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Influence of Mobile Phone Product Differentiation on Customer Retention. A Case of Nairobi County-Kenya

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Abstract: *This study aimed at investigating and analyzing the influence of mobile service differentiation on customer retention in Kenya. The study was prompted by the realization that, despite much effort by some mobile phone network service providers to adopt cost leadership as a competitive advantage in Kenya, the most expensive mobile phone network service provider recorded the lowest rate of customer churn and experienced the highest number of new subscriptions of the four network service providers in the country.*

Keywords: *Churn Rate, Customer Loyalty, Organizational Strategy, Sustainable Competitive Advantage, Service Industry*.

1. Introduction

Telecommunication has been seen as a key resource for a country's development and hence the importance to understand the trends that influence its penetration in the country. Customer retention is vital for continuity of an organization. This is because the organization is ensured of repeat purchases, word-of-mouth advertisement and lower customer handling costs as the customer is aware of the standard operating procedures among many other benefits. Besides, it reflects "the state of mind that customers have about a company and its products or services when their expectations have been met or exceeded. This state reflects the lifetime of the product or service experience. Marketers recognize that it is usually less costly and easier to do business or sell to an old satisfied customer, than to keep seeking new ones. The targeted population was Nairobi county mobile phone owners who were then approximately 870,163 persons. The study adopted a sample size of 350 respondents randomly selected and by use of multi-stage sampling. Data was collected using a pretested questionnaire and was analyzed using descriptive statistics by means of Statistical Package for Social Sciences.

1.1 Background of the study

The world has taken cognizance of the emergence of the service industry as a prominent contributor to its economy over the last century. A number of countries in the last few decades have experienced a dramatic change in the importance of services and the role of the services sector in their economies (Sharma, 2002). The ultimate goal of service industry is the satisfaction of its customers because their satisfaction can somehow make them to come again. But if the customer is loyal then he will definitely turn back. In today's challenging economy and competitive business world, retaining your customer base is critical to your success. If you don't give your customers some good reasons to stay, your competitors will give them a reason to leave.

Customer retention and satisfaction drive profits. It's far less expensive to cultivate your existing customer base and sell more services to them than it is to seek new, single-transaction customers. Most surveys across industries show that keeping one existing customer is five to seven times more profitable than attracting a new one. If a business successfully creates and keeps customers in a cost-effective way, it will make a profit while continuing to survive and thrive. If, for any reason, a business fails to attract or sustain a sufficient number of customers, it will experience losses. Too many losses will lead to the demise of the enterprise (Nankervis, 2005).

Research from Pitney Bowes Group 1 Software shows that customer defection rates (churn) within the mobile telecoms sector have risen from 33.4% in 2005 to 38.6% in 2007, an increase of 15.3%. The overall results of the research toppled a number of pieces of received wisdom. One of the primary findings of the research was that Mobile telecoms retain the highest average customer churn at 38.6. According to Group 1, the findings indicate that the UK consumer is becoming more mobile and that companies retention strategies need to improve to deal with this phenomenon. "The world is becoming generally more mobile and less loyal," says Pitney Bowes Group 1 Software VP, International Marketing, Andrew Greenyer. "Yet despite all the effort and investment going into customer retention and loyalty, the effective strategies implemented by well-known success story companies are not yet the norm."(Murphy, 2008)

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

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

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

1.2 Statement of the problem

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

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

Many firms have expended much of their resources in customer acquisition and at times ignoring customer retention knowingly or unknowingly. The benefits for customer retention have been seen to be of great effect and hence worth investing into by firms. Customers have been seen to comfortably stick to their current suppliers as long as they receive higher perceived value to what they are actually paying for. Customer satisfaction has been proven to lead to desirable results such as attitude change, repeat purchase, and brand loyalty, Lower costs of attracting new customers and handling returns and complaints.

The central theme is that customer satisfaction is the driver for retention. This relationship is likely the case in many consumer markets. Customer satisfaction has been viewed both as a transaction specific which is the post purchase evaluation of the match between expectations and actual performance and cumulative satisfaction which reflects the overall evaluation based on transactions over time and is the net sum of the customer experience with the seller.(Hill, Roche & Allen, 2007)

Safaricom has the highest rates to its subscribers and at the same time have managed to retain a far much larger market share. According to the CCK report, Safaricom has managed to acquire the highest share of the new market penetration too. It is evident that the growth of mobile subscriptions is on an upward trend with mobile handsets not only becoming the medium of communication but also for accessing other value added services like data and internet, entertainment, mobile money transfer amongst others. This trend is likely to continue as new innovations emerge and operators keep an eye on new services as well as grab the opportunity of being the first to offer them. (CCK, 1st Quarter July – Sept 2011/2012). This study therefore sought to investigate the influence of mobile phone services differentiation on customer retention.

1.3 Purpose of the study

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

1.4 Objectives of the study

The study sought to achieve the following objectives;

1. To assess the influence of voice and short messaging has on customer retention
2. To establish the extent to which data and internet has led to customer retention

1.5 The Concept of Differentiation of products and services

A differentiation strategy is one where wide product ranges and higher quality products are offered for the convenience of customers as well as added services such as delivery, information services, etc.

Further a differentiation strategy is one in which a product offering is different from that of one or more competitors in a way that is valued by the customers. The value added should affect customer's choice and ultimate satisfaction. Most successful strategies that are not based entirely on a low-cost advantage will be differentiated in some way. (Proctor, 2000). There are many ways to differentiate by adding value. There might be something which can be done much better than competitors, or an extra product feature or service that can be included. Value can be added to any aspect of a business. (Proctor, 2000)

1.6 Cost and Differentiation as Competitive Advantage Strategies

A firm can achieve a higher rate of profit (or potential profit) over a rival in one of two ways: either it can supply an identical product or service at a lower cost, or it can supply a product or service that is differentiated in such a way that the customer is willing to pay a price premium that exceeds the additional cost of the differentiation. In the former case, the firm possesses a cost advantage; in the latter, a differentiation advantage. In pursuing cost advantage, the goal of the firm is to become the cost leader in its industry or industry segment.

Cost leadership requires that the firm 'must find and exploit all sources of cost advantage and sell a standard, no-frills product." Differentiation by a firm from its competitors is achieved "when it provides something unique that is valuable to buyers beyond simply offering a low price." The two sources of competitive advantage define two fundamentally different approaches to business strategy. A firm that is competing on low cost is distinguishable from a firm that competes through differentiation in terms of market positioning, resources and capabilities, and organizational characteristics. Table 1.1 outlines some of the principle features of cost and differentiation strategies. (Grant, 2005)

By combining the two types of competitive advantage with the firm's choice of scope – broad market versus narrow market – Michael Porter has defined three generic strategies: cost leadership, differentiation, and focus. Porter views cost leadership and differentiation as mutually exclusive strategies. A firm that attempts to pursue both is 'stuck in the middle. The firm stuck in the middle is almost guaranteed low profitability. It either loses the high volume customers who demand low prices or must bid away its profits to get this business from the low-cost firms.

Yet it also loses high-margin-business – the cream – to the firms who are focused on high-margin targets or have achieved differentiation overall. The firm that is stuck in the middle also probably suffers from a blurred corporate culture and a conflicting set of organizational arrangements and motivation system. In most industries, a market leadership is held by a firm that maximizes customer appeal by reconciling effective differentiation with low cost - Toyota, Dell, and Canon are classic examples. (Grant, 2005)

Reconciling differentiation with low cost has been one of the greatest strategic challenges. Common to the success of Japanese companies in consumer goods industries such as cars, motorcycles, consumer electronics, and musical instruments has been the ability to reconcile low costs with high quality and technological progressiveness. The total quality management methods that they adopted exploded the myth that there is a trade-off between high quality and low cost. Numerous studies show that innovations in manufacturing technology and manufacturing management result in simultaneous increase in productivity and quality. Achieving higher quality in terms of fewer defects and greater product reliability frequently involves simpler product design, fewer component suppliers that are more closely monitored, and fewer services calls and product recalls – all of which save cost. (Grant, 2005)

Table1.1 Features of Cost Leadership and Differentiation Strategies

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

1.7 Customer retention

Customer retention is the probability of a customer being “alive” or repeat buying from a firm. In contractual settings, customers inform the firm when they terminate their relationship. However, in non-contractual settings, a firm has to infer whether a customer is still active. Most companies define a customer as active based on simple rules-of-thumb. In contrast, researchers generally rely on statistical models to assess the probability of retention. (International series in operations research and management science, 2008)

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

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

1.8 Data and Internet Service and customer retention

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

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

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

By the end of the quarter under review, Q1 2011/12, there were 5.4 million internet subscriptions in Kenya from 4.2 million recorded in the previous period, an increase of 27.33 per cent. Compared to the same period of the previous year, an increase of 67.86 per cent was recorded. (CCK, 1st Quarter July – Sept 2011/2012)

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

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

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

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

2. MAJOR FINDINGS OF THE STUDY ON CROSS TABS OF NUMBER OF LINES AND MAIN SERVICE PROVIDER

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

Table 2.1 Main Service Provider and Number of networks subscribed

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

Chi-Square Test

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

As shown in Table 2.1, only 27.5% of the subscribers had subscribed to one network service providers. Most of Safaricom subscribers (48.1%) tend to have subscribed to only one mobile network. This is followed closely by Airtel at 24.2%, Orange at 13.1% and finally Essar/Yu who had all there respndents with more than one line. The Chi Square statistics 71.801 shows clearly that there is a huge difference in number service providers subscription across the mobile service providers.

2.1 Main line and Period of Use

Table 2.2 Main Service Provider and Period of Use

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

Chi-Square Test

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

In looking at Table 2.2 it is clear that respondents have had their key service providers in varied number of years. The chi Square Statistics of 170.241 confirms this. Safaricom and Airtel have had their subscribers for longer periods than those of Orange and Essar. Safaricom have had over 50% of their subscribers for over 3 years. On the contrary, Essar/Yu has just in the recent years served as key service providers to their subscribers.

2.2 Customer Satisfaction Index

Table 2.3 below is a representation of level of satisfaction to the mobile service subscribers who have chosen the respective networks as their main network.

Table 2.3 Main Service Provider and Satisfaction Index

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

Chi-Square Test

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

Indeed the service providers were seen to offer varied perceived satisfaction levels. Of the Safaricom subscribers who were interviewed 17.4% are shown to be very satisfied and 72.3% satisfied. A similar result was reported by use of F-test of comparing to variability within each group hence a significant F-statistic ratio of 17.2. The next step was to investigate where specific differences were.

Table 2.4 Analysis of Variance (ANOVA) of perceived value of Money

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

In order to confirm the observed differences in satisfaction across service providers the researcher performed a Bonferroni-adjusted F-test[2]. The following results were obtained.

Table 2.5 Bonferroni adjusted Post Hoc ANOVA F-Test of Multiple Comparisons

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

Benferroni adjustment revealed that none of the differences is significant at 5% except between Orange and other networks. Lack of significance doesn't connote lack of difference but that the difference so observed may not be consistent across different sub-samples.

The researcher established that the various network service providers are experiencing customer retention at different levels. The research clearly shows that Safaricom is experiencing the highest level of customer retention. This is followed by Airtel, Orange and lastly Essar/Yu. In fact

Safaricom is likely to porch subscribers from other networks quite easily as most of the subscribers to other networks depend on Safaricom network to provide them with services that their main network suppliers are not able to provide at desired reliability. Safaricom which is currently the most subscribed to Mobile network is therefore likely to continue to be the leading. The research shows that subscribers turn to Safaricom due to its various services.

It is clear that for a mobile service subscriber to consider joining a mobile service provider, it's imperative that voice and messaging be part of the products that the service provider offers. Subscribers would choose a network based on a wide variety of reasons key of which include value added service offered by the service provider. This implies that, while subscribing to this service, subscribers would expect gain from other services alongside it. Cost of this service as offered by the service provider would be an important factor too to consider. Generally as long as the quality of this service is maintained subscribers would stick to the network as long as they first can benefit from other services provided and cost is affordable.

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

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

Despite the fact that majority of the respondents have not subscribed to crediting it is clear that it has a great influence in choice of subscription. Most of the subscribers going for this product select the network service provider based on how effective this service is provided and the possibility of gaining from other products as compared to cost incurred going for the product.

Lastly, customer reward system appears to be a vital product in the mobile phone sector. In order to have effective customer retention, customer reward system would play a vital part.

3. Recommendations

To achieve sustainable customer retention, the mobile network service providers have to be sensitive to the voice and needs of their customer. Subscribers don't view their mobile phones as gadgets for only receiving calls, rather they view them as multipurpose gadgets. As in any industry, customers are ready and willing to pay for products that they need. The mobile network providers need to continue investing in research and development in order to capture their clients. In this tie and era one of the most adopted strategies of marketing is identifying the needs of the customer and innovating ways of resolving them. Since mobile phones are gadgets that many people will always have with them, if mobile phone could do something extra for them via a network service provider, then that extra product will be an added advantage to the network service provider.

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

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

4. CONCLUSIONS

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

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

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

Data and internet are essential to daily life of most citizens. By having this service accessible via mobile phones the mobile network providers presents a great deal of convenience to their clients.

These products are used for both for official and unofficial purposes. Companies in Kenya have been seen to provide smart phones to their employees as part of management information system. Being an important additional service it has been seen that subscribers are willing to pay extra for it just to get quality service. It is no doubt that this partially explains the reason as to why Safaricom have a high market share in the industry.

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

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

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

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