Relationship between Corporate Image and Customer Loyalty in the Mobile Telecommunication Market in Kenya

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This paper should be cited as follows:

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Abstract

In the 21st century, organisations cannot succeed in marketing by focusing only on the marketing mix without a focus on its impact on creating customer loyalty. Customer loyalty is considered to be a key ingredient in enhancing the survival of businesses especially in the situations faced by highly competitive industries. While the antecedents of customer loyalty connected with the marketing mix factors have been well investigated, much still remain regarding some of the intermediate conditions created by the marketing mix factors and customer loyalty. This study sought to investigate the relationship between corporate image and customer loyalty in the mobile telecommunication market in Kenya. The study was guided by several hypotheses that tested the nature of the relationship between four aspects of corporate image and customer loyalty. The study adopted the descriptive survey research design and used a multi-stage stratified sampling technique to obtain 320 respondents from among students across the campuses of Kenyatta University. Primary data was obtained with questionnaire and analysed using Pearson product-moment correlation coefficient and regression analysis to test the degree of association between the dependent and the independent variables with the aid of the Statistical Product and Service Solutions (SPSS). The new findings of the study showed a positive and statistically significant relationship between the dimensions of corporate image and customer loyalty. The variables significantly predicted customer loyalty. The reported findings in the study raise implications for marketing theory and practice suitable to inform strategic decisions for firms in the telecommunication sector in Kenya.

Keywords: Customer Loyalty, Corporate Image, Telecommunication
Introduction

Attracting new customers has been identified in marketing literature as key ingredient for organisations’ survival but equally, an expensive task. As a result marketing strategies always seek to maintain existing customer in order to draw a balance between profitability and customer base (Porter, 1980). Customer loyalty levels determine how fit such a balance can be drawn.

Prus & Randall (1995) as cited in Rossat, Larsen, Ruta & Wawzynosat (1999) describe customer loyalty as:

‘Customer loyalty is a composite of a number of qualities. It is driven by customer satisfaction, yet it also involves a commitment on the part of the customer to make a sustained investment in an ongoing relationship with a brand or company. Finally, customer loyalty is reflected by a combination of attitudes (intention to buy again and/or buy additional products or services from the same company, willingness to recommend the company to others, commitment to the company demonstrated by a resistance to switching to a competitor) and behaviours (repeat purchasing, purchasing more and different products or services from the same company, recommending the company to others).’

Customer loyalty has been described by a number of scholars in terms of its antecedents. According to Beerli, Martin, and Quintana (2002), the stream of scholarship focusing on marketing of services has paid attention to highlighting the factors influencing customer loyalty and identified variables that influence customer loyalty such as customer satisfaction and switching costs. Boohene and Agyapong (2011) on the other hand identified service quality, customer satisfaction, and image while Kim (2004) added switching barriers to the already existing list. Virvilaite el al., (2009) added three more dimensions obtained from a descriptive study, namely, service price-value, service quality and customers’ service. Kim and Lee (2010) while in their descriptive study revealed that corporate image, brand awareness, service price, and service quality are strong antecedents for establishing customer loyalty in the mobile communications service markets, indicated that corporate image plays the most important role in establishing and maintaining customer loyalty in the market.

Most of the factors so far suggested have been extensively studied; however in the annals of literature, little has been done on the concept of corporate image with a view to assessing its relationship with customer loyalty especially in the African context. Most of the studies so far have been done in the western world in which the prevailing macroeconomic conditions are distinct as compared to those in Africa. This current study aimed to identify the relationship between corporate image and customer loyalty in the mobile telecommunication service industry in Kenya. Specifically the study had four objectives. First, to establish the relationship between service quality and
customer loyalty; secondly, to assess the relationship between reputation of a service provider and customer loyalty; thirdly to determine the relationship between brand image and customer loyalty and to determine the relationship between physical evidence and customer loyalty.

We consider the findings of the study along the stated objectives to be valuable in a number of ways. First, the findings add to existing literature relating corporate image and customer loyalty. Little is known about the relationship between corporate image and customer loyalty in the mobile telecommunication sector in Kenya. Most of the documented available literature is based on studies done in Europe, Asia and USA and other parts of the world. Secondly, this study adopted a more comprehensive review of literature and analysis of past studies on consumer loyalty. Such a review is important because it examines the effects that consumer loyalty has on sales, which undoubtedly is a significant ingredient for an organizational survival. Thirdly, the findings and conclusions of the study are useful to the operators in the industry. The level of prediction of corporate image on customer loyalty has been reported in the findings and this is beneficial to the operators both in their strategic planning and development of their marketing programmes.

**Literature Review**

*The Concept of Customer Loyalty*

Loyalty as a concept has its root from the consumer behaviour theory and is something that consumers may exhibit to brands, services or activities. Loverlock and Wirtz (2007) asserted that loyalty is an old-fashioned word that has traditionally been used to describe fidelity and enthusiastic devotion to a country, a cause, or an individual. More recently, it has been used in a business context to describe a customer’s willingness to continue patronising a firm over the long term, preferably on an exclusive basis or recommending the firm’s products to friends and associates. Customer loyalty extends beyond behaviour and includes preference liking and future intentions.

According to Beerli et al (2002), loyalty has been, and continues to be defined as repeat purchasing frequency or relative volume of same-brand purchasing. Oliver (1999) defined loyalty as a deeply held commitment to rebuy or repurchase a preferred product/service consistently in the future, thereby causing repetitive, same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour.

Customer loyalty has now been regarded as strategic marketing tool. Studies have brought to bare that it costs about thrice to win a customer than to retain an existing customer. It is in line with this that Nukpezah and Nyumuyo (2009) observed an intricate relationship between customer loyalty and a firm’s profitability.
Beerli, et al. (2002) again pointed out that there has been a growing interest in recent years in analysing the factors influencing customer loyalty especially in marketing of services.

Rahman and Azhar (2010) after conducting a survey among university students (belonging to the age group 19-28) in order to verifying three important areas related to the brand in the context of Pakistan. First, they set out to verify the proposition that the stated brand preference may differ from the actual choice behaviour. Second, they verified the speculated low loyalty behaviour of consumers belonging to generation Y sub segment – adults. Finally, their study verified the perceptions of consumers regarding various brands of mobile phone service industry. The findings of the research suggested that some additional attributes may help explain actual choices made by the consumers and relying on stated preference may not be enough. Therefore, marketers should focus their attention in determining those characteristics that consumers consider in making their stated preference as well as actual choice. The consumers do exhibit loyalty for their preferred brand. However, the perceived personalities of various brands seem to be similar by the consumers. It is in view of this the current researchers examine the relationship between corporate image and customer loyalty but with respect the telecommunication market in Kenya.

**Corporate Image**

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

Corporate image has also been described as the overall impression made on the minds of the public about a firm (Kotler & Armstrong, 2010). Kim & Lee (2010) described corporate image as the perception of an organisation that customers’ hold in their memories, because it works as a filter through which a company’s whole operation is perceived, and it reflects a company’s overall reputation and prestige. Among the factors that influence customer loyalty, they concluded, corporate image influences most. In a similar vein, Nukpezah & Nyumuyo (2001) and Islam (2010) claim that corporate image is related to the physical and behavioural attributes of the firm, such as business name, architecture, variety of products/services, and the impression of quality communicated by each person interacting with the firm’s clients. They concluded that corporate image relates positively with customer loyalty in three sectors including telecommunication, education and retailing. Although a customer may not have enough information about a firm, information obtained from different sources such as advertisements and word of mouth will influence the process of forming the corporate image. Rowley & Dawes (1999) posit that image (brand/corporate image) and expectations that users hold with respect to the nature and quality of their services affect customer loyalty.
Consequently, corporate image as an attitude must affect behavioural intentions such as customer loyalty.

Brown & Dacin (1997) claim corporate image derives from customers’ perceptions of capability and social responsibility. Corporate capability refers to the company’s expertise in delivering product and service offerings, such as effective innovation and high service quality, while corporate social responsibility refers to the company’s management of social issues. Corporate image thus impacts a customer’s evaluation of service quality, satisfaction and loyalty (Kim & Lee, 2010).

A study by Hanzae & Farsan (2011) on the effects of brand image and perceived public relation on customer loyalty showed that perceived public relation has a positive relationship with customer loyalty and that this relation is moderated by brand image. Sirapracha & Tocquer (2012) studying on customer experience, brand image and customer loyalty in telecommunication services revealed significant relationship between customer experience, brand image and customer loyalty.

Service quality has strongly been linked to be an indicator of corporate image and its influence on customer loyalty is under investigation. Abd-El-Salam & Shawky (2013) in assessing the impact of corporate image and reputation on service quality, customer satisfaction and customer loyalty in Egypt, concluded that there is a significant relationship between among the variables. Agyei & Kilika (2013) in assessing the relationship between service quality and customer loyalty revealed a relatively strong relationship between the variables. Nonetheless, they mentioned that the dimensions of service quality predicted different values on customer loyalty: Reliability b = 0.19, t(313) = 2.89, p<0.05, Assurance b = 0.25 t(313) = 3.50, p < 0.05, Empathy b = 0.35 t(313) = 4.90, p<0.05 and Reliability b = 0.37, t(313) = 0.54, p>0.05. Boohene & Agyapong (2011) analysing the antecedents of customer loyalty of telecommunication industry in Ghana, also indicated that there is a positive relationship between service quality and customer loyalty. This study therefore examined how service quality as an indicator of corporate image relates to customer loyalty.

An eminent component of the extended service marketing mix known in marketing cycle as the 7 Ps of marketing is physical evidence. This is the element of the service mix which allows the consumer again to make judgments on the organisation. It involves what customers can see for the first time before deciding to make a purchase e.g. The look and style of a hotel i.e. cleanliness, speed or some other benefits, expecting enough room in an aircraft to be able to enjoy when travelling first class, company showrooms, video shows in hotels, national parks, motor vehicle dealers, company brochures e.g. booklets for Centre for Continuing Education Students of University of Cape Coast and quality of paper used in making company leaflets.

In the words of Lovelook et al (2011) the appearance of buildings, landscaping, vehicles, interior furnishing, equipment, staff members, signs, printed materials and other visible cues all provide tangible evidence of a firm’s service quality. Service firms they mentioned need to manage physical
Evidence carefully, since it can have a profound impact on customers’ impressions and loyalty. In services with few tangible elements, such as insurance, advertising is often employed to create meaningful symbols. For instance, an umbrella may symbolise protection, and a fortress, security.

A CEO is an individual at the apex of an organisation whose personal reputation can have immediate and long lasting impact upon the organisation. CEO’s of large, powerful business organisations are public figures who often build reputations that are culturally and socially pervasive, expanding beyond the scope of reputation with shareholders, customers and employees. According to Harrison (2005) the CEO’s reputation can potentially add millions of dollars to the market value of the company through customer loyalty. In his words a research conducted in 2003 in US among 1,400 influential stakeholders about 50% of a company’s reputation could be attributed to the CEO and in Germany he said CEO’s reputation accounted for two-thirds of overall corporate reputation.

**Conceptual Framework**

Figure 1 shows the conceptual model underlying the study. The model has Customer loyalty as the dependent variable with two indicators: customers’ willingness to recommend service providers’ services to other customers and customers willingness to stay with their service providers. The level of Customer loyalty is dependent on four key variables: Brand Image, Service quality, CEO/Executive reputation and Physical Evidence. These are the independent variables investigated in the study.

**Figure 1. Conceptual Framework**

![Conceptual Framework Diagram](image)

**Hypotheses**

The following hypotheses were formulated based on the conceptual framework and after a thorough review of related literature.
• H1 There is no statistically significant effect of service quality on customer loyalty in the mobile telecommunication service sector in Kenya.

• H2 There is no statistically significant effect of CEO/Executive reputation of a service provider on customer loyalty in the mobile telecommunication service sector in Kenya.

• H3 There is no statistically significant effect of brand image on customer loyalty in the mobile telecommunication service sector in Kenya on customer loyalty in the mobile telecommunication service sector in Kenya.

• H4 There is no statistically significant effect of Physical Evidence on customer loyalty in the mobile telecommunication service sector in Kenya.

Methodology of Research

This study adopted the descriptive survey method. The descriptive survey design was selected because according to Mugenda & Mugenda (2003) it is concerned with relationships and practices that exist, beliefs and processes that are ongoing, effects that are being felt, or trends that are developing, hence suitable for this study.

The population of the study comprised of all members of the Kenyatta university student community which was a total size of 41070. The researchers purposefully selected six campuses including the main campus. Kenyatta University was selected because its eight campuses are situated in key cities spread over Kenya. Respondents’ views were considered to serve as a fair representation of Kenyans, hence making it possible to generalize the findings of the study. This study adopted the multi-stage stratified sampling technique. The researchers followed the following procedures. First, a design of sample frame was made. This is where the entire population was divided in to two or more relevant and significant strata based on one or a number of attributes. The strata were the various campuses of Kenyatta University. The Second stage involved proportionately sampling the population. The researchers used the formula below adopted from Kothari (2004) to determine the sample size.

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

Where: 
- \( N_c \) is the strata sample size
- \( Z \) is the confidence level (95%); that is, \( Z = 1.96 \)
- \( p \) is the proportion of the strata population for entire population (0.3)
- \( q \) (1-\( p \)) is the proportion to total population of other clusters (0.7)
- \( d \) is the desired precision (0.05 level)
- \( N \) is the total number of population in the target population.

Based on the above and subsequent calculations, a sample size of 320 students was arrived at. The sample size was spread among the campuses, as
shown in Table 1. In the final stage, the researchers selected respondents randomly who were distributed to and selected from the various strata as shown in Table 2.

**Table 1. Population and Sample Size**

<table>
<thead>
<tr>
<th>Strata</th>
<th>Population size</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>KU Main campus</td>
<td>37000</td>
<td>220</td>
</tr>
<tr>
<td>KU City campus</td>
<td>2000</td>
<td>20</td>
</tr>
<tr>
<td>KU Parklands campus</td>
<td>900</td>
<td>20</td>
</tr>
<tr>
<td>KU Nakuru campus</td>
<td>200</td>
<td>20</td>
</tr>
<tr>
<td>KU Nyeri campus</td>
<td>170</td>
<td>20</td>
</tr>
<tr>
<td>KU Mombasa campus</td>
<td>800</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41070</strong></td>
<td><strong>320</strong></td>
</tr>
</tbody>
</table>

A self-administered structured questionnaire was used to collect data with respect to the objectives and variables of the study from a total sample size of 320 from the researcher’s sample frame. A 5-point Likert scale was used to obtain primary data on the five variables of the study. The contents of the instrument were subjected to validity tests prior to commencing field work. Construct validity was ensured by reviewing extant literature to understand the relevant concepts and by constructing the measurement based on previous studies. In addition, this study investigated empirically, hypothesised relationships among variables (constructs) some of which have been statistically validated. The researcher through theoretical and empirical review of existing literatures ensured construct (content) validity by identifying all necessary variables necessary to validate the content of the study. Again, the researchers consulted both academicians and professionals in the field of service marketing. Criterion-related validity on the order hand was ensured through concurrent and predictive means (Mugenda & Mugenda, 2003). Predictive which is the degree to which obtained data predict future behaviour of a subject, were demonstrated by the results of the hypothesis testing. A test of reliability on the actual data produced an overall Cronbach’s alpha reliability statistics of .71, which according to Mugenda & Mugenda (2013) is good enough for a study of this nature.

There are four main operators in the mobile telecommunication service industry in Kenya. They include Safaricom Ltd, operators of Safaricom network, Bharti Airtel, operators of Airtel network; Orange Kenya, operators of Orange network; Essar Telcom, operators of YU network; and. According to CCK (2011) the subscriber base of the service providers are 17353186, 3614619, 2729016 and 1582947 subscribers respectively.

**Data Analysis, Results and Discussion**

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

Pearson Product Moment correlation and regression analysis were used to test the various hypothesis used for the study. Moreover, correlation analysis was used to test the degree of association of the independent variable to customer loyalty. Interpretation of data was guided by Kothari (2004). Correlation coefficient of zero (0) indicated no relationship, negative one (-1) indicated perfectly negative relationship and positive one (+1) indicated perfectly positive relationship. If the probability is more than ± 0.8, then the relationship was considered strongly correlated, less than ± 0.4 weak correlation.

Table 2. Correlations Coefficient between Physical aspect, Service quality CEO/Executive reputation, Brand Image and Customer Loyalty

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Mean</th>
<th>Std Dev.</th>
<th>Dependent Variable (Customer Loyalty)</th>
<th>Significance Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical Aspect</td>
<td>4.02</td>
<td>.77</td>
<td>.317**</td>
<td>.000</td>
</tr>
<tr>
<td>Service Quality</td>
<td>3.50</td>
<td>.61</td>
<td>.384**</td>
<td>.000</td>
</tr>
<tr>
<td>CEO/Executive Reputation</td>
<td>3.31</td>
<td>.66</td>
<td>.303**</td>
<td>.000</td>
</tr>
<tr>
<td>Brand Image and Reputation</td>
<td>3.76</td>
<td>1.07</td>
<td>.405**</td>
<td>.000</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed)

In Table 2 all the independent variables correlated significantly, positively and moderately with Customer loyalty. Physical Evidence: \( r(313) = .317, p < .05 \); Service Quality: \( r(315) = .384, p < .05 \); CEO/Executive Reputation: \( r(315) = .303, p < .05 \); Brand Image: \( r(315) = .405, p < .05 \). It implies that as any of the independent variables increases customer loyalty increases and vice versa. For instance an increase in service quality levels of service providers increases, their customers’ loyalty increases. The study is consistency with similar studies by Agyei and Kilika (2013); Boohene and Agyepong (2011); Nukpezah & Nyumuyo (2001); Lovelook et al (2011) and Abd-El-Salam & Shawky (2013).

A further analysis was conducted to assess the degree of effect or prediction of these variables on customer loyalty. A simple regression aided in the analysis as shown in Table 3 and it forms the basis to maintain or reject the hypotheses of the study.
The model explained a significant proportion of variance in customer loyalty scores. $R^2 = .26, F(4, 307) = 26.92, p < 0.05$. Indicating that, the model produced 27% of the variance in customer loyalty. The results pointed out that service quality significantly predicted customer loyalty, $b = .40, t(313) = 4.53, p<0.05$. It contributed 5% of the total $R^2$. Indicating, that service quality influences or predict customer loyalty. This and in reference to null hypothesis one, which states ‘there is no statistical significance influence of service quality and customer loyalty’. The results does not support the hypothesis hence rejected.

On the relationship between Brand image customer loyalty level, $b = .23, t(313) = 5.30, p<0.05$. It contributed to the total $R^2$ by 7%. This implies that Brand image and reputation is able to predict or influence significantly customer loyalty. We therefore conclude by rejecting null hypothesis, that there is no statistical significance effect of Brand image on customer loyalty. The study corresponds with similar findings by Islam (2010) and Nukpezah & Nyumuyo (2001). Both studies found a significant effect of brand image on Customer Loyalty.

Physical aspect and CEO/Executive reputation even though correlated significantly with customer loyalty (Table 2), they failed as shown in Table 3 to predict significantly customer loyalty, $p>.05$. Hence null hypotheses four and two are supported.

### Conclusion and Implication

The study aimed to investigate the relationship between corporate image and customer loyalty in mobile telecommunication service industry in Kenya. It can be concluded that Physical aspect, Service quality, CEO/Executive reputation, and Brand Image as dimensions of corporate image all had positive and significant relationship with customer loyalty. However only Service
quality and Brand image were able to predict or influence significantly the level of customer loyalty.

The new findings (discovery) hold implication for service operators especially mobile telecommunication service providers to pay more attention to corporate image activities because image and expectations that users hold with respect to the nature and quality of their services affect customer loyalty. As such, corporate image should be managed seriously, since according to Kim and Lee (2010) it influences a customer’s evaluation of customer loyalty. Marketing researchers may examine how these variables work in other service sectors apart from the telecommunication sector.

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Harrison, K (2005). Why good corporate reputation is important to your organisation. Cutting Edge PR. Available at http://www.cuttingedgepr.com/articles/corprep_important.asp


