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Determinants of customer loyalty in Kenya: does corporate image play a moderating role?

Customer loyalty
in Kenya

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473

Abstract

Purpose – Although previous studies have attempted to explain why some customers remain loyal to a product or service provider and/or why others switch, few studies have interrogated the role of social pressure as well as the moderating role of corporate image.

Methodology – The paper uses a composite measure of customer loyalty which provides both behavioral aspects and attitudinal loyalty. Survey data derived from a sample of 140 users of mobile services in Kenya was used and the hypotheses was tested using moderated regression analysis.

Findings – The results indicate that perceived service value, service quality and social pressure were significant predictors of customer loyalty, while customer satisfaction was not significant. Corporate image was found to moderate the relationship between service value, service quality, social pressure and customer loyalty.

Research limitations – Even though the study utilized a sample similar to other existing studies, future research should use larger samples, different measures of variables and different contexts.

Implications – To improve on customer loyalty, mobile telecommunication firms in Kenya should place more emphasis on the value offered to customers as well as the needs of the social units like family, friends and colleagues. Moreover, telecommunication firms should invest in good corporate image in order to realize the benefits of customer loyalty.

Originality/value – The study adds value to the understanding of the determinants of customer loyalty. More importantly, social pressure is an important determinant of customer loyalty. Second, corporate image plays a moderating role in customer behavior. Thus firms eager to engender customer loyalty should invest in corporate image.

Keywords Customer loyalty, Customer satisfaction, Service quality, Image, Telecommunication, Kenya

Paper type Research paper

1. Introduction

Studies on customer behavior have undergone tremendous developments in the past few decades. For instance, during the 1970s and 1980s, scholars have emphasized the role of customer satisfaction in determining consumer behavior (Oliver, 1999). However, more recently, researchers have expanded this conceptualization beyond satisfaction into the realms of customer commitment (Garbarino and Johnson, 1999) and customer loyalty (Berry, 1995). This new interest is underscored by the long held view that mere acquisition of new customers and getting them satisfied cannot guarantee sustained business and that a loyal customer base is the only assurance firms have against possible losses (Berry, 1995).

Because of the changing trends in competition, companies are investing more in seeking to create a loyal base of customers. According to Oliver (1999), calls for a paradigm shift to the pursuit of customer loyalty as a strategic business goal is becoming prominent. In support of this view, Berry (1995) argues that attraction of new customers should be viewed only as an intermediate step in the marketing process and that business managers should strive for long-term relationships with customers.



Researchers have tested several constructs believed to be determinants of customer loyalty such as service quality (Zeithaml *et al.*, 1996), perceived service value (Yang and Peterson, 2004), customer satisfaction (Chandrashekar *et al.*, 2007; Lai *et al.*, 2009), customer trust and commitment (Garbarino and Johnson, 1999). Some studies have also considered perception of corporate image as a predictor of customer loyalty (Gummesson and Gronroos, 1988; Hart and Rosenberger, 2004). These constructs influence customer purchase decisions to varying degrees depending on the industry and context (Jones and Sasser, 1995; Eskildsen *et al.*, 2004). For instance, De Ruyter *et al.* (1998) studied determinants of service loyalty in five different service sectors and found the determinants to vary per industry. In other words, the determinants of one industry cannot be generalized in other industries.

Generally, most studies have focussed on hotel industry (Kandampully and Suhartanto, 2000; Kandampully and Suhartanto, 2003), airline industry (Ostrowski *et al.*, 1993; Zins, 2001; An and Noh, 2009), healthcare (Boshoff and Gray, 2004), business-to-business (B2B) service (Lam *et al.*, 2004; Murali *et al.*, 2007), supermarkets (Barnes and Cumby, 1995), retail outlets (Wong and Sohal, 2003) and banking industry (Bloemer *et al.*, 1998; Lewis and Soureli, 2006). However, research on telecommunication industry is scanty, and more so in Kenya partly because of the relatively short history of the industry.

Over the last few decades, huge investment in telecommunication technology has led to the proliferation of advanced digital applications such as wireless internet, high speed data communication and mobile communications. Further, the fast adoption of social media particularly among the younger generation has created higher demand for more versatile mobile communication platforms. As a result, highly competitive conditions have emerged with firms in the rush to not only attract new customers, but also retain existing ones.

Kenya's mobile telecommunication market exhibits one of the most competitive industry in the region. Some of the competitive strategies employed by mobile operators to secure and maintain the market share include high cross-network charges, tariff cuts, airtime top-up discounts, free call bonuses, switching fee waivers, added service menus (e.g. mobile cash transfer, free internet services, etc), airtime credit facility, mobile banking, network spread, customer support services, and general improvement in customer service. According to Communications Commission of Kenya (2011), the sector has recorded a phenomenal growth hitting 25.27 million subscribers by June 2011 representing 64.2 percent of the total population. CCK (2011) statistics further indicate that the total number of mobile subscriptions has tripled over the last five years. Although there are predominantly four mobile service providers: Safaricom, Airtel Network, Telkom Orange and Essar, Safaricom still controls the largest market share accounting for 68.6 percent of the total market (CCK, 2011). This has generated intense competition among the mobile service providers to retain their existing customers and attract new customers, and so is expected to engage in strategies that enhance customer loyalty. What makes Kenyan mobile industry unique is the absence of prevailing industry "locking in" by means of restrictive contracts that are common in other countries and the introduction of mobile number portability (MNP). This allows customers to exercise their freedom in choice making regarding the mobile service providers and so the study examined various antecedents of customer loyalty such as perceived service value, corporate image, service quality, customer satisfaction and social pressure.

2. Hypotheses development

Research on customer loyalty has received considerable attention in the literature. Foremost, defining customer loyalty has proved to be extremely difficult (Yang and

Peterson, 2004). Customer loyalty is a buyers' overall attachment or deep commitment to a product, service, brand or organization (Oliver, 1999). Studies have demonstrated that customer loyalty is a multidimensional concept involving both behavioral and attitudinal elements (Oliver, 1999; Zeithaml, 2000; Rauyruen and Miller, 2007). Attitudinal perspective views customer loyalty as a specific desire to continue a relationship with a service provider (Oliver, 1999; Kim *et al.*, 2004). Behavioral view on the other hand defines customer loyalty as repeat patronage (i.e. repeat purchases) as measured based on the number of times a customer chooses the same product or service in a specific category compared to the total number of purchases made by the buyer in that category. Researchers have argued that defining loyalty based on behavior alone (i.e. repeat purchase) may not exhaustively capture the reasons behind sustained customer loyalty, implying the need to continuously examine the underlying customer attitudes.

In order to understand customer loyalty formation process, Oliver (1999) developed four stages of brand loyalty. The first stage is cognitive loyalty wherein customers become loyal to a brand based on the information supplied about that brand. The second stage is affective loyalty, which entails customers developing positive attitude toward the product or service. Third step is conative loyalty (behavioral intention) in which the customer develops deep commitment to buy the product or service. And lastly, the customer takes action and makes the purchase. The repetition of these transactions increases interactions which overtime lead to cultivation of relationships between the firm and the customers.

Customer loyalty manifests itself in a variety of behaviors, the common ones being recommending customers to the service provider and repeatedly patronizing the service provider (Dwyer *et al.*, 1987; Fornell, 1992). Several scholars have treated these two behaviors as customer loyalty indicators (Sirdeshmukh *et al.*, 2002; Lam *et al.*, 2004; Zeithaml *et al.*, 1996). In the same vein, this study conceptualizes customer loyalty using these two manifestations.

Customer loyalty is important for both the firm and the customer. As regards the firm, loyal customers are willing to make repeat purchases in the business that delivers value beyond their expectation. Loyal customers often will, over time bring substantial revenues and demand less attention from the firms they patronize (Yang and Peterson, 2004). Indeed, it is common to find loyal customers sympathizing with poor service, displaying less sensitivity to price and disseminating positive word of mouth about the service to others (Yang and Peterson, 2004). On the other hand, loyalty is important to customers because loyal customers incur less time and costs in searching for information and evaluating purchase decisions, and also incur less or no switching costs. Consequently, customer loyalty is beneficial to both the customer and the service provider and so is a major source of sustained competitive edge (Keaveney, 1995).

2.1 Perceived customer value and customer loyalty

Extant literature has presented various and sometimes conflicting views of perceived customer value (Yang and Peterson, 2004). One stream of scholars views customer value from the firm's perspective and the other stream views customer value from the perspective of the customer (Maas and Graf, 2008). We, however, follow the concept of value from the perspective of the customer. In this regard, value involves the consideration of sacrifices by a customer vs the benefits obtained in return. Customer perceived value emanates from rewards and sacrifices associated with purchase decisions. The sacrifice is the monetary and non-monetary costs such as time consumption, energy consumption and stress experienced by the customers (Yang and

Peterson, 2004), while rewards are the benefits derived from the purchase decisions such as satisfaction. And so, customer value is a trade-off between total benefits received to total sacrifices made, taking into consideration the available suppliers' offering.

Literature indicates that perceived customer value is important for organizations. For example, Holbrook (1994) observed that perceived customer value is a critical element in all marketing activities because it can help the organization to penetrate existing market segments, develop new markets, create new products and services and more importantly enhance customer patronage. Research has shown that perceived customer value enhances customer loyalty toward a particular product or service as long as such exchanges provide superior value (Sirdeshmukh *et al.*, 2002; Yang and Peterson, 2004; Aydin and Özer, 2005). Oliver (1999) observed that value determines customer expectations, which in turn form comparison standards for evaluating satisfaction levels. The level of satisfaction then determines the customer loyalty. Scholars have argued that customers may remain loyal to a company if they feel that they receive a higher value than they would from competitors (Bolton and Drew, 1991). Using structural equation modeling on users of mobile commerce in Taiwan, Lin and Wang (2006) found that customer loyalty was affected by perceived customer value. In this paper we argue that one way to maintain customer loyalty is to deliver products and services that are perceived to be of superior value *vis-à-vis* competitors because we believe that perceived value has the greatest effect on customer loyalty. We therefore hypothesize that:

H1. High customer service value perception positively affects customer loyalty.

2.2 Service quality and customer loyalty

Research on service quality has maintained that the relationship between service quality and customer loyalty require further empirical validation and elaboration (Bloemer *et al.*, 1999) because the results so far remain mixed. However, Zahorik and Rust (1992) believe that modeling perceived service quality as a predictor of customer loyalty will provide significant diagnostic results. Indeed previous research has confirmed this argument, for instance, De Ruyter *et al.* (1998) studied the relationship between perceived service quality and service loyalty in five different service industries and categorized service loyalty into three dimensions: preference loyalty, price indifference loyalty and dissatisfaction response. The study found positive and significant relationship between perceived service quality and two dimensions of service loyalty: preference loyalty and price indifference loyalty.

Wong and Sohal (2003) examine the effect of service quality and customer loyalty on two levels of retail relationships: person-to-person (salesperson level) and person-to-firm (store level) and found a positive relationship between service quality and customer loyalty. A significant relationship was found to exist between service quality and customer loyalty in the commercial airline industry (Ostrowski *et al.*, 1993; Zins, 2001). Other scholars, for example, Wong and Sohal (2003), and more recently Lewis and Soureli (2006), have included service quality in the model and strongly believe that service quality positively affect customer loyalty. We also believe that service quality is an important determinant of customer loyalty and so we hypothesize that:

H2. Service quality has a positive effect on customer loyalty.

2.3 Customer satisfaction and customer loyalty

Customer satisfaction is the most researched construct in customer behavior literature (Johnson and Fornell, 1991; Fornell, 1992; McDougall and Levesque, 2000). Customer satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product's perceived performance to their expectations (Kotler and Keller, 2006). Thus, a customer is considered dissatisfied if the outcome of the interaction falls short of expectations, satisfied if it matches expectations and delighted if it exceeds expectations. Customer satisfaction is therefore an overall evaluation based on the purchase and consumption experience with a product or service over time (Oliver, 1999; Anderson *et al.*, 1994).

Studies have produced consistent evidence that customer satisfaction is an important determinant of customer loyalty in the service industry (Mittal and Lassar, 1998; Boshoff and Gray, 2004; Lam *et al.*, 2004; Eshghi *et al.*, 2007). However, evidence concerning the relationship between customer loyalty and customer satisfaction in other sectors remain equivocal (De Ruyter *et al.*, 1998). Some studies have shown that customer satisfaction affect key indicators of customer loyalty (Mittal and Kamakura, 2001; Kandampully and Suhartanto, 2003; Lin and Wang, 2006). For instance, a satisfied customers' attitude toward a service provider could motivate the customer to make repeat purchases from the service provider and even recommend the service provider to other customers (Lam *et al.*, 2004). Research in hotel industry by Kandampully and Suhartanto (2000) found significant positive effect of customer satisfaction on customer loyalty. A study of online customers by Yang and Peterson (2004) indicated that customer loyalty can be generated through improving customer satisfaction. In a similar study by Lam *et al.* (2004) using structural equation modeling on B2B service context, they found a significant positive relationship between customer satisfaction and customer loyalty. Murali *et al.* (2007) studied a large organization engaged in B2B service in both USA and Canada by using probit model and found a strong positive relationship between customer satisfaction and loyalty. Research by Zins (2001) on commercial airline industry using structural equation modeling also found customer satisfaction as an important predictor of customer loyalty.

Although there is widespread consensus on the important role of customer satisfaction in establishing customer loyalty, some scholars argue that it is not automatic that customer satisfaction will lead to customer loyalty (Mittal and Lassar, 1998; Garbarino and Johnson, 1999) because it is possible to find situations where customers switch their patronage despite high degree of satisfaction. We argue in this study that customer satisfaction is an important determinant of customer loyalty because satisfied customers have a tendency to make repeat purchases and repeat purchases may result in development of relationship which enhances customer loyalty:

H3. Customer satisfaction has a positive and significant affect on customer loyalty.

2.4 Social pressure and customer loyalty

Scholars in consumer behavior have explained the complexity of consumption patterns on the basis of sociological dynamics. More importantly, studies have shown that consumer decision making and particularly choice making is influenced by the social or the peer pressure (Mangleburg *et al.*, 2004; Makgosa and Mohube, 2007). Social pressure refers to the influence of "outside entities" such as family, friends, peer groups and symbols (e.g. celebrities) in customer decisions (Lee and Murphy, 2005).

Extant literature indicate that customers tend to possess deeply rooted need to conform, copy and act like their peers and so they make purchase decisions that conforms to their expectations (Clark and Oswald, 1998). Similarly, group decision making supports this view of norm expectation consistency perspective. Social pressure is likely to be intense in technology-oriented products because customers are likely to consult and seek advice from their peers before making purchase decisions. Such advice may guide the customer on the quality of service and consequently enhance their loyalty. Using a sample of university students in Botswana, Makgosa and Mohube (2007) found the existence of normative peer influence on the use of cell phones. The word of mouth of peers has been demonstrated to be a strong determinant of purchase decisions (Mangleburg *et al.*, 2004) thereby acting as a booster to customer loyalty.

Other studies such as Lee and Murphy (2005) found that social pressure ranks low in determining loyalty because mobile phone services have been relegated to ordinary commodity status and no longer enjoys the high status influence. We argue that social pressure is an important antecedent of customer loyalty because as has been demonstrated from sociological literature, increased interaction with friends, family and colleagues within a mobile telecommunication network tends to create a sense of belonging and contentment creating conditions for sustained customer loyalty. We therefore hypothesize that:

H4. The higher the social pressure to use a service the higher the customer loyalty.

2.5 The moderating role of company image

Corporate image is believed to moderate the relationship between customer service value, service quality, customer satisfaction, social pressure and customer loyalty. First, customers have an expectation gap that normally guides the purchase decision. In most cases, customers' expectations depend on the image of the company such that companies with good corporate image may influence the way the customers perceive their products and the value perception. Because perceived customer value is more of mental picture of the value derived from the firms' service, companies with good image and reputation is likely to cloud the mind of the customer with high value expectation. Thus perceived customer value is likely to enhance customer loyalty when corporate image is good.

Similarly, the perceived quality of the service is likely to be seen to be good when the firms' image is high. The reason is that customer service quality expectation reduces when a firm has a good image because customers believe that products of such companies are high. Customers who get less than the perceived quality are likely to forgive the firm. Thus perceived service quality is likely to enhance customer loyalty when the image of the company is high. In the same breath, customer satisfaction enhances customer loyalty when corporate image is high. Again, using the same logic, customer patronizing companies with good corporate image is likely to be psychologically satisfied because they believe that such firms offer value for money. Psychologically satisfied customers are expected to be loyal to the firm. More importantly, customers want to be associated with firms that have a good image. Thus we believe that customer satisfaction will enhance customer loyalty in firms that have a good corporate image. Lastly, social pressure is expected to increase customer loyalty in firms that have a good corporate image. Reason being that good corporate image in itself increases pressure on peers to patronize a particular service provider whereas unfavorable image is likely to scare away peers from influencing others to patronize a

particular service provider. In other words, social pressure to patronize a particular service provider is high when the image of the firm is favorable.

Thus we hypothesize that:

- H5(a)*. Company image moderates the relationship between service value and customer loyalty such that good company image enhances service value-customer loyalty relationship.
- H5(b)*. Company image moderates the relationship between service quality and customer loyalty such that good company image enhances customer quality-customer loyalty relationship.
- H5(c)*. Company image enhances the relationship between customer satisfaction and customer loyalty.
- H5(d)*. Company image enhances the relationship between social pressure and customer loyalty.

3. Methods and data

We tested study hypotheses using data collected from users of mobile telecommunication services in Kenya. The approach of using one industry is consistent with prior research in customer loyalty research (see e.g. Ostrowski *et al.*, 1993; Shankar *et al.*, 2003; Wong and Sohal, 2003; Boshoff and Gray, 2004). Focussing on one industry allows for customization of items in the questionnaire to suit the characteristics of the industry being studied and controlling for other industry specific disturbances. In the same vein, single industry studies helps to improve internal validity of the instruments and this could reduce error variance (Lam *et al.*, 2004) resulting in increased power of hypothesis testing. Structured questionnaires derived from previous research were utilized to collect data from a random sample of 300 respondents in which 140 usable questionnaires were used in the analysis.

3.1 Validity and reliability

To ensure content validity of the measurement scale used, the study adapted measurement scales from previous studies (e.g. Luarn and Lin, 2003; Lai *et al.*, 2009). Reliability of data collection instruments was tested using test re-test method, while Cronbach's α was used to test the reliability of the questionnaire. Construct validity was assessed using exploratory factor analysis on the 18 items in the questionnaire. Customer loyalty yielded a one-factor solution with an eigenvalue of 2.68 and item loadings of 0.83. Similarly, following Nunnally (1978) procedures, all the independent variables had eigenvalues < 1 and factor loadings greater than the rule of thumb of 0.7, indicating evidence of convergent validity in our measure.

3.2 Variables measurements

Dependent variable. We measured customer loyalty using two items scale ($\alpha = 0.79$) adapted from Zeithaml *et al.* (1996); Lam *et al.*, 2004 and more recently used by Lai *et al.* (2009). It is anchored on a five-point Likert scale (1 for very unlikely and 5 for very likely). The first item assessed the intention to repeat a purchase (patronize) or switch

and the second related to the willingness to recommend the service to other customers. Overall the measure is found to be reliable with Cronbach's α of 0.79.

Independent Variables. Perceived customer value was measured using two items ($\alpha = 0.89$) adapted from Lai *et al.* (2009). The first item sought to measure how valuable the respondents perceived service value from a company and the second sought to find out from respondents whether they considered the service received as worth their expectations. The items were presented on a five-point Likert scale ranging from 1 for strongly disagree and 5 for strongly agree.

We measured company image using four indicators. Three of these items reflected the company's overall reputation, prestige and brand reputation (Selnes, 1993), while the fourth item compared the reputation of the customer's current provider *vis-à-vis* competition (Selnes, 1993). The indicators were presented in the form of statements and respondents were expected to select their perceptions based on a five-point Likert scale ranging from 1 very low to 5 very high. The measure was found to be reliable ($\alpha = 0.97$).

Service quality was measured with five items adapted from Parasuraman *et al.* (1988). These include tangibility, responsiveness, reliability, assurance and empathy. In tandem with previous studies, these items were expected to capture a customer's perception of service quality (Cronin and Taylor, 1994; Debholkar *et al.*, 1996). Respondents were asked to rate these elements in a five-point Likert scale ranging from "strongly agree" to "strongly disagree" and the measure is reliable (0.98).

Customer satisfaction was measured using two items adapted from Lai *et al.* (2009). The first item asked the respondents how satisfied they were with the services received from a company and second how satisfied they were with the company offering the services. These items were measured on a five-point Likert scale with 1 = "very dissatisfied" and 5 = "very satisfied" ($\alpha = 0.74$).

We measured social pressure using three items adapted from (Makgosa and Mohube, 2007) which capture the effect of family and friends on customer's initial decision to subscribe to his current provider, whether friends' suggestions could influence their switching and whether the customer could move to another provider regardless of the position of friends and relatives. The responses were based on five-point Likert scale measurements ranging from "strongly agree" to "strongly disagree" ($\alpha = 0.71$).

3.4 Analyses

We tested our research hypotheses using moderated regression analysis as suggested by Aiken and West (1991) as opposed to the common approach of using structural equation modeling (see e.g. Lin and Wang, 2006; Lam *et al.*, 2004; Lai *et al.*, 2009). Before testing the hypotheses, we examined variables for multicollinearity following the procedure set out in Hair *et al.* (2010). Although correlations were somehow high, variance inflation factors (VIFs) for all variables range from 1.06 to 3.93 which is within the threshold of 10 (Hair *et al.*, 2010), and hence there was no problem of multicollinearity. Second, assumptions of normality were tested using residual plots for all variables in the regression equations as well as Kolmogorov-Smirnov test and found no major violations of normal distribution.

Before performing the moderated regression model, we followed the suggestions given by Aiken and West (1991) to standardize all the predictor variables to reduce multicollinearity problem that arises when a moderator variable is computed as a product of two predictor variables. To test the moderated regressions, each moderating variable was introduced into the model separately without the use of hierarchical regression because hierarchical moderated regressions suffer from

problems of multicollinearity resulting from values derived from products of two predictor variables. Customer loyalty in Kenya

3.4.1 *Model specification.* The regression specification for direct effects model is as follows:

$$\begin{aligned}
 \text{Customer loyalty} = & \alpha + \beta_1(\text{Service value}) \\
 & + \beta_2(\text{Service quality}) \\
 & + \beta_3(\text{Customer satisfaction}) \\
 & + \beta_4(\text{Social pressure}) + \epsilon
 \end{aligned} \tag{1}$$

The moderated regression model is specified as follows:

$$\begin{aligned}
 \text{Customer loyalty} = & \alpha + \beta_1(\text{Service value}) \\
 & + \beta_2(\text{Service quality}) \\
 & + \beta_3(\text{Customer satisfaction}) \\
 & + \beta_4(\text{Social pressure}) \\
 & + \beta_5(\text{Service value} \times \text{Image}) + \epsilon
 \end{aligned} \tag{2}$$

$$\begin{aligned}
 \text{Customer loyalty} = & \alpha + \beta_1(\text{Service value}) \\
 & + \beta_2(\text{Service quality}) \\
 & + \beta_3(\text{Customer satisfaction}) \\
 & + \beta_4(\text{Social pressure}) \\
 & + \beta_5(\text{Service value} \times \text{Image}) + \epsilon
 \end{aligned} \tag{3}$$

$$\begin{aligned}
 \text{Customer loyalty} = & \alpha + \beta_1(\text{Service value}) \\
 & + \beta_2(\text{Service quality}) \\
 & + \beta_3(\text{Customer satisfaction}) \\
 & + \beta_4(\text{Social pressure}) \\
 & + \beta_5(\text{Service value} \times \text{Image}) + \epsilon
 \end{aligned} \tag{4}$$

$$\begin{aligned}
 \text{Customer loyalty} = & \alpha + \beta_1(\text{Service value}) \\
 & + \beta_2(\text{Service quality}) \\
 & + \beta_3(\text{Customer satisfaction}) \\
 & + \beta_4(\text{Social pressure}) \\
 & + \beta_5(\text{Social pressure} \times \text{Image}) + \epsilon
 \end{aligned} \tag{5}$$

4. Results

Out of the 300 respondents presented with questionnaires, only 144 representing 48 percent respondents returned completed questionnaires. This response rate is consistent with other studies using survey method, for example, Lai *et al.* (2009), utilized a smaller sample size of 118 Chinese respondents and the results were robust. The results were therefore analyzed based on earlier researchers' demonstration that

a lower response rate does not automatically render the results unrepresentative (Holbrook *et al.*, 2007; Buyl *et al.*, 2011).

4.1 Descriptive results

Table I presents the means, standard deviations and bivariate correlations among the study variables. The correlations indicate that all the independent variables are positively correlated with customer loyalty. However, social pressure although significantly related to customer loyalty is not significantly correlated with other variables. These results are expected given the fact that these variables are somewhat related. Although the correlation results for some of the variables seem to be high, multicollinearity test using VIF showed that it was not a problem and that regression analysis was appropriate for the study (VIF = 1.06-3.93).

4.3 Regression results

Table II presents the regression results for testing hypotheses. *H1* proposed that high perceived customer service value perception positively affects customer loyalty. The results supports this hypothesis ($\beta = 0.126; p < 0.01$). This means that high perceptions of service value enhance loyalty bonds between a customer and a mobile service provider. Therefore, service value is an important variable in enhancing customer loyalty. The results support *H2*, that there is a positive and significant relationship between service quality and customer loyalty ($\beta = 0.231; p < 0.01$). Our results concur with existing theory that high quality service enhances customer loyalty (Ostrowski *et al.*, 1993; Zins, 2001). *H3* postulated that customer satisfaction is positively related with customer loyalty. This hypothesis was rejected ($\beta = 0.083; p > 0.05$). Therefore customer satisfaction did not significantly influence customer loyalty. This finding is consistent with other studies showing that satisfied customers are not necessarily loyal (Jones and Sasser, 1995).

H4 suggested that the social pressure among the users of mobile services increases customer loyalty. As shown in Table II, this hypothesis is supported ($\beta = 0.241$ and $p < 0.01$). Thus results support the idea that higher social pressure would increase customer loyalty.

H5 tested the moderating effect of company image. Model 2 reports the moderating effect of company image on service value-customer loyalty hypothesis (*H5a*). The results show that company image positively moderate the relationship between service value and customer loyalty ($\beta = 0.412; p < 0.05$). What this means is that when the image of the company is high, service value would have a significant effect on customer loyalty. *H5(b)*

Variable	Mean	SD	Customer loyalty	Service value	Company image	Service quality	Customer satisfaction
Customer loyalty	3.14	1.09	1				
Service value	3.59	0.94	0.67**	1			
Company image	2.91	1.02	0.65**	0.84**	1		
Service quality	3.92	0.51	0.66**	0.70**	0.72**	1	
Customer satisfaction	3.81	0.93	0.62**	0.74**	0.61**	0.81**	1
Social pressure	3.03	1.4	0.56**	0.10	0.12	0.12	0.03

Table I.
Correlation matrix

Notes: *n* = 140. **Significant at 0.01 level

Predictor variable	Model 1	Model 2	Model 3	Model 4	Model 5
Intercept	0.274 (0.101)*	0.204 (0.018)**	0.391 (0.199)*	0.431 (0.107)**	0.529 (0.104)**
Service value	0.126 (0.015)**	0.193 (0.024)**	0.103 (0.091)	0.210 (0.078)*	0.192 (0.102)*
Service quality	0.231 (0.108)**	0.104 (0.101)	0.247 (0.108)*	0.279 (0.107)*	0.297.212)
Customer satisfaction	0.083 (0.215)	0.291 (0.107)**	0.193 (0.073)*	0.304 (0.108)*	0.216 (0.106)*
Social pressure	0.241 (0.019)**	0.397 (0.201)*	0.219 (0.106)*	0.108 (0.082)	0.100 (0.021)**
Service value × image		0.412 (0.197)*			
Service quality × image			0.397 (0.087)**		
Customer satisfaction × image				0.492 (0.109)**	
Social pressure × image					0.399 (0.027)**
R^2	0.292	0.472	0.517	0.508	0.581
Adjusted R^2	0.241	0.434	0.468	489	552
F	5.74	12.91**	19.93**	22.34**	24.91**

Notes: Standard errors in parenthesis. *,**Significant at 0.05 and 0.01 levels, respectively

Table II.
Regression results
dependent variable:
customer loyalty

tested the moderating effect of company image on service quality-customer loyalty relationship. Again results in Model 3 indicate that there is indeed significant moderating effect of company image ($\beta = 0.397$; $p < 0.01$). $H5(c)$ predicted a moderating effect of company image on customer satisfaction-customer loyalty relations. Our results in Model 4 support the hypothesis ($\beta = 0.492$; $p < 0.01$). Lastly, we hypothesized in $H5(c)$ that company image has a moderating effect on social pressure and customer loyalty relationship. Results in Model 5 supports the hypothesis ($\beta = 0.399$; $p < 0.01$).

A clearer way to present moderating effects is to plot the results in a graph following the procedures set out in Aiken and West (1991). Figures 1 and 2 provide the interaction effects of company image. The results indicate that the slope of service value, service quality, customer satisfaction and social pressure on customer loyalty is positive under good company image. This shows that favorable company image enhances the relationship between service value, service quality, customer satisfaction, social pressure and customer loyalty (Table III).

5. Discussions and conclusions

The goal of the present study is twofold: first is to explore the determinants of customer loyalty using a sample of respondents in Kenya’s mobile telecommunication

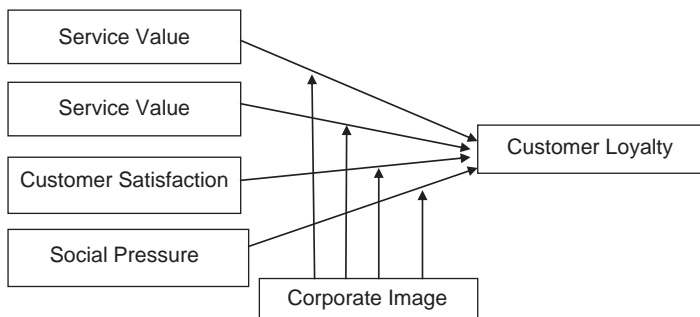


Figure 1.
Study model

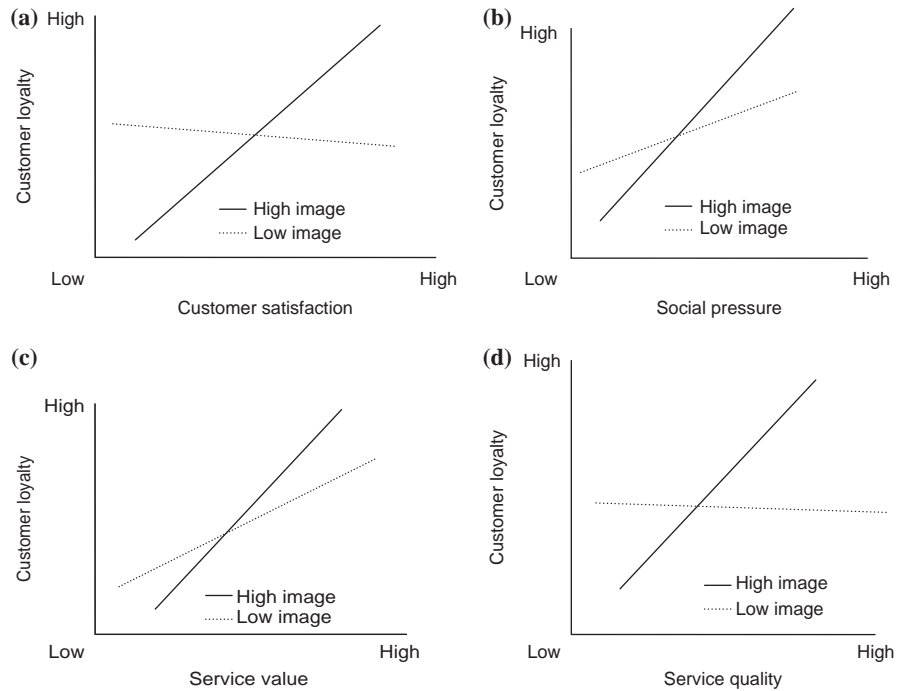


Figure 2.
Interaction terms

Notes: (a) Moderating effect of customer satisfaction; (b) Moderating effect of social pressure; (c) Moderating effect of service value; (d) Moderating effect of service quality

Hypotheses	Estimate	t-value	Decision
<i>H1.</i> High service value perception positively affect customer loyalty	0.274	2.713	Accept
<i>H2.</i> Service quality positively affects customer loyalty	0.126	8.400	Accept
<i>H3.</i> Customer satisfaction has a positive effect on customer loyalty	0.083	0.386	Reject
<i>H4.</i> The higher the social pressure to use a service the higher the customer loyalty	0.241	12.684	Accept
<i>H5(a).</i> Company image positively moderate service value-customer loyalty relationships	0.412	2.091	Accept
<i>H5(b).</i> Company image positively moderate service quality-customer loyalty relationship	0.397	4.563	Accept
<i>H5(c).</i> Company image positively moderate customer satisfaction-customer loyalty relationship	0.492	4.514	Accept
<i>H5(d).</i> Company image positively moderate social pressure-customer loyalty relationship	0.399	14.778	Accept

Table III.
Summary of hypotheses and regression results

industry; and second, to determine the moderating effect of corporate image. We postulated that high perceived service value, service quality, customer satisfaction and social pressure has a direct effect customer loyalty, in the sense that it enhances customer loyalty. Regression results provide support to some of the hypotheses. In tandem with our

hypothesis and previous research (Yang and Peterson, 2004), perceived service value increases customer loyalty. We argue that customers engage in a matching process in establishing value for money. Thus services that match or exceed customer value expectation influence customer to make repeat purchases. Such repeat purchases may in the long run facilitate the formation of relationships that may foster customer loyalty.

Consistent with other studies (see e.g. Lewis and Soureli, 2006; Wong and Sohal, 2003), service quality is positively related to customer loyalty because service quality is critical to customers. More importantly, in the telecommunication industry, the voice and data transfer service is expected to meet customer expectations otherwise customers may be unable to enjoy the service. Mobile service providers that have problems with clarity in voice-related services or poor network coverage may affect customer communications and consequently increase customer dissatisfaction. Because in the Kenyan context, voice calls still dominate the mobile service menu, we argue that the initial choice and continued patronage by customers may be strongly influenced by quality of service rendered.

Although prior studies (see for instance Mittal and Lassar, 1998; Kandampully and Suhartanto, 2000; Murali *et al.*, 2007) have suggested that customer satisfaction is a predictor of customer loyalty; our results shows that customer satisfaction does not enhance customer loyalty. This may corroborate the findings of Jones and Sasser (1995) that satisfied customers still switch to competitors' products. We therefore argue that satisfaction can vary on a day-to-day basis depending on multiple factors and type of service.

We found social pressure to be a strongest predictor of customer loyalty in this research. This is consistent with past research (see e.g. Makgosa and Mohube, 2007), which found that peer pressure on young adult's consumption trends is a strong determinant not only on the initial purchase, but also on repeat purchase. Literature derived from sociology argue that peer pressure conditions a "herd like behavior" in decision making in which the peers influence the decision making of their peers (Clark and Oswald, 1998). Peers who are loyal to a particular service may prevail upon other undecided users within their network to remain loyal, thereby establishing wider and stronger loyalty bonds.

We argue that social and peer pressure in the mobile industry is high because the dynamism in the industry requires users to constantly seek information on the services from family, friends and colleagues. Thus they are more likely to be influenced by their peers in the decision making both at initial purchase and repeat purchase.

The moderated regression results provided interesting results that corporate image has a positive moderating effect on the relationship between service value, service quality, customer satisfaction, social pressure and customer loyalty. Indeed as we postulated, customer behavior is guided more by perception and that when the image of the firm is good, perceived customer service value, service quality, customer satisfaction and social pressure will be high and consequently customer loyalty is enhanced. In conclusion, customers in the Kenya's mobile telecommunication industry will to a greater extent remain loyal to a particular service provider if they consider the services offered to them as valuable if the quality of the services is high, and when they are under social influence. And second, customers will remain loyal if the image of the service provider is good because it has a moderating effect on customer perception of service value, perceived service quality, customer satisfaction and customer loyalty.

5.2 Practical implications

Our study adds to the theoretical understanding of the emerging determinants of customer loyalty in a dynamic industry. More specifically, this study considered social pressure as an important variable in predicting customer loyalty in this particular industry. To our knowledge, this is the first study in the industry to include this variable in the model. And second, this study extends our understanding on the moderating role of corporate image in enhancing customer loyalty especially in an industry that is relatively dynamic.

In practice, the study identifies the determinants of customer loyalty which are crucial in a competitive industry. Lately, technological change has shifted competition in telecommunication industry from price and core services to value added services. Therefore, service providers should differentiate their services and guarantee customers value for money and high quality service. This eventually triggers a campaign by customers via word of mouth of the nature of the service, and as such peer pressure is expected to act as a lock in mechanism. A clear understanding of the postulated relationships among the studied variables might encourage the managers of the mobile service providers to figure out appropriate course of action to win customer loyalty.

5.3 Limitations and future research directions

Evidently, our study is not without limitations. First, our final sample of 140 mobile users is relatively small. However, it should be noted that these respondents are the users of mobile telecommunication services and were selected from a population that is fairly informed about the existing technology. Future research on larger samples, using different measures as well as within different contexts would help in moving theory forward.

Second, our study was performed in one particular industry, limiting the generalizability of the findings. We believe, however, that the results can be replicated to other service sectors operating in other diverse environments, or a combination of industries to determine the variance per industry.

Finally, the research obtained unguided comments from some respondents regarding their intentions to switch to other networks but had been unable to because of various factors. It is possible that some subscribers were "involuntarily loyal" to particular providers and would not hesitate to switch at the earliest opportunity. This group of clients seemed held back by some "force". Future research may explore this phenomenon in Kenya's mobile telecommunication sector. There is also need to determine whether bonding customers as is the case with mobile industry has any moderating effect on customer loyalty.

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Appendix

Variable	Scale items	Factor loading	Eigenvalues	% variance
<i>Independent variable</i>				
Service value	Overall, the service I receive from my current mobile service provider is valuable	0.83	3.28	18.79
	The service quality I receive from my current provider is worth my time, energy and efforts	0.78		
Corporate image	This is how I rate the reputation of my current mobile service provider	0.84	2.72	15.73
	This is how I rate the prestige of my current mobile service provider	0.66		
	This is what I think about the reputation of my current mobile service provider's products & services	0.58		
Service quality	Compared with the competitors, this is what I think about the reputation of my current mobile service provider.	0.77	2.80	14.22
	My current service provider has attractive offices and pleasant likeable staff	0.84		
	My current service provider is reliable in providing services as promised	0.80		
	My current service provider always shows willingness to help customers and provide prompt service	0.93		

Table A1.
Factor analysis

(continued)

Variable	Scale items	Factor loading	Eigenvalues	% variance
Satisfaction	My current mobile provider's staff inspires trust and confidence in me when I visit their offices	0.86		
	My current mobile provider's staff provides me with caring and individualized attention whenever I visit their offices	0.75		
	This is how I rate my satisfaction with the services I receive from my current mobile service provider	0.75	2.59	13.08
Social pressure	Overall, this is how I rate my satisfaction with the company offering the services	0.84		
	My friends' suggestion & recommendation will influence my decision to switch to a new mobile provider	0.94	2.42	12.68
	I will NEVER switch to a new mobile service provider as long as most of my colleagues are with my current provider	0.82		
<i>Dependent variable</i> Customer loyalty	My family determined the mobile service provider I am currently subscribed	0.80		
	It is probable that I will switch to another mobile service provider in the near future	0.82	2.68	67.47
	It is likely that I will recommend my current service provider to my friends and relatives?	0.88		

Table AI.

About the authors

Daniel Kipkirong Tarus is a senior lecturer in the School of Business and Economics Moi University, Kenya. He has a PhD from a collaborative program of Moi University in Kenya and Oklahoma State University in USA. He is engaged in guiding students at both masters and PhD to develop and execute research thesis and dissertations. His research interest is in corporate governance, leadership and consumer behavior. He has previously published peer reviewed papers in customer loyalty and customer satisfaction as well as corporate governance. Daniel Kipkirong Tarus is the corresponding author and can be contacted at: kdtarus@yahoo.com

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