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

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Customer loyalty is considered to be a key ingredient in enhancing the survival of businesses especially in the situations faced by highly competitive industries. This study assessed the relationship between corporate image and customer loyalty. While the antecedents of customer loyalty connected with the marketing mix factors have been well investigated, much still remains to be studied regarding some of the intermediate conditions created by the marketing mix factors and customer loyalty. This study sought to investigate the relationship between the dimensions of 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 corporate image and customer loyalty using four dimensions of corporate image, namely service quality, chief executive officer (CEO) reputation, brand image, and physical evidence. The study adopted the descriptive survey research design and used a multi-stage stratified sampling technique to target 320 respondents from among students across campuses of Kenyatta University (KU). Primary data was obtained using a structured five-point Likert scale questionnaire and analyzed using Pearson product-moment correlation coefficient and regression analysis to test the degree of association between the dependent and the independent variables. The study registered a high response rate of 97.8% from the target respondents. The findings of the study based on the correlation analysis indicated that the four dimensions of corporate image positively correlate with customer loyalty at $p < 0.01$. The regression analysis results however showed that even though the four dimensions correlate with customer loyalty, only service quality and brand image significantly predict customer loyalty. The regression model used explained 25% variation in the dependent variable. The null hypotheses one and four were supported while hypotheses two and three were not. The study concluded that of the four dimensions of corporate image, brand image and service quality predict customer loyalty within the Kenyan mobile telecommunication sector. The study suggests that future research undertakes integrate aspects of quality management into the dimensions of corporate image in order to predict variations in customer loyalty.

Keywords: customer loyalty, corporate image, telecommunication, service quality, brand image, physical evidence, reputation, consumer behavior
Introduction

Attracting new customers has been identified in marketing literature as a key ingredient for organizations’ survival that is also an expensive task. As a result, marketing functions in organizations formulate strategies that attempt to maintain existing customers in order to draw a balance between profitability and customer base (Porter, 1980). Customer loyalty levels determine how well such a balance can be achieved so that organizations do not pursue profitability concerns in the short run while they fail to focus on long term customer retention. Prus and Randall (1995) as cited in Rossat, Larsen, Ruta, and Wawzynosat (1999) described customer loyalty as a composite of a number of qualities driven by the goal of attaining customer satisfaction so that the customers can show commitment to a company’s range of products. It is such a commitment that will lead to the customer making a sustained investment in an ongoing relationship with a brand or company. Customer loyalty thus approached from this perspective is manifested through a combination of attitudes and behaviours. The attitudes include intention to buy again and/or buy additional products or services from the same company, willingness to recommend the company to others, and commitment to the company as demonstrated by a resistance to switching to a competitor. The corresponding behaviours include those involving repeat purchasing, purchasing more and different products or services from the same company as well as recommending the company to others as the preferred supplier of items they require.

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 highlight 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 and Yoon (2004) added switching barriers to the already existing list. Virvilaite, Saladiene, and Skindaras (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, indicating 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. The objectives were: firstly, 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 fourthly, to determine the relationship between physical evidence and customer loyalty.

The findings of this study along the stated objectives are considered to be valuable in a number of ways. Firstly, the findings add to the existing literature relating to 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, 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 consideration for organizational survival. Thirdly, the findings and conclusions of the study are useful for the operators in the telecommunication industry. The level of prediction of corporate image on customer loyalty has been reported in the findings and this is beneficial for the operators both in their strategic planning and development of their marketing programs.

**Literature Review**

**The Concept of Customer Loyalty**

Loyalty as a concept has its roots from the consumer behavior 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 patronizing 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 behavior 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 behavior.

Customer loyalty has now been regarded as strategic marketing tool. Studies have brought to the attention of decision makers that it may cost much more to win a customer than it costs to retain the same existing customer. It is in line with this that Nukpezah and Nyumuyo (2010) indicated that there is an intricate relationship between customer loyalty and a firm’s profitability. Beerli et al. (2002) had earlier taken note of the growing interest in analyzing the factors influencing customer loyalty especially in the area of services.

Rahman and Azhar (2010) conducted a survey among university students belonging to the age group 19-28 in order to verify three important areas related to the brand in the context of Pakistan. First, they set out to verify the proposition that the stated brand preference may differ from the actual choice behavior. Second, they speculated that low loyalty behavior of consumers would belong to Generation Y sub segment–adults. Finally, they proposed 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 that relying on stated preferences may not be enough. Therefore, marketing researchers should focus their attention on determining those characteristics that consumers consider in making their stated preferences as well as actual choices. 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 that the current research examined the relationship between corporate image and customer loyalty with respect to 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 been described as the overall impression made on the minds of the public about a firm (Kotler & Armstrong, 2010). Kim and Lee (2010) described corporate image as the perception of an organization that customers hold in their memories, because it works as a filter through which a company’s whole operation is perceived and it reflects a company’s overall reputation and prestige. They indicated that corporate image considered among other factors influencing customer loyalty has the greatest influence. In a similar vein, Nukpezah and Nyumuyo (2010) and Islam (2010) indicated that corporate image is related to the physical and behavioral 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 as evidenced by findings from three sectors including telecommunication, education, and retailing. Although a customer may not have enough information about a firm, information obtained from different sources such as advertisements and word of mouth will influence the process of forming the corporate image. Rowley and Dawes (1999) held the view 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 behavioral intentions such as customer loyalty.

Brown and Dacin (1997) claimed that 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 and Farsan (2012) on the effects of brand image and perceived public relations on customer loyalty showed that perceived public relation has a positive relationship with customer loyalty and that this relationship is moderated by brand image. Sirapracha and Tocquer’s study (2012) on customer experience, brand image, and customer loyalty in telecommunication services revealed significant relationship between customer experience, brand image, and customer loyalty.

Service Quality

Service quality has been linked to corporate image as one of its indicators and as a result its influence on customer loyalty is still under investigation. Ad-El-Salam and Shawky (2013) conducted a study to assess the impact of corporate image and reputation on service quality, customer satisfaction, and customer loyalty in Egypt, and found that there is a significant relationship among the three variables. Agyei and Kilika (2013) in addition assessed the relationship between service quality and customer loyalty and found a relatively strong relationship between the two variables. Their study indicated that three dimensions of service quality namely reliability, assurance, and empathy significantly predicted customer loyalty at the 95% level. Boohene and Agyapong (2011) in their attempt to analyze 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.

**Physical Evidence**

Based on these previous works, the study also considered elements of the extended service marketing mix popularly known in marketing as the seven marketing mix factors or the 7Ps of marketing. From the 7Ps set, the study identified the two aspects of physical evidence and people as they allow the consumer to make judgments on the organization based on attributes that may have aesthetic appeals. Physical evidence involves what customers can see for the first time before deciding on whether to make a purchase. According to Loverlock and Writz (2007), the appearance of buildings, landscaping, vehicles, interior furnishing, equipment, staff members, signs, printed materials, and other visible cues provide tangible evidence of a firm’s service quality. Service firms therefore need to manage physical evidence carefully, since it can have a profound impact on customers’ impressions and loyalty. For services with few tangible elements, such as insurance, advertising is often employed to create meaningful symbols and such has been the case where, for example, insurance companies have used an umbrella to symbolize protection, a fortress, or security.

**CEO Reputation**

The people aspect of the mix relevant to this study was associated with the role of firm’s CEO. A CEO is an individual at the apex of an organization whose personal reputation can have immediate and long lasting impact upon the organization. CEOs of large, powerful business organizations 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. Reporting on a research conducted in 2003 in US among 1,400 influential stakeholders, Harrison (2005) indicated that about 50% of a company’s reputation could be attributed to the CEO while in Germany it was found that the CEO’s reputation accounted for two-thirds of overall corporate reputation.

**Conceptual Framework**

This study relied on the above discussion to postulate a conceptual model for hypotheses that would lead to answering the study objectives. Figure 1 below 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 were the independent variables investigated in the study.

**Hypotheses**

The following hypotheses were formulated based on the conceptual framework and after a thorough review of related literature stated in the null form.

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.

H₄: There is no statistically significant effect of physical evidence on customer loyalty in the mobile telecommunication service sector in Kenya.

![Diagram of relationship between corporate image and customer loyalty]

**Methodology of Research**

**The Study Context**

The study was done in Kenya. There are four main operators in the mobile telecommunication service industry in Kenya. They include Safaricom Ltd, Bharti Airtel, Orange Kenya, and Essar. At the time of the study, the industry regulatory body estimated that the subscriber base was slightly over 30 million and spread across the four players as summarized in Table 1 (Communication Commission of Kenya, 2011).

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Mobile Subscriptions per Operator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of operator</td>
<td>Sep-12 Pre-paid</td>
</tr>
<tr>
<td>Safaricom</td>
<td>19,045,713</td>
</tr>
<tr>
<td>Airtel</td>
<td>4,997,807</td>
</tr>
<tr>
<td>Essar Telecom</td>
<td>3,001,808</td>
</tr>
<tr>
<td>Orange</td>
<td>3,089,814</td>
</tr>
<tr>
<td>Total</td>
<td>30,135,142</td>
</tr>
</tbody>
</table>

**Design and Population**

This study adopted the descriptive survey method. The descriptive survey design was selected because according to O. M. Mugenda and A. G. Mugenda (2003), it is concerned with assessing relationships and practices that exist, beliefs and processes that are ongoing, effects that are being felt, or trends that are developing and hence suitable for this study. The population of the study comprised all members of the KU student community which at the time of the survey was estimated to be 41,070. KU was selected because its eight campuses are situated in key cities spread across Kenya. Respondents’ views were considered to serve as a fair representation of Kenyan population subscribing to various mobile telecommunication services, hence making it possible to generalize the findings of the study.

**Sampling Design**

This study adopted a multi-stage sampling technique which followed several procedures. First, a stratified
sampling method was applied whereby the entire population was divided into various strata based on geographical location of the various campuses. The second stage involved proportionately sampling the population. The researchers used the formula proposed by Kothari (2004) to determine the sample size at the 95% level of significance and a precision of 0.05 which yielded a sample size of 320 students. The sample size was spread among the campuses, as shown in Table 2. In the final stage, the researchers selected respondents randomly from the strata in line with the target sample size for each as in Table 2.

Table 2

<table>
<thead>
<tr>
<th>Strata</th>
<th>Population size</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>KU Main campus</td>
<td>37,000</td>
<td>220</td>
</tr>
<tr>
<td>KU City campus</td>
<td>2,000</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>TOTAL</td>
<td>41,070</td>
<td>320</td>
</tr>
</tbody>
</table>

Instrumentation

A self-administered structured questionnaire was used to collect data with respect to the variables of the study from the selected sample. A five-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. The researchers also consulted both academicians and professionals in the field of service marketing. Criterion-related validity on the other hand was ensured through concurrent and predictive means (O. M. Mugenda & A. G. Mugenda, 2003). The predictive validity which establishes the degree to which obtained data predicts future behaviour of a subject, was ascertained using the results of the hypotheses testing. The test of reliability on the actual data produced an overall Cronbach alpha reliability score of 0.71, which according to O. M. Mugenda and A. G. Mugenda (2003) was considered to be good enough for a study of this nature.

Data Analysis, Results, and Discussion

Response Rate and Methods of Analysis

A total of 320 students from five out of the eight campuses of KU were targeted. However, 313 responses were obtained (representing 97.8% response rate) which according to Kothari (2004) was large enough to form the basis for data analysis. Descriptive analysis was done using the mean and standard deviation for each of the five variables and the results summarized in Table 3. Pearson product moment correlation and regression analyses were used to assess the relationship among the variables and test of the various hypotheses with regard to the effect of the independent variables on the dependent variable. Interpretation of data was guided by the criterion provided by Kothari (2004) whereby correlation coefficients 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, while what was less than ± 0.4 implied a weak correlation.
Relationship Between Corporate Image and Customer Loyalty

The findings of the correlation analysis are shown in Table 3. The results show that all the independent variables positively correlated with customer loyalty. The relationship even though moderate is statistically significant as summarized, thus: physical evidence: \( n = 313, r = 0.317, p < 0.01 \); service quality: \( n = 313, r = 0.384, p < 0.01 \); CEO reputation: \( n = 313, r = 0.303, p < 0.01 \); brand image: \( n = 313, r = 0.405, p < 0.01 \). These findings imply that as any of the independent variables increases, customer loyalty increases and vice versa.

The results of the correlation analysis are consistent with previous similar studies by Agyei and Kilika (2013), Boohene and Agyepong (2011), Nukpezah and Nyumuyo (2010), Loverlock and Writz (2007), and Ad-El-Salam and Shawky (2013).

Table 3
Correlation 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 Evidence</td>
<td>4.02</td>
<td>0.77</td>
<td>0.317**</td>
<td>0.000</td>
</tr>
<tr>
<td>Service Quality</td>
<td>3.50</td>
<td>0.61</td>
<td>0.384**</td>
<td>0.000</td>
</tr>
<tr>
<td>CEO Reputation</td>
<td>3.31</td>
<td>0.61</td>
<td>0.303**</td>
<td>0.000</td>
</tr>
<tr>
<td>Brand Image</td>
<td>3.76</td>
<td>1.07</td>
<td>0.405**</td>
<td>0.000</td>
</tr>
</tbody>
</table>

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

Predicting the Strength of the Relationship

A further analysis was conducted using linear regression analysis to assess the degree of effect of the independent variables as well as how they predict customer loyalty. The results of the regression analysis were used to test the hypotheses as summarized in Table 4.

Table 4
Regression Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>( \beta )</th>
<th>Beta</th>
<th>( t )</th>
<th>( p )-value</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.983</td>
<td>0.114</td>
<td>2.760</td>
<td>0.006</td>
<td></td>
</tr>
<tr>
<td>Physical Evidence</td>
<td>0.149</td>
<td>0.114</td>
<td>1.339</td>
<td>0.182</td>
<td>3.001</td>
</tr>
<tr>
<td>Service Quality</td>
<td>0.400</td>
<td>0.243</td>
<td>4.530</td>
<td>0.000</td>
<td>1.192</td>
</tr>
<tr>
<td>CEO Reputation</td>
<td>0.080</td>
<td>0.053</td>
<td>0.620</td>
<td>0.536</td>
<td>2.984</td>
</tr>
<tr>
<td>Brand Image</td>
<td>0.323</td>
<td>0.281</td>
<td>5.296</td>
<td>0.000</td>
<td>1.167</td>
</tr>
<tr>
<td>( R^2 )</td>
<td>0.260</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted ( R^2 )</td>
<td>0.250</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. Dependent variable: customer loyalty.

The model explained a significant proportion of variation in customer loyalty \( (R^2 = 0.25, F = 26.92, p < 0.05) \) indicating that, the model produced 25% of the variation in customer loyalty. The results show that service quality significantly predicted customer loyalty, \( \beta = 0.400, n (313), t = 4.53, p < 0.001 \) and thus service quality influences or predicts customer loyalty. The null hypothesis one therefore is not supported and the alternate is accepted. On the relationship between brand image and customer loyalty level, the model parameters of \( \beta = 0.323, n (313), t = 5.296, p < 0.001 \) imply that brand image is able to predict or influence customer loyalty significantly. The null hypothesis three is therefore not supported and the alternate is accepted leading to the conclusion that brand image has a significant effect on customer loyalty. The findings on both
service quality and brand image are consistent with similar findings by Islam (2010) and Nukpezah and Nyumuyo (2010). Both studies found a significant effect of brand image on customer loyalty.

Physical evidence and CEO reputation even though correlated significantly with customer loyalty do not significantly predict customer loyalty. The null hypotheses two and four are therefore supported and lead to the conclusion that within the Kenyan mobile telecommunication sector, the aspects of physical evidence and the reputation of the CEO do not influence customer loyalty level.

Conclusions

The study aimed to investigate the relationship between dimensions of corporate image and customer loyalty in the mobile telecommunication service industry in Kenya. Even though the four aspects correlate moderately with customer loyalty, only service quality and brand image are significant predictors of customer loyalty. The study offers an explanation to this using the nature of the industry where the study was done. By its nature, the customers mostly deal with the dealers and customer service personnel. However, these findings may open room for further investigation to establish whether the same would hold for other types of services for the same service but using other dimensions of physical evidence and people.

Based on the findings of the study, this study raises implications for both practice and theory. The new findings hold implications for the 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 will affect their loyalty. Managers in this industry will therefore need to pay attention to the dimensions of corporate image for purposes of utilizing each for long term customer retention as they have the potential to influence the customers’ evaluations of a company’s offers (Kim & Lee, 2010). From a theoretical standpoint, the findings raise some points of concern which theorists and researchers in marketing may want to investigate further. The 7Ps have been proposed to support service marketing by enhancing customer service encounters. Those in the quality movement seem to have supported the same as they advance a case for aspects related to the people and physical evidence as indicators of quality specifically using perceived quality and aesthetics. Future research may integrate these dimensions used in the quality management literature to examine how they stand to influence customers’ evaluations and ultimate decisions to stay or leave. This study suggests that both the theorists and researchers may want to use the consumer decision models in carrying out such investigations to show possible areas for the integration.

References


RELATIONSHIP BETWEEN CORPORATE IMAGE AND CUSTOMER LOYALTY


