Central business district; a unit increase in product differentiation will lead to a 0.731 increase in customer satisfaction at Safaricom outlets at Nairobi Central business district; a unit increase in perception equity and fairness will lead to a 0.785 increase in customer satisfaction at Safaricom outlets at Nairobi Central business district and a unit increase in product or service quality will lead to a 0.620 increase customer satisfaction at Safaricom outlets at Nairobi Central business district. This infers that product or service features contributes most to customer satisfaction at Safaricom outlets at Nairobi Central business district followed by product differentiation then perception equity and fairness and product or service features contributed the little to customer satisfaction at Safaricom outlets at Nairobi Central business district.

**Table 4.8 Regression Coefficients**

<b>Model</b>	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>t</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
(Constant)	1.308	1.342		1.623	0.357
Product or service quality	0.558	0.310	0.172	4.342	.0276
Product or service features	0.731	0.156	0.210	3.592	.0285
Product differentiation	0.785	0.322	0.097	3.542	.0202
Perception equity and fairness	0.620	0.285	0.148	3.458	.0649

**Source: Research Data (2016)**



## CHAPTER FIVE

### DISCUSSION OF THE FINDINGS

#### 5.1 Summary of the Findings

The first objective of the study was to establish the product features of Safaricom company that affect the level of customer satisfaction. In answering the respective research question, the study established that the customer perception of Safaricom products has been positive and this has enhanced the level of customer association with the firm and willingness to refer other potential customers. Safaricom has come up with a visible brand to capture potential customers and embed the product in the buyer's minds and also to strive and offer services that meet the customer's lifestyle need. The per second billing, easily recognizable company outlets and capacity of a customer to handle at individual level complaints without visiting the Safaricom customer service shop was found to increase the level of customer satisfaction. These findings are in line with that of Paker and Mathews (2001) who note that if a firm's products do not meet the customer's level of expectation, the same will be a source of dissatisfaction and lead to a drop in recruitment of potential customers. In contrast, they noted that the customer would feel satisfied and delighted towards what he or she had attained when the experience of the service or product exceeds the expectation. Yang (2010) also noted that there is a controversial discussion between customer satisfaction and brand loyalty. He commented that customer satisfaction is positively related with brand and will create loyalty, subsequently lead to the willingness to purchase and recommend to others. On the other hand, Parasuraman (1988) pointed that the key service quality attributes that determine the level of customer satisfaction will include five dimensions that are namely; tangibility, reliability, responsiveness, assurance and empathy associated with the service.

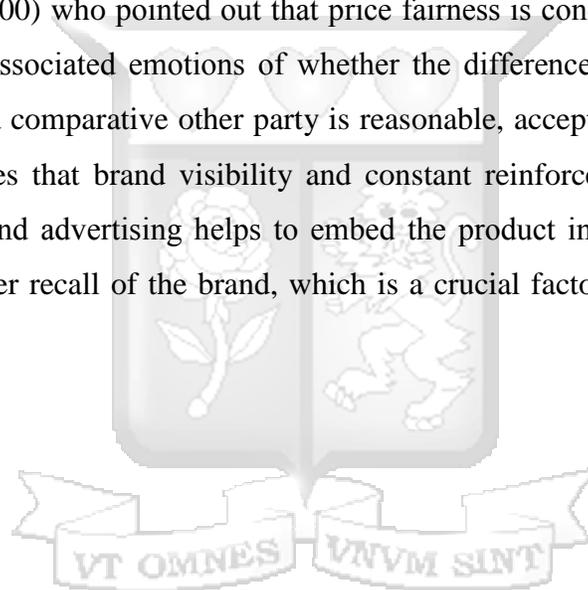
The second objective of the study was to establish how product differentiation affects the level of customer satisfaction at Safaricom Company. The study found that the product differentiation involves provision of superior value products and providing unique products such as the 4G network that facilitates faster internet connection and generally

tailoring its product and service to the customer requirement. Further, the firm has established a widespread after-sales support services in the Safaricom shops in most of the major towns in Kenya. According to McCracken, (2010) the key step in devising a differentiation strategy for a firm is to determine what makes a company different from a competitor's. Factors including market sector quality of work, the size of the firm, the image, graphical reach, involvement in client organizations, product, delivery system, and the marketing approach have been suggested to differentiate a firm. This attributes identified seem to be in line with Safaricom strategy to increase customer level of satisfaction.

The third objective of the study was to establish the perception of fair pricing on Safaricom products. The level of expectation among the customers determines the final level of satisfaction. The pricing of Safaricom products was found to be marginally higher than competitors price offering though the Safaricom customers indicated that they don't mind paying a slight premium so long as the quality is of service is good. Having accumulated satisfying experiences over time, they have developed positive attitudes toward Safaricom and the firm has been able to offer products and services that vary not in quality but in characteristics such as, color which are favored by different segments of the market. Customers' unfairness perception and potential negative emotions usually are directed toward the party that is perceived as having caused the "unfair" situation. For price unfairness, the target of the perception and the emotions is usually the seller. Thus, the actions that buyers take when they perceive that prices are unfair are usually directed toward the seller rather than toward a comparative other buyer or the product involved in the transaction. This concurs with the position of Weiner (2009) who opines that individuals form attributions along three dimensions namely: stability, controllability, and locus and this will appeal along given market segments and not across the customer base. Weiner (2009) further note that failures with stable causes should recur more frequently than failures whose causes are not stable and therefore stability attributions should be important because of their influence on customers' expectations of future service performance. Wang and Chen (2007) a common strategy

adopted by firms who desire to extend their product lines is to differentiate their offerings vertically, so as to capture the differential willingness of customers to pay for quality.

The third objective was to determine the effect of customer service on customer satisfaction. Over time, Safaricom products and services were found to have elicited strong attachment by the customers because of the customer service level being offered by both the customer service staff and system mechanism provided by the products. The customers pointed that in considering the service quality and the network reach, the pricing of the firm services is considered fair. The customers were found not to mind being a premium price for a service that exceeds customer expectation. This is in line with Coughlan (2000) who pointed out that price fairness is concerned with a consumer's assessment and associated emotions of whether the difference between a seller's price and the price of a comparative other party is reasonable, acceptable, or justifiable. Dutta (2014) also opines that brand visibility and constant reinforcement through marketing communication and advertising helps to embed the product in the buyer's minds. This also leads to better recall of the brand, which is a crucial factor to influence the buying decisions.



## CHAPTER SIX

### CONCLUSION AND RECOMMENDATION

#### 6.1 Conclusions

The level of customer satisfaction on a firm's products or services is affected by different internal as well as external factors that will impact on the delivery of the products. Product features for a telecommunication firm such as capacity to roam, inquiries, quality of the service as well as the brand name were found to significantly affect the level of customer satisfaction. Service quality typically involve determining whether perceived service delivery meets, exceeds or fails to meet customer expectations and hence satisfaction. These factors are core dimensions of customer perception and satisfaction and affect the level of customer satisfaction. The level of customer satisfaction however was found to vary depending on the It is explained as the actual difference between customer expectation and perception of the delivery of the service by the service provider.

The capacity of a firm to differentiate its product offering from the other competitors will act as a source of competitiveness to the firm due to the product being able to meet a particular need of the customers. The study found that product differentiation in terms of having calling rates that vary with the calling times, per second billing, capacity to generate personal mini statements. The firm's product differentiation fulfills a customer need and involves tailoring the product or service to the customer requirement. The firms differentiation strategy involved providing unique and superior value products and supported by a widespread after-sales support services in the Safaricom shops in most of the major towns in Kenya.

The fairness on the pricing of a firm' products are another factor that determines customers' level of satisfaction. The study found that a firm should be able to come up with a mechanism of rewarding its loyal customers for supporting it and this will make its customers to feel that the existing relationship between them and the company is two – way and no party feels unappreciated. Coming up with loyalty points and ensuring that

the prices of its products are at par with other competitors offerings increase customers level of satisfaction.

The level of customer service in a firm influences the level of customer satisfaction. As more customers a firm gets, then the level of customer services agents and support points are required. The study found that establishment of a brick-and-mortar customer services points might not be adequate and this option should be reserved to only those customers who will require personalized attention. Therefore, in such situations where a firm has many customers they need to develop applications that will facilitate self-care by the customers themselves. Towards this end, the move by the telecommunication companies to minimize the personal contacts between the customers and the company's staff is geared towards improvement of the customers' satisfaction of the product offering range.

## **6.2 Recommendations**

A customer level of satisfaction is dependent upon different factors, both internal and external and the management of an organization should strive to factor in all these factors in the course of their service delivery. The study established that Safaricom has endeavored to provide products with features that meet the demands of different products. However, some of the Safaricom products such as M-Pesa were found not to be flexible enough to facilitate e-banking business with most of the banks in Kenya. Consequently, it is recommended that the firm further enhances the features of this product to have a seamless interface with different financial institutions without compromising the security of the customers' deposits. The customer care personnel have a great role in ensuring that customers are served with minimal delays. The study therefore recommends Safaricom should open up more customer service outlets especially near residential areas since most of its customers work outside the CBD.

The pricing and the capacity to differentiate the firms' products from competitors was found to significantly influence the level of customer satisfaction. However, this is not a unique capability that a firm can rely upon because competitors can easily replicate the same products and services and if economies of scale exist, might quote even a much a lower price. Consequently, it is recommended that Safaricom should continuously direct

more resources to their innovation process to increase their product offerings that cannot be easily replicated by the competitors. On the safety of the M-Pesa services, it calls for a lot of effort by the service providers. This is due the high number of customers who shows great levels of dissatisfaction in terms of security threats. The study recommends the service providers to set up security measures for a comprehensive transaction in the case of sending money, receiving money, buying airtime or paying bills. This would increase customers' confidence with their services and also increase the pride by the company due to their achievement of the highest levels of customer satisfaction.

### **6.3 Limitations of the Study and Suggestion for Further Study**

The results drawn from this study should be interpreted with the limitations in mind. The most challenging limitation was the sample-size of the study. In order to gain more exact results, the sample-size should have been larger; perhaps more Safaricom customers from other regions in the country as well as outside the country and that rely on the Safaricom services.

The study used key informants who are Safaricom customers visiting the service centers within Nairobi which put constraints on the general ability of the results to other firms in the telecommunication industry and other country contexts. The sample selection may also limit the generalization of results to the overall population. The narrow and specific focus of this study means the results are limited to Safaricom only which may not translate to other industry and national contexts. Another limitation is that as with other research that uses questionnaire as the instrument to collect data, there may be a problem of social desirability. Some respondents may have the tendency to exaggerate or provide responses deemed to be desirable by others, instead of giving honest responses.

The study was also done in Safaricom Shops within the Nairobi Central Business District. This presents a gap because Safaricom has over 40 retail outlets covering the entire county. Further research may therefore be done to target all the other Safaricom Retail Outlets countrywide.

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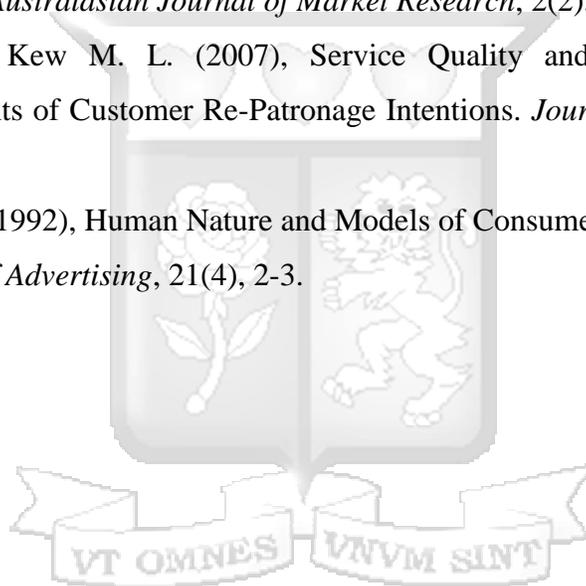
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## APPENDIX

### QUESTIONNAIRE

My name is Peter, a student at the Strathmore Business School. I am carrying a research on “Factors Influencing the Level of Satisfaction of Safaricom Customers”. You have been chosen as one of the respondents to the questions below towards the establishment of the research objective. Please give answers in the spaces provided and tick (✓) in the box that matches your response to the questions where applicable.

#### PART A: RESPONDENTS PROFILE

- 1) Name of the respondent, (Optional)  
.....
- 2) What is your age bracket? (Tick as applicable)
- |                   |     |                  |     |
|-------------------|-----|------------------|-----|
| a) Under 30 years | ( ) | b) 31 – 40 years | ( ) |
| c) 41 – 50 years  | ( ) | d) Over 50 years | ( ) |
- 3) Length of continuous usage of Safaricom products?
- |                         |     |               |     |
|-------------------------|-----|---------------|-----|
| a) Less than five years | ( ) | b) 5-10 years | ( ) |
| c) Over 10 years        | ( ) |               |     |
- 4) Do you operate another line that is run by a competing mobile provider to Safaricom?
- |        |     |       |     |
|--------|-----|-------|-----|
| a) Yes | ( ) | b) No | ( ) |
|--------|-----|-------|-----|

#### PART B: Factors Affecting Customer Satisfaction at Safaricom (K) Ltd

- 5) As a customer with Safaricom, are you satisfied with the range of service being offered by the firm?
- |        |     |       |     |
|--------|-----|-------|-----|
| a) Yes | ( ) | b) No | ( ) |
|--------|-----|-------|-----|

6) To what extent do the following product and services features affect your level of satisfaction?

Use; 1- Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent

<b>Product Features</b>	1	2	3	4	5
Safaricom offers products that meet my desired lifestyle, as well as taste					
The firms products name and outlets can easily be recalled by a customer which helps in meeting the customer level of satisfaction					
The customer perception of Safaricom products has been positive and this has enhanced the level of customer association with the firm and willingness to refer other potential customers					
The quality of products offered is superior and has a wide coverage regionally and internationally					
The reliability of the service is guaranteed in comparison to other providers in the country					

7) To what extent do the following factors concerned with attribution of service success affect your level of satisfaction with Safaricom products?

Use ; 1-Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent.

<b>Product differentiation</b>	1	2	3	4	5
Safaricom has been able to offer a product range that is specifically tailored to meet my needs at different times					
Safaricom has been able to offer products and services that vary not in quality but in characteristics such as, color, or favor that relate to horizontal differentiation of its consumers					
Having accumulated satisfying experiences over time, I have					

developed positive attitude toward Safaricom.					
The level of expectation among the customers determines the final level of satisfaction					

8) To what extent does the following perception of equity and fairness factors influence your level of satisfaction with Safaricom services?

Use 1-Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent.

<b>Perception of Equity and Fairness</b>	1	2	3	4	5
From my relationship with Safaricom, I receive a reward that is proportional to what I have invested in the relationship through the level of service received.					
The pricing of the firm services is fair in comparison to the other competitors in the industry and commensurate with the services level.					
There is a constant reinforcement of the product through marketing communication that makes Safaricom' products be visible and recalling becomes faster					

9) To what extent does the following perception of customer service level influence your level of satisfaction with Safaricom services?

Use 1-Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent.

<b>Product or service quality</b>	1	2	3	4	5
The firms process of addressing customer complains is adequate since they act fast enough in addressing the challenges faced by the customers					
I feel that I receive value for my relationship with Safaricom					

The firm has continued to come up with loyalty programs that has increased my level of satisfaction with their products					
---	--	--	--	--	--

**10)** To what extent has the following products influenced your satisfaction with Safaricom?

Use 1-Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent.

<b>Safaricom products</b>	1	2	3	4	5
M-PESA					
Internet services					
SMS					
PrePay services i.e. for calling					
Post Pay services i.e. for calling					
Loyalty Scheme i.e. Bonga Points					
Value added services i.e. Skiza, Okoa Jahazi, Sambaza.					
International calls and roaming					
Business products e.g. Biashara Smart, Cloud					

**11)** Is there any other factor that influences your level of satisfaction with Safaricom products? Please explain

.....

.....

.....

.....

**THANK YOU FOR YOUR TIME.**