CUSTOMER RETENTION STRATEGIES IN
TELECOMMUNICATION INDUSTRY IN TANZANIA: CASE
STUDY OF MILICOM (TIGO) TANZANIA
CUSTOMER RETENTION STRATEGIES IN TELECOMMUNICATION INDUSTRY IN TANZANIA: CASE STUDY OF MILICOM (TIGO) TANZANIA

By
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A Dissertation Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Science in Human Resource Management (MSc-HRM) of Mzumbe University.

2013
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a thesis entitled “Customer Retention Strategies in Telecommunication Industry in Tanzania; A Case Study of Milicom(TIGO) Tanzania.” in partial fulfillment of the requirements for award of the Masters Degree of Human Resources Management of Mzumbe University.

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DEDICATION

This dissertation is lovingly dedicated to my parents, Mr. and Mrs. Allen Kinabo, Mr and Mrs Max Dunia Moshi, my husband Mr Ernest Sifulu, my son Exavier Sifulu and my daughter Nicole Sifulu, whose value and concomitant craving for education have propelled me to arrive at this stage.
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<td>ANI</td>
<td>Automatic Number Identification</td>
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<tr>
<td>ARPU</td>
<td>Average Revenue Per User</td>
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<td>CD</td>
<td>Customer Delight</td>
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<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CRM</td>
<td>Customer Relationship Management</td>
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<td>E</td>
<td>Expectation</td>
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<td>KBV</td>
<td>Knowledge-Based View</td>
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<td>P</td>
<td>Perception</td>
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<td>RM</td>
<td>Relationship Marketing</td>
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<tr>
<td>TCRA</td>
<td>Tanzania Communications Regulatory Authority</td>
</tr>
<tr>
<td>TV</td>
<td>Television</td>
</tr>
<tr>
<td>UDBS</td>
<td>University of Dar es Salaam Business School</td>
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ABSTRACT

The purpose of this study is to identify and analyze “Customer Retention Strategies in Telecommunication Industry in Tanzania: A Case Study of Milicom (TIGO) Tanzania.”; specifically the study sought to describe and examining the factors contributes to the customer retention and to identify ways and strategies to improve customer retention in telecommunication industry. It is beyond reasonable doubt that all of the telecommunication companies in Tanzania have challenges in creation of an atmosphere and environment in which customer retained in their company.

Customer retention is increasingly being seen as an important managerial issue, especially in the context of saturated market or lower growth of the number of new customers. It has also been acknowledged as a key objective of relationship marketing, primarily because of its potential in delivering superior relationship economics, i.e. it costs less to retain than to acquire new customers.

This paper reports an investigation, through case study, that is concerned with testing whether or not a theoretical position relating to strategies for retaining customers reflects practices at Milicom (Tigo) Tanzania. The assumption is that generalised theories, which imply universal applicability, tend to overlook the distinctive impact of contextualized business conditions on effective customer retention strategies.

On methodology, this study employed both qualitative and quantitative approach of data collection, analysis and both primary and secondary sources of data have used. On primary source, interview, questionnaires and observation methods were used in data collection while on secondary source data has been collected from documentation centers, including the University of Dar es salaam main library, UDBS library, TCRA documentation centre and TIGO documentation centre. Empirical data was collected through quantitative techniques, such as questionnaire in order to establish the customer retention fluctuations and benefit of retention. The study conducted in Dar es Salaam Region, TIGO Headquarters. Total of 50
respondents were used in this study and sampling used were simple random and purposive approach. Quantitative data analyzed by using figures, tables and charts followed by interpretation basing on the relations observed through these statistical devices. Qualitative explanations were added to the quantitative data analyzed by contents depending on the research questions answered.

The study generally recommends Improvements in interpersonal communication, service performance, and service quality. Also it is recommended that communication companies improve complaint handling and key performance indicators for TIGO managers, customer service managers, and other frontline employees for ‘customer satisfaction’, ‘accuracy and turn around times’, ‘queuing lengths being kept at minimal time possible’, ‘minimal incidences of fraud’ need to indicate specific measures and how they will be accounted for.
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CHAPTER ONE

BACKGROUND OF THE STUDY

1.1 Introduction

In today's challenging economy and competitive business world, retaining customer base is critical to a company’s success. If the company does not give its customers some good reasons to stay, its competitors will give them a reason to leave. Customer retention (CR), customer loyalty (CL), and customer satisfaction (CS) are important (intermediate) goals for telecommunication network operators on their way to superior economic success in the liberalised Tanzania market; they are the drivers of the profits of the telecommunication industry almost everywhere in the world. In the economics of marketing, it is said that it is far less expensive to cultivate existing customer base and sell more services to them than it is to seek new, single-transaction customers. Most surveys across industries show that keeping one existing customer is five to seven times more profitable than attracting new customers (Kotenlnikov, 1982; Roberts, 1990).

The significance of customer retention is clearly stated that it is five times more profitable to spend marketing dollars to retain the customers that the company has than to use the dollars to beat the bushes for new customers. For instance, it is illustrated that a 2% increase in customer retention has the same effect on profits as cutting costs by 10%. While it is estimated that the average company loses 10% of its customers each year due to lack of appropriate retention strategies to counteract the competitors, but with reduction of customer defection, a company attains high profit. Studies show that, a 5% reduction in customer defection rate can increase profits by 25-125%, depending on the industry (Smith, 2001). Therefore, it suffices convincing that the customer profitability rate tends to increase over the life of a retained customer, and simultaneously profiting more the company.
Prior to 1950, most groceries in the US and Canada were sold in small grocery stores. The proprietor would meet the customer at the door. He knew the customer by name. He knew customer’s preferences, and would put things aside for customer. He built his business through recognizing his customers and doing favors for them. As a result, customers were loyal to these stores; because of the recognition and personal attention they received (Hughes, 1954). However, recently because of the growth in trade complexities and technologies, there is a considerable plight in customer retention. At the same time, trade has lost something valuable. For instance, companies today have tens of thousands-- in some cases millions-- of customers. But, companies do not know who they are, cannot recognize them and talk to them as the old corner grocers did in the 1950s. Yet, loyalty has disappeared. Customers are loyal until tomorrow’s newspaper, when they see a coupon for something at another store and woosh, they are gone. What is true of grocery stores is also true of department stores, drug stores, hardware stores, office supply stores, banks, movie theatres virtually every sales organization today (Hill, 2006; Hughes, 1954). Therefore, the same is true to telecommunication companies.

Because of ever increasing competition, every company strives to set strategies to retain its existing customers. Few companies, however, are implementing positive strategies aimed at retention. Most companies are organized for acquisition. Their advertising and sales programs are designed to find and promote their products and services to new customers. The companies are organized on a product or brand basis, not on a customer segment basis. While they all have customer service departments, and most have a customer service toll free number, they lack an integrated marketing strategy that is directed at retention, and that defines retention as the measurement of success (Buttle, 1995).

What has begun to change this picture has been the advent of computers. In the past 15 years. Computers have become so sophisticated and powerful, and their prices have become so inexpensive, that it is possible to keep in a computer today the kind of information that the old corner grocer kept in his head, and to use that information to recognize and do favors for our customers. By setting up a customer database, and
using it to start a dialog with their customers, some companies have been able to reestablish contact with their customers designed to build loyalty, referrals and repeat sales, thus making retention building possible (Hill, 2006). However, this case is not well advanced in Third World Countries. Thus, it is imperative to study customer retention strategies in less developed countries, using the case of telecommunication companies in Tanzania.

Telecommunication companies in Tanzania are among the companies with many customers because of the potentials of cellular phones in communication (TCRA, 2005). However, having many new customers does not imply their retention. Thus, this study seeks to examine strategies used in retaining customers in telecommunication companies in Tanzania.

1.1.1 Brief History of Milicom Tanzania – Tigo Company
The mobile company was the first licensed operator in the Tanzanian cellular market. TIGO which in the beginning time used to be known as Mobitel, it was partially state owned launched the first analogue ETACS network in Dar es Salaam in 1994 and in Zanzibar on the following year. MIC Tanzania Limited (TIGO-company) was found on November 30, 1993. This corporation was a joint venture between Millicom International Cellular based in Luxembourg, Ultimate Communications Limited of Tanzania and Tanzania Posts and Telecommunications Corporation. In this venture, 27.7% of the issued share capital was allotted to the Ultimate Communications Limited and Tanzania Posts and Telecommunications Corporation. In 1993, there was liberalization of telecommunication sector in the country which results into dissolution of Tanzania Posts and Telecommunications Corporation (TPTC) in early 1994. Its shares were then transferred to Tanzania Telecommunication Company Limited. Further steps towards full liberalization of the market causes the privatization of TTCL on February 23, 2001 and its shares were transferred to the Tanzanian Government. In February 2006, after buying out its minority shareholders, the Luxembourg-based pan-African mobile operator Millicom International Cellular announced to take a full control of three of its African-based Mobile operators including MIC Tanzania limited.
In Tanzania a USD 1.332 million deal enables Millicom to acquire the remaining 16% stakes that it did not own after the cellco’s minority shareholders agreed to cancel their call option on the business. Since then Millicom is the full controller of the company. Since it was referred to as Buzz, a company (tigo) has been offering free night calls for quite a long time. Due to this service tigo attracts the interest of many students in Tanzania. In this way Tigo becomes more competitive in the telecommunications industry within the country.

1.1.2 Vision of Milicom Tanzania – Tigo Company
Tigo’s objective is to provide people the freedom to access today's world. To make this happen Tigo creates a world where mobile services are affordable, accessible and available everywhere and to everyone.

1.1.3 Mission of Milicom Tanzania – Tigo Company
A mission of the Tigo Company is to provide services for people who want to stay in touch, to belong to communities and to be informed and entertained by enabling them to express their emotions and enhance their lives. Tigo seeks to deliver 3 A’s:
(i.) Affordability
(ii.) Accessibility
(iii.) Availability
Tigo achieves this by providing affordable services, good coverage and ease of purchase and use. Tigo focus on consistently meeting and exceeding customers’ expectations and developing an inspirational brand.

1.1.4 Values for Milicom Tanzania – Tigo Company
The values for Milicom Tanzania – Tigo Company are categorized in Integrity, Respect and Passion. Tigo believes performance is a matter of integrity, respect and passion. Focusing on all three values together is essential in creating sustainable success. Tigo treats the Company as if it is your own.
1.2 Statement of the Problem
Since the beginning of 2000s, the telecommunications sector has become a dynamic key area for the economic development of some of the developing nations including Tanzania. This is the result of enormous technical progress as well as of the increased number of network operators and the intense competition that has developed. These factors, in turn, are a consequence of the removal of monopoly rights, which were mainly enjoyed by state-owned operators of public telecommunication networks (e.g. Tanzania Telecommunication Company Limited (TTCL) in Tanzania). The increasing economic importance of telecommunications companies inspired many management scholars to devote more teaching and research attention to this sector (see Szyperski & Loebbecke, 1999). Specifically in the field of marketing strategies for telecommunications services it is frequently pointed out that once customers have been acquired and connected to the telecommunications network of a particular operator, their long-term links with the focal operator are of greater importance to the success of the company in competitive markets than they are in other industry sectors (see Wilfert, 1999; Gerpott, 1998 and Allen & Hamilton, 1995).

Companies that offer loyalty reward programs believe that their programs have a long-run positive effect on customer evaluations and behavior. However, if loyalty rewards programs increase relationship durations and usage levels, customers will be increasingly exposed to the complete spectrum of service experiences, including experiences that may cause customers to switch to another service provider. One possible reason could be that members of the loyalty rewards program perceive that they are getting better quality and service for their price or, in other words, “good value”. The purpose of any business company that offers services to the customers is to create, satisfy and retain their customers. If a business company successfully creates, satisfy and retains their customers in a cost-effective way, it will make a profit while continuing to survive and thrive. If, for any reason, a business fails to attract or sustain a sufficient number of customers, it will experience losses. Too many losses will lead to the demise of the enterprise. For instance, Dun and Bradstreet asserted that the single, most important reason for the failure of businesses
in America is lack of sales. And, of course, this refers to re-sales as well as initial sales. So the company’s job is to create and keep a customer (Kontelnikov, 1982).

This type of research is not only of interest to cellular network operators/service providers but also to other industries for at least two reasons. First, a discussion of how customer retention, customer loyalty, and customer satisfaction can be differentiated and how the three variables are inter-linked is of general importance to corporate management. This is because without respect to the industry concerned all three are (intermediate) objectives on the way to ensuring a company's sales success which can be influenced by management action. Second, to date management research on customer retention and satisfaction has been concerned almost exclusively with over-the-counter goods sold in unconnected individual transactions in mature markets. In the mobile communications market, however, usage-dependent and service-like contract goods are sold. By focusing the analysis on this type of market a less productive research is investigated.

Nevertheless, there is a dearth of empirical research into the extent of customer retention or the supply side retention drivers in particular telecommunications markets found in developing countries. Therefore, this chapter examines different strategies for customer retention in relation to customer satisfaction and customer royalty both conceptually and empirically using TIGO mobile communications market operating in Tanzania as a case.

1.3 Research Objectives

1.3.1 General Objective
The main objective of this study is to examine different strategies for customer retention in Telecommunication Industry in Tanzania using a case of TIGO Company (Milcom Tanzania).
1.3.2 Specific Objectives

Specifically, the study intends to:

(i). To explore the determinants of the customer retention in relation to customer satisfaction and customer royalty in Milcom Tanzania – TIGO company.

(ii). To examine reasons for customer defection in Milcom Tanzania – TIGO company

(iii). To determine the significance of customer retention strategies employed by Milcom Tanzania – TIGO company

1.4 Research Questions

The following research questions are set to attain the objectives of this study:

(i). What is the customer retention strategies employed in Milcom Tanzania – TIGO Company?

(ii). What are the determinants of the customer retention in relation to customer satisfaction and customer royalty in Milcom Tanzania – TIGO Company?

(iii). What are the reasons for customer defection in Milcom Tanzania – TIGO Company?

(iv). Is there any significance for customer retention strategies employed in Milcom Tanzania – TIGO Company?

1.5 Significance of the Study

It is known that getting customers does not necessarily mean retaining them, nor customer’s satisfaction is the major index of customer retention. Studies have indicated that customer retention determines profit of an organization. Therefore, this study is expected to address customer retention strategies used in telecommunication industry in order to establish their significance in customer retention. Findings of this study should help managers, workers and the clients of Milcom Tanzania – TIGO Company to understand appropriate customer retention strategies to deploy in order to reduce customer defection. Yet, empirical evidence will demonstrate how positive customer retention strategies benefit both the company and clients.
Also, the study should be beneficial to academicians as it will add to a customer retention discourse that does not draw its case from a western model, as part of the comparative study for different customer retention approaches; since this study concentrated with developing country (Tanzania) where yet many studies of this type have been done.

The completion of this study should help the researcher to submit the accepted final draft to the Mzumbe University, which means she is to be awarded her master’s degree in Human Resource Management of Mzumbe University.

1.6 Scope of the Study
The study focuses only on the customer retention strategies employed in telecommunication industry in order to establish the benefits that can be accrued from the strategies, including the viability of customer retention. For that case therefore the study was conducted particularly at Tigo Head office at Kijitonyama and to its four Customer services branches in Dar es Salaam.

1.7 Limitation of the Study
The study faced a number of limitations as follows:

Time constraint: The study was carried out for a short period of time because of the requirement to be able to meet the deadline of the University calendar. Connected to that it is known that telecommunication companies are occupied to deliver services to customers; hence it takes many days to get adequate respondents

Financial constraint: this is also encountered. Because it consumed much time, hence the study exceeded the hypothesized budget.

Confidentiality of information: The study carried out to financial institution where some information has not been disposed off due to confidentiality and competitive related factors.
Uncooperative attitude of respondents: it is however; some respondents were reluctant and or uncooperative to respond due to various reasons including being busy especially Tigo staffs are occupied to deliver services to customers, ignoring and bureaucracy.

1.8 Delimitation of the Study
The above limitations were solved as follows:
(i.) For the financial and time constraint, the researcher prepared a flexible budget and work plan.
(ii.) In solving the problem of uncooperative attitude of respondents and bureaucracy, the researcher made effort by making follow up and talks to those who were positive in it considering the importance of the study and ensures confidentiality of their information as to the fact that the researcher is among of the staff of the institution.

1.9 Organisation of the Thesis
In general this thesis is organized in six chapters.
Chapter one highlights overall introduction of the study and basically it gives out problem statement where the gap is identified; the objectives as well as significance of the study. Moreover, the chapter points out scope of the study, limitations and delimitations of the study as well.

Chapter two of this thesis is about literature reviews. In this part the researcher reviewed different theories on customer retention, customer satisfaction and customer royalty and their connections.

Research methodology that involves research design, research population and sample size and the sampling procedures/techniques together with data collection methods are included in chapter three.
Chapter four consists of the presentation of research findings and data analysis. In this chapter a researcher is trying to answer the research questions as presented in chapter one of the thesis.

The discussion of the research findings is established in chapter five of this thesis. In this chapter the researcher discusses the findings obtained from various respondents in relation to what have already been done in the previous studies both theoretically and empirically.

Chapter six of the thesis shows the summary of the findings, conclusion of the study as well as policy recommendation as given out by a researcher based on the findings of the research.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
This chapter reviews different literature on customer retention as given out by various authors both theoretically and empirically. It provides an understanding on customer retention and its different strategies, determinants of customer retention, customer satisfaction and customer royalty, just to mention the few.

2.2 Theoretical Concepts of Mobile Telecommunication Markets

2.2.1 Customer Retention
Customer retention is the activity that a selling organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. A company’s ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace. Customer retention is more than giving the customer what they expect; it’s about exceeding their expectations so that they become loyal advocates for your brand. Creating customer loyalty puts ‘customer value rather than maximizing profits and shareholder value at the center of business strategy’. The key differentiator in a competitive environment is more often than not the delivery of a consistently high standard of customer service.

2.2.2 Customer Retention in Detailed
Those getting started with a customer retention strategy might initially assume that retention rate is based on customer satisfaction. However, several studies have indicated that there is little correlation between customer satisfaction and retention or future purchases, according to customer experience expert Lior Arussy, founder of Strativity Group Inc. In one case, only 17% of satisfied customers of financial
institutions claimed that they would not entertain a competing offer (Buttle, 1995). The real indication for customer retention is not customer satisfaction, but customers' actions. Repeat business, purchasing ancillary services, recommendations to others, willingness to pay premium price and frequency of purchasing are the indicators of customer retention. Sometimes organizations need to understand that the closest touch point to the customer can help improve customer retention (Kotenlnikov, 1982).

The customer retention rate refers to the number of customers lost over a period of time. It is normally calculated by the percentage of lost customers versus existing customers over a quarterly or annual period, without tallying new customer acquisitions. According to ROI expert Tom Pisello, CEO and President of Alinean, the customer retention rate is calculated by determining the number of customers lost over a period of time compared to repeat customers over the same amount of time. A customer is one who continues to make purchases, and a lost customer is one who has made purchases, but does not repeat these purchases for some time. The key is to analyze the repeats over a long enough horizon.

The calculation for customer retention is the (total number of customers minus the number of repeat customers) divided by total number of customers. In environments where users purchase a subscription, the calculation is easier, and can be represented as: Number of subscribers who cancelled or did not renew during the period divided by the total number of subscribers for the period (Buttle, 1995). Failure to craft appropriate customer retention strategies leads into high turnover of customer. Figure one illustrates why a company loses customers, which in turn calls upon an imperative of formulating viable customer retention strategies.
Figure 2.1: Reasons for losing Customers

Source: American Society for Quality

2.2.3 Customer Satisfaction

Customer satisfaction generally means customer reaction to the state of fulfillment, and customer judgment of the fulfilled state (Oliver, 1997). In this research, we borrow this definition of customer satisfaction. There are many benefits for a company from a high customer satisfaction level. It heightens customer loyalty and prevents customer churn, lowers customers’ price sensitivity, reduces the costs of failed marketing and of new customer creation, reduces operating costs due to customer number increases, improves the effectiveness of advertising, and enhances business reputation (Fornell, 1992). The main factor determining customer satisfaction is the customers’ own perceptions of service quality (Zeithamal & Bitner, 1996).

Customer satisfaction, a term frequently used in marketing, is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals. (Farris et al, 2010)
In a survey of nearly 200 senior marketing managers, 71 percent responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses (Farris et al, 2010). It is seen as a key performance indicator within business and is often part of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy (Gitman and McDaniel, 2005).

Within organizations, customer satisfaction ratings can have powerful effects. They focus employees on the importance of fulfilling customers’ expectations. Furthermore, when these ratings dip, they warn of problems that can affect sales and profitability. These metrics quantify an important dynamic. When a brand has loyal customers, it gains positive word-of-mouth marketing, which is both free and highly effective (Farris et al, 2010).

Therefore, it is essential for businesses to effectively manage customer satisfaction. To be able do this, firms need reliable and representative measures of satisfaction. In researching satisfaction, firms generally ask customers whether their product or service has met or exceeded expectations. Thus, expectations are a key factor behind satisfaction. When customers have high expectations and the reality falls short, they will be disappointed and will likely rate their experience as less than satisfying. For this reason, a luxury resort, for example, might receive a lower satisfaction rating than a budget motel even though its facilities and service would be deemed superior in 'absolute' terms (Farris et al, 2010).

### 2.2.4 Customer Loyalty

The concept of customer loyalty is understood as a combination of customers’ favourable attitude and the behaviour of repurchase. Earlier studies suggest that customer loyalty provides the foundation of a company’s sustained competitive edge, and that developing and increasing customer loyalty is a crucial factor in companies’ growth and performance (Lee & Cunningham, 2001; Reichheld, 1996). Approaches to the study of customer loyalty fall into three broad categories: the behavioural
approach, the attitudinal approach and the integrated approach (Oh, 1995). The integrated approach takes account of both behavioural and attitudinal variables, in order to create its own concept of customer loyalty.

Earlier studies of factors affecting customer loyalty usually set the focus on customer satisfaction and the switching barrier (e.g., Dick & Basu, 1994; Gerpott, Rams, & Schindler, 2001; Lee & Cunningham, 2001). Customers experiencing a high level of satisfaction are likely to remain with their existing providers and maintain their subscription. However, according to some research, customer satisfaction, while positively influencing customer loyalty, is not always a sufficient condition, and, in some cases, fails to produce the expected effect. Hence, these researchers suggest that it is necessary to analyse other potentially influential factors. It is in this context that the concept of the switching barrier was proposed (Jones, Mothersbaugh, & Betty, 2002).

Further, it has been demonstrated that the switching barrier plays the role of an adjustment variable in the interrelationship between customer satisfaction and customer loyalty. In other words, when the level of customer satisfaction is identical, the level of customer loyalty can vary depending on the magnitude of the switching barrier (e.g., Colgate & Lang, 2001; Jones et al., 2002; Lee & Cunningham, 2001). The significance of customer loyalty is that it closely relates to the company’s continued survival, and to strong future growth. Hence, for a company to maintain a stable profit level when the subscription level has reached the saturation point, the market is mature, and competition is fierce, a defensive strategy which strives to retain existing customers is more important than an aggressive one, which expands the size of the overall market by inducing potential customers (Fornell, 1992; Ahmad & Buttle, 2002).

### 2.2.5 Switching Barriers

The switching barrier refers to the difficulty of switching to another provider that is encountered by a customer who is dissatisfied with the existing service, or to the financial, social and psychological burden felt by a customer when switching to a
new carrier (Fornell, 1992). Therefore, the higher the switching barrier, the more a customer is forced to remain with his or her existing carrier. According to a previous study, the switching barrier is made up of switching cost, the attractiveness of alternatives, and interpersonal relationships. Switching cost means the cost incurred when switching, including time, money and psychological cost (Dick & Basu, 1994), and is defined as perceived risk, insofar as there are potential losses perceived by customers when switching carriers, such as losses of a financial, performance-related, social, psychological, and safety-related nature (Murray, 1991).

For the purpose of this study, taking into account both findings from earlier studies, and specificities pertaining to mobile telecommunication services, we have defined switching cost as loss cost, adaptation cost, and move-in cost. Loss cost refers to the perception of loss in social status or performance, when cancelling a service contract with an existing carrier; adaptation cost refers to the perceived cost of adaptation, such as search cost and learning cost; and move-in cost refers to the economic cost involved in switching to a new carrier, such as the purchase of a new device and the subscriber fee. Attractiveness of alternatives means the reputation, image and service quality of the replacing carrier, which are expected to be superior or more suitable than those of the existing carrier.

Attractiveness of alternative carriers is intimately linked to service differentiation and industrial organization. If a company offers differentiated services that are difficult for a competitor to match or to provide with equivalents, or if few alternative competitors exist in the market, customers tend to remain with the existing company (Bendapudi & Berry, 1997). Interpersonal relationship means a psychological and social relationship that manifests itself as care, trust, intimacy and communication (Gremler, 1995). The interpersonal relationship built through recurrent interactions between a carrier and a customer can strengthen the bond between them and finally lead to a long-term relationship. Companies are not alone in desiring a sustained relationship. Many customers wish to establish, develop and continue with a company an interpersonal relationship that provides value and convenience (Gwinner, Gremler, & Bitner, 1998). Therefore, relationship-specific
investment helps increase customers’ dependence, and thus magnifies the switching barrier (Jones, Mothersbaugh, & Betty, 2000).

2.2.6 The Relationship between Customer satisfaction, the Switching Barrier, and Customer Loyalty

As a general rule, customer satisfaction and customer loyalty are very closely related. Customer satisfaction functions as an antecedent of customer loyalty. It prevents customer churn and consolidates retention, thereby constituting an important cause of customer loyalty (Fornell, 1992; Reichheld, 1996). Further, while affected by market structure, customer type and customers’ individual ways of solving problems, the connection between customer satisfaction and customer loyalty is not always a linear relation, although it constitutes a positive relationship (Fornell, 1992; Soderlund, 1998). And when customers switch the service provider, they tend to perceive the burden of risks which becomes the switching barrier that influences customer loyalty.

Brand loyalty is defined as “a deeply held commitment to rebuy or repatronize 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” (Oliver, 1999). According to Sivadass and Baker-Prewitt (2000), customer loyalty is the ultimate objective of customer satisfaction measurement. It is found to be a key determinant of a brand’s long-term viability (Krishnamurthi & Raj, 1991). Moreover, compared with loyal customers, non-loyal customers are much more influenced by negative information about the products or services (Donio, Massari, & Passiante, 2006). Therefore, retaining existing customers and strengthening customer loyalty appear to be very crucial for mobile service providers to gain competitive advantage. In this study, we measure customer loyalty as customers’ behavioral intention to continuously use mobile instant messages with their present service providers, as well as their inclinations to recommend this MIM tool to other persons.
2.3 Theories on Customer Retention

2.3.1 The Observability and Governance Theory

Many of the transaction attributes that transaction cost research has shown to influence vertical integration and contract design decisions may also influence customer retention. One transaction attribute that should influence customer retention is the difficulty of determining the quality of the output of the product (Holmstrom, 1979).

Customers are more likely to return if the service provider performs well on the project. When the quality of output can be easily measured, it creates strong incentives for the supplier to perform well because the customer will promptly observe any failings. Measurement costs create a moral hazard by generating noise in the relationship between effort and outcome (Holmstrom, 1979). If any key dimension of the output of the task is difficult to measure, the supplier may have an incentive to shirk because any failings in the final product will be difficult to observe (Anderson, 1985). In such cases the customer will likely undertake additional monitoring of the supplier to compensate for the weak outcome-based incentives (Holmstrom & Milgrom, 1991; Mayer, Nickerson & Owan, 2004). Even with this additional monitoring, however, the supplier will have some uncertainty about whether the job has been completed correctly because the quality of the final product is difficult to observe.

Thus projects that result in output that is difficult to measure are likely to result in customers that are not completely sure how well the service provider has performed. This should result in a lower likelihood of repeat business compared to products with clearly measurable performance criteria because such products provide stronger incentives for the supplier and allow the customer to feel more secure with the outcome. Even if the greater observability makes it clear that a mistake has been made, the service provider can make the necessary corrections until the customer is satisfied with the result.
Even if the customer is satisfied with the product upon completion, the difficulty of observing quality indicates that problems may arise in the future. The problem is compounded when the service provider completes multiple projects whose output is difficult to measure for the customer. The service provider knows that shirking on quality is highly unlikely to be discovered immediately and even if it is detected in the future, there is often ambiguity over how the problem arose. Given these weakened incentives, service provider may be more likely to shirk the more they continue to work with the customer. Even if service provider wants to maintain a close relationship with the customer, their employees, who are actually doing the work, may be able to shave quality to get the product completed more quickly and/or at lower cost. Thus measurement costs create a problem not just for the current product, but represent an ongoing cumulative problem as more products with potentially latent problems are completed for the customer.

2.3.2 The Knowledge and Learning Theory
The knowledge-based view of the firm (KBV) (e.g., Kogut & Zander, 1992) has focused attention on knowledge considerations, which can also affect customer retention. While the KBV has examined the effect of knowledge considerations on organizational form (e.g., Argyres, 1996; Nickerson & Silverman, 2003) and competitive advantage (e.g., Foss, 1996; Kogut & Zander, 1992), its effect on customer retention has yet to be explored. Some projects have little knowledge impact on the firm the supplier completes one project and moves on to the next. Some projects, however, can influence the cost of future projects because the knowledge generated to complete the first project can be reused for future projects. Projects that may create potentially reusable knowledge may increase customer retention for two reasons.

First, when the project represents a potential key addition to the supplier’s knowledge base, then the supplier will be highly motivated to complete the project with high quality. The supplier has little incentive to shirk on quality or effort as a successful project benefits not only the customer, but adds to the supplier’s knowledge base as well. Shirking on quality would hurt not only the customer but
also the supplier because the knowledge created would be of less value. Thus the potential for knowledge reuse effectively aligns the incentives of the customer and supplier, which should increase customer satisfaction and retention.

A second factor is that some customers are more likely than others to work with suppliers on projects that may generate reusable knowledge. Some customers are closer to the technological frontier than others. Many of the projects that can produce potentially reusable knowledge involve customers with cutting edge requirements. Such customers are likely to have future projects that will also produce reusable knowledge, so the supplier has an added incentive to perform well in order to earn future business from such valuable customers (Argote, 1999). Both factors provide the supplier with strong incentives to perform well on projects that may produce reusable knowledge.

Projects with potentially reusable knowledge should have a lasting effect on customer retention. Customer retention should increase as the supplier does more projects with the potential to create reusable knowledge for a particular customer. Given the supplier’s strong incentives to perform well in such situations, customer satisfaction should be high each time such a project is completed (Argote, 1999). As the supplier does more projects with such strong incentives for the customer, the customer is likely to reap the repeated benefits of very positive supplier performance. The more times a customer finishes an interaction with a supplier feeling very satisfied with the supplier’s performance, the more likely the buyer will return to the supplier due to the continued pattern of superior performance (Argote, 1999).

2.4 Customer Retention Strategies

An important distinction can be made between strategies that lock the customer in by penalizing their exit from a relationship, and strategies that reward a customer for remaining in a relationship. The former are generally considered negative, and the latter positive, customer retention strategies. Negative customer retention strategies impose high switching costs on customers, discouraging their defection. Positive customer retention strategies including creating customer delight, adding customer-
perceived value, creating social and structural bonds and building customer engagement. These strategies are adopted from Buttle (1995).

### 2.4.1 Customer Delight

It is very difficult to build long-term relationships with customers if their needs and expectations are not understood and well met. It is a fundamental precept of modern customer management that companies should understand customers, and then acquire and deploy resources to ensure their satisfaction and retention. Delighting customers, or exceeding customer expectations, means going beyond what would normally satisfy the customer. This does not necessarily mean being world-class or best-in-class. It does mean being aware of what it usually takes to satisfy the customer and what it might take to delight or pleasantly surprise the customer. Customer delight occurs when the customer's perception of their experience of doing business with the company exceeds their expectation.

In formulaic terms: $CD = P > E$; where $CD$ stands for customer delight, $P$ stands for perception and $E$ represent expectation.

The formula above implies that customer delight can be influenced in two ways: by managing expectations or by managing performance. In most commercial contexts customer expectations exceed customer perceptions of performance. In other words, customers can generally find cause for dissatisfaction. Thus, it is imperatives to meet certain attributes. Figure1 identifies a number of priorities for improvement for a restaurant company. The PFIs are the attributes where customer satisfaction scores are low, but the attributes are important to customers. In the example, the PFIs are food quality and toilet cleanliness. There would be no advantage in investing in speedier service or more helpful staff.
2.4.2 Add Customer-Perceived Value

The second major positive customer retention strategy is to add customer-perceived value. Companies can explore ways to create additional value for customers. The ideal is to add value for customers without creating additional costs for the company. If costs are incurred then the value-adds may be expected to recover those costs.

There are three common forms of value-adding program: loyalty schemes, customer clubs and sales promotions. Loyalty schemes reward customers for their patronage. A loyalty program is a scheme that offers delayed or immediate incremental rewards to customers for their cumulative patronage.

Loyalty schemes are not without critics. Critics question their cost and effectiveness. Certainly, they can be very expensive to establish and manage. In respect of operating costs, retail schemes typically reward customers with a cash rebate or vouchers equivalent to 1 percent of purchases. This comes straight out of the bottom line so a retailer that is making 5 percent margin loses one-fifth or 20 percent of its profit to fund the scheme. Schemes are also criticized for their effectiveness. Some critic claim that schemes have become less distinctive and value-adding as many
competitors now operate me-too programs; customer clubs-run membership organization that offers a range of value-adding benefits exclusively to members.

The initial costs of establishing a club can be quite high, but thereafter most clubs are expected to cover their operating expenses and, preferably, return a profit; sales promotions can also be used for customer acquisition. Retention-oriented sales promotions encourage the customer to repeat purchase, so the form they take is different.

2.4.3 Bonding
The next positive customer retention strategy is customer bonding. Bonds can be split into two major categories: social and structural. Social bonds are found in positive interpersonal relationships between people on both sides of the customer-supplier dyad. Positive interpersonal relationships are characterized by high levels of trust and commitment. Successful interpersonal relationships may take time to evolve, as uncertainty and distance are reduced.

As the number of episodes linking customer and supplier grow, there is greater opportunity for social bonds to develop. Suppliers should understand that if they act opportunistically or fail to align themselves to customer preferences, trust and confidence will be eroded; Structural bonds are established when companies and customers commit resources to a relationship. Generally, these resources yield mutual benefits for the participants. For example, a joint customer-supplier quality team can work improving quality compliance, benefiting both companies.

2.4.4 Customer Engagement
Highly engaged customers have levels of emotional or rational attachment or commitment to a brand, experience or organization that are so strong that they are highly resistant to competitive influence. The terms engagement, attachment and commitment tend to be used interchangeably to describe this phenomenon.
2.5 Empirical Review

While there may not be a direct correlation between customer satisfaction and customer retention rates, many experts have studied employee retention and how it affects customer retention. A study on customer experience management by the Stativity Group surveyed 309 global executives and found a number of negative trends. Only 54% of respondents said their company deserves their loyalty. Customer retention expert Michael Lowenstein, vice president and senior consultant for customer loyalty management at Harris Interactive, agrees that employee loyalty and engagement has a direct relationship to customer marketplace behavior. He explored employee retention strategies, in an article called, Cowboys and Saloons, Chickens and Eggs, Customers or Employees. Which Came First? He excerpted that employee behavior and advocacy regardless of the employee’s level of satisfaction have a direct and profound relationship to the behavior of customers, and also to corporate sales and profitability.

Employees are capable of directly contributing to both customer disappointment and customer delight. It is essential that companies have a research and analysis method that links staff performance engagement directly to customer behavior, so they can hire, train, recognize and reward employees for how they contribute to customer value. Butle (1995) is of the opinion that customer retention is largely dependent on messaging that is to say communication. In his article entitled Balancing Messaging and Experience: The CRM ‘Lasagna’ Recipe for Creating Customer Advocacy he asserted that messaging and experience over an extended period; but it has to begin with messaging, example, how the brand promise is initially communicated and sustained, and grown, with each succeeding customer engagement and contact. Companies tend to believe that customers gain experience with their enterprises entirely through people, products and services.

Largely true, as far as this thinking goes; but organizations often don't have enough awareness that what is said to customers, and how, where, and when it is said has an equal, if not greater, behavioral impact. Communication is about relevance and trust, two essential elements in the way customers see suppliers. Customers have grown
increasingly skeptical of supplier messaging. When considering alternative suppliers or making final purchase decisions, it is now becoming well understood that the principal, previously neglected criteria are intangible, emotional, relationship benefits, with much of what is tangible seen as one-dimensional and expected. This absolutely requires that the meld between messaging and experience is as seamless as possible.

A study by Hill (2006) analyses that customer retention is a product of meeting certain customer attributes. Customers have expectations of many attributes, for example product quality, service responsiveness, price stability and the physical appearance of your people and vehicles. These are unlikely to be equally important. It is critical to meet customer expectations on attributes that are important to the customer. Online customers, for example, look for rapid and accurate order fulfillment, good price, and high levels of customer service and website functionality. Hill commends that these attributes can be met by the following strategies, which in turn help in customer retention. These are, membership cards and membership programs, welcome and thank you communications, satisfaction surveys, followed up by phone calls and letters, beefed up customer service, empowered to solve problems, enhanced technical support with follow up satisfaction calls, frequent buyer programs which permit customers to build up equity, event driven communications that are meaningful to the customers’ lives, databases that keep track of customer’s purchases, preferences, complements and complaints, which are used to carry out loyalty building services and dialogs, integrated marketing programs where the advertising, direct communications, customer service, database marketing and sales programs are all orchestrated together and designed to build loyalty, segmentation of the customer base by lifetime value groups, and different marketing programs designed for each segment.

In Korea, Korean mobile carriers are coming to a full realization of the importance of a customer-oriented business strategy as a condition for sustaining their competitive edge and maintaining a stable profit level, and, indeed, for their very survival. When the number of subscribers has reached its saturation point, creating and securing new
customers is not only difficult but also costly in terms of marketing. Hence, it is becoming an industry-wide belief that the best core marketing strategy for the future is to try to retain existing customers by heightening customer loyalty and customer value (Kim, et al 2004).

In China, the rapid development of mobile technology and large usage rates of mobile phones, mobile instant message (MIM) services have been widely adopted. Although previous studies on the adoption of mobile services are quite extensive, few focus on customer satisfaction and loyalty to MIM in China. In the study of Deng et al (2010), they examined the determinants of customer satisfaction and loyalty. Their findings confirm that trust; perceived service quality, perceived customer value, including functional value and emotional value, contribute to generating customer satisfaction with MIM. The results also show that trust, customer satisfaction and switching cost directly enhance customer loyalty. Also their study found that age, gender, and usage time have got moderating effect.

In the study of Shin and Kim (2007) that investigates switching barriers under the mobile number portability (MNP) in the U.S.A mobile market; where the structural equation modelling analysis was used to evaluate the causal model, and confirmatory factor analysis is performed to examine the reliability and validity of the measurement model. The logistic regression was used to investigate the effect of demographics on switching decision. The findings indicate that customer satisfactions, switching barriers, and demographics significantly affect subscribers’ intent to switch. Among them, switching barriers had the most significant influence, which raises a question of the effectiveness of MNP. The MNP in the U.S. mobile market is intended to play an important role in lowering switching costs which can increase the level competition among providers. Their findings, however, imply that subscribers still perceive switching barrier high, discouraging them from switching carriers.
2.6 Conceptual Framework

This study evaluates customer retention strategies from the standpoint of Strategic management, where contemporary research has undergone a shift of focus from customer acquisition to customer retention because of two main reasons. First, there is an incremental profit impact of a loyal customer base and second, customer retention is relatively less costly than customer acquisition. (Fornell, C. and Wemerfelt, B. 1987). This alteration in attention draws its support from Tigo that captures the loyalty of customers as one of the ‘unique bundle of resources’ that competitors may find difficult to imitate. Tigo as the inside-out focused theory of management takes into account the factor of customer loyalty as a rare resource that helps an organization create distinction and survive in the dynamic environment. It views customers as constituting a source of revenue over the life time of a firm rather than on the basis of an individual interaction that has taken place at one point in time only.

This present research is a replication study whereby the authors have adopted the model enunciated by Xue and Liang, along with an insight into the demography of the sample. (Xue, J. and Liang, B. 2005). The observed features relate significant aspects about the sample that could be utilized to draw important implications for promoting customer loyalty in the telecommunication industry. The research design of the study was that of four independent variables as TSQ, Trust, SC and SL, which are correlated with one dependent variable of customer loyalty. The dependent variable is further sub-divided in terms of three constructs, namely long-term purchase, recommendations and expected purchase.

2.6.1 Dependent Variable

2.6.1.1 Customer Loyalty

Long-term purchase Jacoby and Chestnut (Jacoby and Chestnut; 1978) believe that purchase spanning over a long-term period is a leading behavioral determinant of customer loyalty. In consonance with the adopted model, this factor has, thus, been taken up as one of the prime subsets of customer loyalty.
2.6.2 Independent Variables

The four driving categories that have an impact on the construct of customer loyalty are broadly categorized as independent variables of Telecommunication Services Quality, Trust, Switching Cost and Staff Loyalty. These four broad constructs would in turn be explained through the following sub-constructs.

2.6.2.1 Service Quality

The telecommunication service quality is further split into Communication Guarantee, Settlement Service, Value Added Service (VAS) and Technology Innovation. Communication Guarantee results when the quality of network of the service provider is satisfactory and there are negligible rates of call failure. The Settlement Service refers to the prompt and accurate billing service that also enhances customer satisfaction. Customer satisfaction level can also be influenced by VAS, for example, Media file sharing, news updates and so on. Finally, Technology Innovation refers to the feature where in the service provider rolls out new technology on a regular basis.

2.6.2.2 Trust

Brand trust is found to increase customers’ commitment, which weakens customers’ propensity to switch (Morgan, R.M. and Hunt, S.D. 1994). Trust is a key element to build customer loyalty and is measured in terms of Brand Promise, Communication and Experience. Brand Promise works best in an environment marked with uncertainty, as it is where the customer feels vulnerable and, hence, relies upon trusted brand. Communication ensures that the service provider regularly keeps in touch with the customers about new offers, packages and so on. Positive experience of the customers makes up a trusting relationship with the particular brand.

This model also incorporated Relations Interact as the subset of Trust. The importance of this sub-construct is substantiated by the fact that the social structure of Pakistan and the environment of telecommunication industry are so organized that social interacts, for instance, family, friends, advertisement, celebrity endorsement, mobile phone dealers, all play a contributing role in influencing the adoption of a particular telecom service.
2.6.2.3 Switching Cost

Switching cost is taken in terms of Phone Number Value, Study Cost, Accumulated Scores of Service and Additional Services. Out of all the sub-categories of SC, study cost that is defined in terms of time and effort spend by a customer in deciding about new and alternative offers, has been excluded as its omission gave a better reliability by improving the Cronbach's \( \alpha \) of SC. Switching Cost has a number of long-term implications for customer loyalty. In the first instance, the more a customer stays with a service provider, his stakes grow and he finds it increasingly difficult to switch to any other operator. This creates a long-term customer lock-in. (Sharp, B. and Sharp, A. 1997). Second, higher SCs discourage the loyal customers from having interaction with service providers who offer competitive services. (Bolton, R.N. at al 2000).

The customers consider SC as a discouraging factor because the phone number value acts as a contact point and reference. Hence, peer group expectations, norms and pressure for conformity could discourage customers from switching. (Yi, Y. and Jeon, H. 2003). Service providers generally raise the SCs by providing privilege in terms of free talk time, discounts and free numbers and so on so as to discourage migration from one service provider to another. Allied services such as free short message service (SMS) and low cost of the package also raise opportunity costs and add to SCs.

2.6.2.4 Staff Loyalty

Staff Loyalty is another independent variable that plays a vital role in sustaining Customer loyalty. SL includes factors as attitudes, knowledge, motivation, staff, correspondence and complaint handling with reference to the service provider.
Figure 2.3: Conceptual Framework

Source: Researcher’s Construction, 2013
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction
In this chapter the research highlights the methodology used to come out with the findings of this research. The research design, study area, sources of data, research population, sample size and sampling procedure, and data analysis plan are described in this section.

3.2 Research Design
Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure (Kothari, 1985). This study employed both qualitative and quantitative approach of data collection and analysis. Empirical data was collected through quantitative techniques, such as questionnaire in order to establish the customer retention fluctuations, benefit of retention. Qualitative data has gathered in order to establish correlation between the two methods and to get insights of the respondents on the subject under study. The connection of both approaches ensures methodological triangulation in order to get valid and reliable data (Kothari, 1985).

3.3 Study Area
The study conducted in Dar-es-Salaam Region, TIGO Headquarters office. The area was proposed because many telecommunication companies Headquarters are located in Dar-es-Salaam and many branches are located in Dar-es-Salaam (TCRA, 2008); thus it is possible to meet managers and planners in the Headquarter to provide relevant information on the subject under study. TIGO is selected based on the belief that it is a wide coverage telecommunication company with many customers in Tanzania (Tigo Customer profile, 2008) that can be used as an illustration to examine its customer retention strategies. Yet, it is expected that many customers may be found in the TIGO customer care branches and TIGO headquarters, which help the researcher to observe relations and interactions with employees, and service
deliveries as indicators of customer retention. Also to get their perception on services and their likely hood of loyalty to the company.

3.4 Sources of Data
The study employed both primary and secondary sources for data collection. These sources are explained here under:

3.4.1 Primary Sources
The research included Primary sources of data whereby interviews, observation and questionnaire were used to collect data.

3.4.1.1 Interviews
The study employed semi-structured interview in order to get views of the respondents on the retention strategies in the TIGO Company. The researcher used both notebooks to write necessary information and tape recorder in order to record information, because not all information can be written down during interviews.

3.4.1.2 Observation
Partial participant observation was employed in order to see how customers respond to clients and deliver service. Yet customer interaction with employees was observed in order to establish their attitudes satisfaction and feedback of the services. Observation helped to examine the efficiency of service delivery and other attributes are likely to attract customer retention.

3.4.1.3 Questionnaire
Questionnaire was distributed to managers, planners, marketing officers, customer service providers and customers. Managers, planners and marketing officers were asked on the retention strategies they are using and the viability of the strategies on generating profits and retention of customers. Customer service providers are expected to provide information on how they treat customers, which to asses if they are capable of retaining customers. Customers provided information of service they get is conversing for them to pay loyalty to the company. The questionnaire included
both closed ended questions for the respondents to pick only an objective response, and open ended questions which gave respondents freedom to express their views or perceptions on the subject under study.

3.4.2 Secondary Sources

Secondary data collected from documentation centers, including the University of Dar-es-Salaam main library, UDBS library, TCRA documentation centre and TIGO documentation centre. Data collected include reviews on related studies, including theories, models, methodology and empirical evidence in order to build cornerstone for this study. Similarly records on the establishment of the company, customer retention strategies and various motivational service delivery strategies to attract and retain customers were studied. Yet, records from TCRA and TIGO helped to establish customer fluctuation and used to analyze the effectiveness of the strategies and the profit or loss the company has because of retention or defection of employees.

3.5 Population of the Study

Successful statistical practice is based on focused problem definition. In sampling, this includes defining the population from which our sample is drawn. A population can be defined as including all people or items with the characteristic one wish to understand. The study conducted at TIGO Headquarters office in Dar-es-Salaam, where the respondents were supposed to be drawn. As per nature of this study, the population consisted of 150 persons even from respective TIGO Branches situated in Dar-es-Salaam Region.

3.6 Sample and Sampling Techniques

3.6.1 Sample

Total of 50 respondents were used in this study, considering also gender balance this sample was adequate to generalize views of respondents and given the nature of the project and time of the study.
3.6.2 Sampling Techniques

To select a sample of 50 respondents from 150 people, this study employed both probability sampling (simple random sampling) and non-probability sampling (purposive sampling). In probability sampling, not everybody has the same probability of selection; what makes it a probability sample is the fact that each person's probability is known. Non-probability sampling is any sampling method where some elements of the population have no chance of selection, or where the probability of selection cannot be accurately determined.

3.6.2.1 Purposive Sampling

Since the study deals with customer retention, only those workers with knowledge or working under marketing department especially on sales and customer case have been sampled, because they have the knowledge of customer strategies.

3.6.2.2 Simple Random Sampling

It is a technique where any given pair of elements has the same chance of selection as any other such pair. This technique was used to get respondents who are customers. Because most of the respondents coming for customer service at different intervals, therefore they have been randomly sampled to be involved in this study.

3.6.2.3 Stratified Sampling

Where the population embraces a number of distinct categories, the frame can be organized by these categories into separate "strata." Each stratum is then sampled as an independent sub-population, out of which individual elements can be randomly selected. Because respondents come from different departments and cadres, therefore it is proposed that the study has to involve five managers, two planners, and ten customer service providers all from TIGO, three officials from TCRA and thirty customers.
3.7 Data Analysis
Quantitative data analyzed by using figures, tables and charts followed by interpretation basing on the relations observed through these statistical devices. Qualitative explanations will be added to the quantitative data analyzed by contents depending on the research questions answered. The use of multiple sources helped to test the efficacy of another source.
CHAPTER FOUR

PRESENTATION AND DISCUSSION OF THE FINDINGS

4.1 Introduction
This chapter presents the findings of this research, the analysis of the data collected to support the research project on customer retention strategies in telecommunication industry in Tanzania a case study of Tigo. The findings of this study answer the research questions of this study; and as well posed to attain the following objectives; to explore the determinants of the customer retention in relation to customer satisfaction and customer royalty in Milcom Tanzania – TIGO Company; to examine reasons for customer defection in Milcom Tanzania – TIGO Company; to determine the significance of customer retention strategies employed by Milcom Tanzania – TIGO company

4.2 Description of Respondents

4.2.1 Age of Respondents
The researcher needed to know the age distribution of respondents to help categorize the TIGO subscriber. Figure 4.2 below summarizes the data obtained on the ages of respondents.
Analyzing the data obtained from the questionnaire, figure 4.2 reveals that 30 respondents between 36-45 years representing 37.5% formed the majority with 20 respondents each between the ages of 18-25 representing 25% and 26-35 representing 25% respectively. 5 respondents aged between 46-55 representing 6.25% and between 56-59 representing 6.25%.

**4.4.2 Sex of Respondents**

Figure 4.3 below present data on sex of respondents. The figure shows that the male respondents formed majority of the target population with a total of 50 representing 62.5%, while 30 respondents representing 37.5% were females. Sex of the respondents was found out because of the important of considering gender issues that it is important to consider men and women at least nearly equally.
4.4.3 Education Background

It was also necessary for the study to determine the educational levels of the respondents as that could examine customer awareness on retention strategies at TIGO Company. Table 4.1 below presents the data of educational background of respondents:

Table 4.1: Educational Background of Respondents

<table>
<thead>
<tr>
<th>CLASSES CASE</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary School Level</td>
<td>18.75%</td>
</tr>
<tr>
<td>Ordinary Level</td>
<td>18.75%</td>
</tr>
<tr>
<td>Advance Level</td>
<td>25.0%</td>
</tr>
<tr>
<td>Diploma</td>
<td>22.5%</td>
</tr>
<tr>
<td>First Degree</td>
<td>7.5%</td>
</tr>
<tr>
<td>Masters Degree</td>
<td>7.5%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: Field Data, 2013
From table 4.1, it can be seen that respondents hold a range of educational qualifications from Primary School level to Masters Level. Most of the TIGO subscriber constituting majority of the total respondents has no professional qualification. 20 of the respondents are Advance level (A-Level) holders. 15 out of the 80 respondents are Primary School graduates and another 15 holding the Ordinary Level certificate. 18 of the respondents are Diploma holders with the degree holders representing only 7.5%. This suggests that people of different educational qualifications are subscriber of TIGO.

The questionnaires distributed contained a total of 23 questions divided into three parts, one to three. However, some of the questions are general questions which are not directly answered neither our research questions nor our research objectives. Only 6 questions are directly related to and or answer our research questions and objectives in the forms of four scores; the other questions were developed for widening knowledge of the researcher as herein below presented.

4.4.4 Customer Satisfaction as a Key Factor for Customer Retention

Many companies in the world are using customer’s satisfaction as a way to maintain customers and attract them. The question concerning customer satisfaction was asked to respondents so as to attain some of the objectives of the study. Figure 4.3 below presents the responses of customer satisfaction as a key factor for customer retention.
The findings of questionnaire above show that 61% of the respondents agreed that customer satisfaction is a key factor for customer retention, 10% of the respondents were uncertain, 19% were disagreed and 10% were strongly disagreed with the question. The same question was asked on interview with different Telecommunication industry. The responses results of the question are presented on figure 4.4 below.

Source: Field Data, 2013
The findings of interview above show that 68% of the respondents agreed that customer satisfaction is a key factor for customer retention, 11% of the respondents were uncertain, 12% were disagreed and 9% were strongly disagreed with the question.

4.4.5 Large Customer Base and Customer Retention

The question concerning the availability of large customer base towards customer retention was asked to respondents to have their views on how they think; to have a large customer base is a sign of customer retention within organization. In some instances some business managers confusing two aspects; retention of customers and having a large customer base. This question was asked to examine whether customer base is used as among of the strategies in determining customers retention. The result of the question is presented on figure 4.5 below:

![Figure 4.5: Large Customer Base and Customer Retention](image)

**Source:** Field Data, 2013

The findings of questionnaire above show that 45% of the respondents agreed that customer satisfaction is a key factor for customer retention, 50% of the respondents were uncertain, 3% were disagreed and 3% were strongly disagreed with the question. The same question also was asked on interview, the figure below present data for the question.
The findings of interview above show that 49% of the respondents agreed that customer satisfaction is a key factor for customer retention, 45% of the respondents were uncertain, 5% were disagreed and 1% were strongly disagreed with the question.

### 4.4.6 High Number of Customers churning and Customer Retention

The question on high number of customers churning towards low customer retention was asked to the respondents to examine the effect of churning of customers on Telecommunication Company. The high the number of churning is a lack of retention strategies. This question was asked so that to answer objective of the study which aimed at finding out the significances of retention strategies in Telecommunication industry. The response of the question is presented on the figure below.
The findings of questionnaire above show that 71% of the respondents agreed that customer satisfaction is a key factor for customer retention, 6% of the respondents were uncertain, 11% were disagreed and 12% were strongly disagreed with the question. The same question was asked to the respondents on interview; findings of the question were as following on the figure below.

Source: Field Data, 2013
The findings of interview above show that 74% of the respondents agreed that customer satisfaction is a key factor for customer retention, 6% of the respondents were uncertain, 14% were disagreed and 9% were strongly disagreed with the question.

### 4.4.7 Customer Royalty Schemes

The question on customer royalty as one among the strategies for customer retention posed to the respondents. The question was asked to the respondents so that to get their view on the importance of creating customer royalty as a strategy for customer retention. It is said that, customer retention is more than giving the customer what they expect; it’s about exceeding their expectations so that they become loyal advocates for your brand. Creating customer loyalty puts ‘customer value rather than maximizing profits and shareholder value at the center of business strategy. The question above was asked to answer objective of the study which is examining customer retention strategies. The figure below presents data for question four above.

**Figure 4.9: Customer Royalty Scheme towards Customer Retention**

<table>
<thead>
<tr>
<th>Agreed</th>
<th>Uncertain</th>
<th>Disagreed</th>
<th>Strongly Disagreed</th>
</tr>
</thead>
<tbody>
<tr>
<td>80%</td>
<td>1%</td>
<td>17%</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Source:** Field Data, 2013

The findings of the question above show that 80% of the respondents agreed that customer satisfaction is a key factor for customer retention, 1% of the respondents were uncertain, 17% were disagreed and 2% were strongly disagreed with the question. The same question also was asked on interview, the data of the question is presented on the figure below.
Figure 4.10: Customer Royalty as a key Strategy for Customer Retention

<table>
<thead>
<tr>
<th></th>
<th>Agreed</th>
<th>Uncertain</th>
<th>Disagreed</th>
<th>Strongly Disagreed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series1</td>
<td>79%</td>
<td>3%</td>
<td>11%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: Field Data, 2013

The findings of interview above show that 79% of the respondents agreed that customer satisfaction is a key factor for customer retention, 3% of the respondents were uncertain, 11% were disagreed and % were strongly disagreed with the question.

4.4.8 High Cost of Customers switching and Customer Retention

The question on whether high cost of customers switching influence customer retention, was asked to know customers views on how they take when high switch cost are set to the customers. There happens now days that most of telecommunication companies introducing a lot of products aiming at increasing ARPU (Average revenue per user). However; most of those products provide a code for joining without providing a code for customer switching. Therefore, this question was asked to find out as to whether this is used as a retention strategy or not. The response of the question is presented on the below figure.
The findings of questionnaire above show that 51% of the respondents agreed that customer satisfaction is a key factor for customer retention, 24% of the respondents were uncertain, 20% were disagreed and 5% were strongly disagreed with the question. Findings of the question on interview were as follows on the below figure.

**Figure 4.12: High Cost of Customers Switching as a Strategy for Customer Retention**

Source: Field Data, 2013
The findings of interview above show that 49% of the respondents agreed that customer satisfaction is a key factor for customer retention, 45% of the respondents were uncertain, 5% were disagreed and 1% were strongly disagreed with the question.

4.4.9 Customer’s Club Membership and Customer Retention

The question on customer’s club membership towards customer retention was specifically asked to customers who are long used one cellular networking company, specifically at Tigo as a case study. The findings of the question are presented on the following figure below.

**Figure 4.13: Customer’s Club Membership and Customer Retention**

![Bar chart showing the percentage of respondents agreed, uncertain, disagreed, and strongly disagreed with the question.]

**Source:** Field Data, 2013

The findings of interview above show that 68% of the respondents agreed that customer satisfaction is a key factor for customer retention, 20% of the respondents were uncertain, 7% were disagreed and 5% were strongly disagreed with the question.
4.5 Level of Satisfaction and Interpersonal Communication

To attain the level of satisfaction of the customers on interpersonal communication, the researcher asked a question on interpersonal communication and the level of satisfaction to the customers. The purpose of the question was to attain one of the objectives of the study, which is to explore the determinants of the customer retention in relation to customer satisfaction and customer royalty. Here under is the figure 4.15 which gives the results from the number of respondents on customer satisfaction from interpersonal communication.

Figure 4.15: Customer Satisfaction and Interpersonal Communication

<table>
<thead>
<tr>
<th></th>
<th>Highly Satisfied</th>
<th>Satisfied</th>
<th>Uncertain</th>
<th>Not Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series1</td>
<td>29%</td>
<td>62%</td>
<td>9%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Field Data, 2013

Figure 4.15 above shows the results for the level of satisfaction with interpersonal communication in percent. It indicates that 29% of the customers are highly satisfied, 62% of the customers are just satisfied and 9% are lowly satisfied; no customers were ‘not satisfied’ with interpersonal communication.

What differentiates companies in today’s hyper-competitive and demand, driven markets is their ability to address their customer’s preferences and priorities. With increased competition, firms are realizing the importance of loyal customers and adopting strategies to create and sustain a loyal customer base. The main objective of the customer relationship management (CRM) approach is to increase the life time
duration of customers because of the underlying assumptions that long-term customers are more profitable.

4.6 Level of Satisfaction and Service Performance

To attain the level of satisfaction of the customers on service performance, the researcher asked a question on service performance and the level of satisfaction to the customers. The purpose of the question was to attain one of the objectives of the study, which is to explore the determinants of the customer retention in relation to customer satisfaction and customer royalty. Here under is the figure 4.16 which gives the results from the number of respondents on customer satisfaction from service performance.

![Figure 4.16: Level of Satisfaction with Service Performance](image)

Source: Field Data, 2013

4.7 Level of Customer Satisfaction and Handling of Complains

To attain the level of satisfaction of the customers on handling of complains, the researcher asked a question on handling of complains and the level of satisfaction to the customers. The purpose of the question was to attain one of the objectives of the study, which is to explore the determinants of the customer retention in relation to customer satisfaction and customer royalty. Here under is the figure 4.17 which gives the results from the number of respondents on customer satisfaction from handling customers’ complains.
Figure 4.17: Level of Satisfaction with Complaint Handling

Figure 4.17 above shows the results for the level of satisfaction with complaint handling in percent. It indicates that 16% of the customers are highly satisfied, 63% of the customers are just satisfied, 17% are lowly satisfied and 5% were ‘not satisfied’ with complaint handling.

4.8 Discussion of the Findings

In general discussion of the findings of this study involves a total number of 50 respondents. The following are the discussion of the findings of the study basing on questionnaires and interviews conducted to the respondents of this study as presented above:

4.8.1 Strategies for the Customer Retention

The findings of questionnaire on figure 4.3 above show that 61% of the respondents agreed that customer satisfaction is a key factor for customer retention, 10% of the respondents were uncertain, 19% were disagreed and 10% were strongly disagreed with the question. While, the findings of figure 4.4 above depict that the majority of the respondent (79%) agreed that customer satisfaction is a key factor of customer retention. This means that business development managers or planning department has to keep an eye on customer satisfaction whenever creating their customer
retention strategies. Customer satisfaction is essential to any business. If the customers are satisfied they are more likely to purchase more from you or from you more often. Products coordinator gives some examples of services that are offered as promotional in retention strategies.

Managers need to know how their consumer groups define satisfaction and then interpret satisfaction scales to accurately target, report, and respond to satisfaction levels. Guided by our framework, managers should conduct post-purchase segmentation, realizing that consumers vary with respect to the components and related properties of satisfaction. Results suggest that different industries may need to use different satisfaction scales, or a single industry may need to tailor scales to different types of consumers. More importantly, managers can recognize that the satisfaction focus and timing can be customized for their needs. Rather than looking at all aspects of choice/consumption experience, managers can concentrate on those that are of direct interest or are directly controllable. As a result, managers are able to obtain "true" consumer responses that are relevant to managerial decision a king.

Tigo has establishes many promotions products that make customers to be satisfied; the following are some of the promotional products:-

**KABAANG**

<table>
<thead>
<tr>
<th>Price</th>
<th>Tigo-TigoMins</th>
<th>Tigo-All Networks Mins</th>
<th>SMS All Networks</th>
<th>Data</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>600</td>
<td>15</td>
<td>10</td>
<td>300</td>
<td>60MB</td>
<td>24hrs</td>
</tr>
<tr>
<td>1000</td>
<td>30</td>
<td>10</td>
<td>500</td>
<td>100MB</td>
<td>24hrs</td>
</tr>
<tr>
<td>10000</td>
<td>150</td>
<td>150</td>
<td>5000</td>
<td>1GB</td>
<td>7 days</td>
</tr>
</tbody>
</table>
XTREME PACKS

<table>
<thead>
<tr>
<th>Price</th>
<th>Tigo- Mins</th>
<th>Tigo-All Mins</th>
<th>SMS All Networks</th>
<th>Data</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>450</td>
<td>15</td>
<td>0</td>
<td>50</td>
<td>25MB</td>
<td>24hrs</td>
</tr>
<tr>
<td>500</td>
<td>10</td>
<td>5</td>
<td>100</td>
<td>50MB</td>
<td>24hrs</td>
</tr>
<tr>
<td>2000</td>
<td>30</td>
<td>30</td>
<td>1000</td>
<td>100MB</td>
<td>48hrs</td>
</tr>
</tbody>
</table>

Tigo has Short Message Service which is convenient when you want to communicate discreetly and quietly. A single text message consists of 160 characters. The cost of an SMS to all local networks is Tsh23.11 while a message to an international network costs Tsh75.50. The service is also offered with special packs; Xtreme Pack and Usiku Pack. Also Tigo’s Bulk SMS service enables companies to communicate by sending single promotional information to many individuals simultaneously. The service allows SMS to be sent in two main formats, ie Regular SMS and SMS.

In making sure that it retains its customers, Tigo offered internet services in very affordable prices like the following below:-

### Daily Data Bundles

<table>
<thead>
<tr>
<th>Package</th>
<th>Price</th>
<th>Value</th>
<th>How to subscribe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day</td>
<td>450 TZS</td>
<td>Unlimited</td>
<td>Send Day To 15166</td>
</tr>
<tr>
<td>Day Plus</td>
<td>750 TZS</td>
<td>Unlimited</td>
<td>Send Day Plus To 15166</td>
</tr>
<tr>
<td>Day Max</td>
<td>4500 TZS</td>
<td>Unlimited</td>
<td>Send Day Max To 15166</td>
</tr>
</tbody>
</table>

### Weekly Data Bundles

<table>
<thead>
<tr>
<th>Package</th>
<th>Price</th>
<th>Value</th>
<th>How to subscribe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Week</td>
<td>2800 TZS</td>
<td>Unlimited</td>
<td>Send Week To 15166</td>
</tr>
<tr>
<td>Week Plus</td>
<td>8500TZS</td>
<td>Unlimited</td>
<td>Send Week Plus To 15166</td>
</tr>
<tr>
<td>Week Max</td>
<td>25,000 TZS</td>
<td>Unlimited</td>
<td>Send Week Max To 15166</td>
</tr>
</tbody>
</table>
Monthly Data Bundles

<table>
<thead>
<tr>
<th>Package</th>
<th>Price</th>
<th>Value</th>
<th>How to subscribe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month</td>
<td>8,500</td>
<td>Unlimited</td>
<td>Send Month To 15166</td>
</tr>
<tr>
<td>Month Plus</td>
<td>25,000</td>
<td>Unlimited</td>
<td>Send Month Plus To 15166</td>
</tr>
</tbody>
</table>

The findings of figure 4.5 on interview above show that 68% of the respondents agreed that customer satisfaction is a key factor for customer retention, 11% of the respondents were uncertain, 12% were disagreed and 9% were strongly disagreed with the question. The above interview findings show that larger population of the study (68%) agreed that customer satisfaction is a key factor to customer retention. The number of disagreed (12%) and strongly disagreed (9%) in total are less than half, this means that almost one third of the population agreed on the contention.

One of the business development managers of TIGO was on the views that many factors have an impact on customer satisfaction and loyalty. You don't have enough resources to attack all the problem areas.

“Here in TIGO we use key driver analysis to tell us what is most important to our customers and where to spend our money for the greatest impact on retention of our customers”.

On the side of the customer, their views were the same of that of the business development manager; that if they are not satisfied with the services rendered then they have no reasons of continuing being Tigo Customer. For instance one of the customer said that:

“...we are tigo customers because of a lot of products that we think are more service oriented that business, we know for sure that this business and they do gain their revenues but when compared to others, Tigo is cheap...did you ever heard about Kabaang, tigo time, extreme packs and many more...”

The findings of figure 4.6 of questionnaire above show that 45% of the respondents agreed that to have a large customer base is a sign of customer retention, 50% of the
respondents were uncertain, 3% were disagreed and 3% were strongly disagreed with the question. The above findings show that many respondents (50%) were uncertain that large customer base is a sign of customer retention.

The findings of figure 4.7 of interview above show that 45% of the respondents agreed that to have a large customer base is a sign of customer retention, 49% of the respondents were uncertain, 5% were disagreed and 1% were strongly disagreed with the question. Findings on interview were almost the same with the findings from questionnaire; large number of respondents (49%) was uncertain of the question.

Speaking with one of staff of TIGO in the business development department was on the view that customer base cannot be a determinant of customer base. Basically a business starts with few customers and what brings more customers is retention of existing customers by creating them a trust of your products. According to her word of mouth advertising is the most powerful advertising there is. And we only get it from happy retained customers.

If a trusted friend tells you something is good, you will most likely believe it and try it out for yourself. When your customers love you, they will tell people about you and they will shop with you again. Nurture this phenomenon by treating your customers like gold and making them happy. They will have great things to say about you and you will have great things to say about your profits.

The findings of figure 4.8 from questionnaire above show that 71% of the respondents agreed that high number of customers churning is a sign of low customer retention, 6% of the respondents were uncertain, 11% were disagreed and 12% were strongly disagreed with the question. The results to the question show that greater number (71%) of the respondents agreed that customer churning is adverse to customer retention.
The findings of figure 4.9 on interview above show that 74% of the respondents agreed that high number of customers churning is a sign of low customer retention, 6% of the respondents were uncertain, 14% were disagreed and 9% were strongly disagreed with the question. On interview, the results were the same of that from questionnaires that 74% of the respondents agreed that churning is a killer factor for customer retention. Not only TIGO, all telecommunication companies in Tanzania suffers from voluntary churn that is, the loss of customers to other company. According to TIGO business development Manager, survival of any business is based on its ability to retain customers. This is particularly true for phone, cable TV, satellite TV and wireless companies. He added, how do you reduce churn? In tigo there are many strategies for this: better products, lower prices, building satisfactory customer relationships, better marketing and, above all, successful customer communications.

Further he added that, our industry retention surveys of 2010 have shown that while price and product are important, most people leave any telecommunication services because of dissatisfaction with the way they are served. They would not be looking around if they were happy with their current provider and its services. Customer communication is the heart of successful churn reduction. As a start, we are using Automatic Number Identification (ANI) and customer database to identify all customers when they calling our customer service centre for rapid problem solving. Bring their complete history up on the screen when they call, including their profitability segment. We have special Customer teams as we call them postpaid; we provide them with a lot of promotional services so that to retain them.

We have priority card to our royal customer. This card helps our VIP customers to have free Sim swap, he/she cannot stand on a queue. For those long lasting customer we provide them with free mobile phones, end of the year prizes and Christmas prizes, Ramadan prizes. Also we have celebrity live chat whereby we invite one of the Tanzanian celebrities and our customers chat direct with him/her through our facebook page and twitter.
The findings of figure 4.10 of questionnaire above show that 80% of the respondents agreed that to have customer royalty schemes is among of the strategies of retention, 1% of the respondents were uncertain, 17% were disagreed and 2% were strongly disagreed with the question. The findings of figure 4.11 from interview above show that 79% of the respondents agreed that to have customer royalty schemes is among of the strategies of retention, 3% of the respondents were uncertain, 11% were disagreed and % were strongly disagreed with the question.

On interview with TIGO customer care manager, was on the view that, customer loyalty is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities and bring you even more customers. Customer loyalty schemes are an effective way to improve your customer-retention levels. The high cost of bringing in new business compared to retaining existing clients is undisputed so increasing your customer retention can significantly boost bottom-line profits. And yet many firms are missing a trick when it comes to building customer loyalty.

In a competitive telecommunication market place like Tanzania where customers find it easy to switch service provider, loyalty schemes are an effective way to increase customer retention and improve your profitability. If you want to build a loyal clientele, keeping the customer satisfied is not always enough. The fact that your customers are satisfied does not stop them from taking their business to a competitor who offers them something extra. To increase loyalty, you need to recognize and reward your best customers. A loyalty scheme can be used to incentivize and delight your most valued customers. That in turn can do wonders for your profitability. Loyalty initiatives allow Tigo to focus on our customers and improve customer satisfaction levels. Loyal customers buy more and are often willing to pay more, which boosts our cash flow.

Loyal customers are also good for our business because they become our best advocates. They recommend Tigo to others, saving our marketing costs. A loyal customer's endorsement is more powerful to their friends and family than any of our advertising campaign.
The findings of figure 4.12 from questionnaire above show that 51% of the respondents agreed that creating high cost of customers switching is the best way of customer retention, 24% of the respondents were uncertain, 20% were disagreed and 5% were strongly disagreed with the question.

The findings of figure 4.13 from interview above show that 49% of the respondents agreed that customer satisfaction is a key factor for customer retention, 45% of the respondents were uncertain, 5% were disagreed and 1% were strongly disagreed with the question. One of the revenue department staff of Tigo was of the view that high cost of switching has nothing to do with customer retention; cannot be used in strategies for customer retention. It is interesting to note that none of the switching cost variables is significant in retention. If they decide to switch to other providers, switching costs will not be the barrier considering low switching costs. For customers to be retained, the quality factor and satisfaction are significant whereas the price factor is stationary. In other words, loyalists who are very satisfied with the current provider are less concerned with the pricing plan and willing to pay a price premium.

For the continued success of a firm, it is critical to retain its current customers and maintain loyalty to its brands. Hence the success depends heavily on the well-designed customer satisfaction strategies. By understanding the role of switching costs in satisfaction-loyalty link, a firm can take advantage of the current structure of switching costs in preventing customers from switching and/or in attracting potential customers by creating high switching costs.

The findings of figure 4.14 from interview above show that 68% of the respondents agreed that customer satisfaction is a key factor for customer retention, 20% of the respondents were uncertain, 7% were disagreed and 5% were strongly disagreed with the question.
The findings of figure 4.15 from interview above show that 63% of the respondents agreed that customer satisfaction is a key factor for customer retention, 24% of the respondents were uncertain, 9% were disagreed and 4% were strongly disagreed with the question. Most of the interviewers have agreed that membership club can be used to retain customers. However, speaking with social department officer of Tigo, he argues that,

Membership club is not in itself a factor of customer retention as it cannot be a strategy for retention; it should be incorporated with other factors. For example, here at Tigo we do not have membership club in our retention strategies.

It is very difficult to have membership clubs in telecommunication companies, taking into account that nature of the business is not friendly in establishing clubs as a strategy for customer retention.

4.9 Analysis of Extraneous Findings

Although the researcher was primarily interested in establishing the level of satisfaction of customers with interpersonal communication, service performance and complaint handling, but the extraneous findings present us with additional factors that play part in determining this level of satisfaction. The researcher therefore finds sense to appreciate the confounding result in this study. In general the extraneous findings support the above stated interpretation in that:

The respondents generally were attracted to join the TIGO by superior service and recommendations but are generally likely to stop their service with TIGO because of service related issues like time taken to get service, irregular charges. This indicates that the company does not meet the expectations of its customers hence reducing their overall level of satisfaction. 63% of the customers indicated that they had taken notice of other telecommunication company for due to the time taken to get services and efficiency, their focus on customers personalized services and reach. The companies being most noticed in this regard are Zain and Vodacom. This indicates that customers are trying to find out who can fill the gap that TIGO is leaving open.
The results also indicated that 74% percent have convinced others to join the TIGO with an average of 3 people being convinced per respondent.

These findings portray a gap that is resulting from the difference existing between customer expectations and management’s perception. This is an indication that management needs to do more to become enlightened of the particular elements leading to the gap and make an effort to fill this gap before other companies do.

As a result it becomes even more evident that improvements in satisfaction levels of customers are likely to lead to increased customer retention.
CHAPTER FIVE

SUMMARY, CONCLUSION AND POLICY IMPLICATION

5.1 Introduction
This chapter gives the summary of the study concerning the strategies for customer retention at TIGO Company as a case study. The conclusion of the study especially on the findings is also given in this chapter of the study. The findings of the study involve some challenges or problems that need policy recommendation to be taken into consideration, therefore the researcher include possible recommendation of the study in this chapter as well.

5.2 Summary
This study was assessing the customer retention strategies on mobile telecommunication industry in Tanzania, a case of Millcom (TIGO) Company. The findings of this study answered the research questions of this study; and as well posed to attain the following objectives; to explore the determinants of the customer retention in relation to customer satisfaction and customer royalty in Milcom Tanzania – TIGO Company; to examine reasons for customer defection in Milcom Tanzania – TIGO Company; to determine the significance of customer retention strategies employed by Milcom Tanzania – TIGO company.

As it was introduced earlier that the study used a case study as a research design from which both qualitative and quantitative techniques used to analyze that data collected. In data collection techniques the researcher used both questionnaires and interview to gather necessary information from selected respondents. The population of the study was Tigo offices (Headquarter and branches operating in Dar-es-Salaam) whereby about 150 people were supposed to be taken as a population of the research. From 150 people the researcher drew out 50 respondents as a sample size. The sample size was decided using both simple random sampling and purposive sampling. Simple random sampling was used to select the customers who came to visit the customer services offices at TIGO Branches, while purposive sampling was used to select the officials of both Head offices and Branches of TIGO.
The findings of the study attained the objectives of the study; to explore the determinants of the customer retention in relation to customer satisfaction and customer royalty in Milcom Tanzania – TIGO Company; to examine reasons for customer defection in Milcom Tanzania – TIGO Company; to determine the significance of customer retention strategies employed by Milcom Tanzania – TIGO Company. The findings from the previous chapter indicate that improvements in the different aspects of customer retention are necessary if TIGO is to improve its customer retention. In all three cases of interpersonal communication, service performance and complaint handling it has been indicated by statistical inference that customers are less than ‘highly satisfied’ with these aspects. From the extraneous findings further evidence is presented that gives indication there is a gap existing between the expectations of the customers and management perception. This truth presents definite implications to the management at TIGO that call for definite steps to be taken to arrest this situation.

5.3 Conclusion

The study aimed at assessing the customer retention strategies used by telecommunication industry in Tanzania the case of TIGO Company in Dar-es-Salaam. The findings reveal the following as the customer retention strategies; High cost of customers switching, Customers club membership, Interpersonal communication, Service performance and Handling of complains. All these found to be the strategies that TIGO Company uses them to retain the customers. Satisfaction levels of customers have been found to be less than ‘highly satisfactory’, which is in accordance to the research hypotheses and provides an indication that improvements in the areas of interpersonal communication, service performance and complaint handling are likely to increase customer retention at TIGO.

TIGO has benefited greatly from its position as pioneer Foreign Company, providing quality services in a Tanzania that was at the time embattled with a deteriorating telecommunication sector. The unique ‘high net worth’ individual and corporate customer portfolio that TIGO has thus far developed may be greatly attributed to this and not necessarily its superior service offering in particular (as 40% of the
customers joined because of recommendations alone). This indicates that 40% of TIGO market appeal is resulting from referrals, which puts emphasis on the essence of the results of these customer retention indicators. That is to say that TIGO has a strong image and market presence attributed greatly to its clientele base. In order to consolidate its role as ‘service quality’ leader, it has to improve interpersonal communication, service performance, and complaint handling as a means of offering services that meet customers’ high expectations so as to improve satisfaction levels and as a result retain the customers that make a market leader.

In spite, of the TIGO’s impressive performance in terms of wealth generation and deposit growth in the telecommunication sector, this research reveals that the respondents are less then ‘highly satisfied’ with interpersonal communication, service performance, and complaint handling and as a result improvements in these areas are likely to increase customer retention. The extraneous findings support these findings as they indicate that there is a gap between customers’ expectations of TIGO in terms of the reasons that made them join (that is recommendation and superior service) and what they are experiencing. The customers as a result are taking notice of other telecom companies because of their faster services and customer focus (these being the key reasons for looking at other telecom companies). This, along with new products intended to attract less then ‘high net worth’ customers has resulted into overcrowding of transactions that in turn weighs down on the service quality provision capacity. This scenario compels me to assert that the company has yet to appropriately accommodate such an impact as it is having an outweighing effect on its ability to create value for its customers in accordance with their expectations.

5.3 Recommendations
The major intention of this research as stated above was to indicate the level of satisfaction that customers had with interpersonal communication, service performance and complaint handling with the intention of drawing findings that will have an impact on TIGO Tanzania’s total service quality perspective and development of customer relations as necessary means of increasing customer
retention. Along with these practical implications for the company, the general community is likely to benefit from the findings of this research. This research presents recommendations in line with this; it is then pertinent that any service quality initiative be supported by all members of TIGO and must evolve around the customers (existing and potential) and their expectations.

5.3.1 Recommendations to TIGO

Improvements in Interpersonal Communication: Interpersonal communication depends on the parties concerned in it. The only way to improve interpersonal communication is to know as much about those concerned with the interaction as possible. Customers generally engage in interpersonal communication as a means of gaining information, understand and satisfying their own personal needs. The balance of this calls for an extensive research that may not be in the focus of the TIGO at present. Important, though, is that the employees who are readily interacting with customers be made aware of these particular needs and how to respond to them.

TIGO needs to identify who is interacting with customers and how they can be better equipped to deal with the complex characteristics of interpersonal communication. This contact and top management demands for productivity may result in employee burnout, and dissatisfaction that overflows onto the customer.

Improvements in Service Performance:

Service performance is a critical indicator of service quality. TIGO should conduct a service quality audit. These less then outstanding satisfaction level results with service performance are reflective of a gap between the expectations of customers and what they experience. TIGO needs to conduct a service audit that examines the processes involved in executing services, in terms of actual time and expected time. The fact that many customers would leave as a result of time taken in carrying out services indicates that this is an area that TIGO can capitalize on. Service quality also depends on the level of ownership of employees in it. In-order for employees to take up ownership in service quality they have to be involved and motivated towards it.
Involvement entails being involved in setting quality standards and how they will be monitored. Motivation of employees, likewise, has to be linked to service quality.

**Improvements in Complaint Handling:**
Complaint handling is a complex process that brings together both service performance and interpersonal communication. That is to say, those customers who encounter service problems may decide to communicate their dissatisfaction. As a result, a compliant is seen as an opportunity to impress the customer or a threat in that you may expose weaknesses existing in the links that influence service provision. As a result improvements in complaint handling call for improvements in service performance and interpersonal communication. The fact that this aspect received the lowest rating is an indication that more effort needs to be directed to it.

In the case of complaint handling, improvements in interpersonal communication call for employees being trained in ‘complaint intervention’ skills like listening skills and anger diffusion methods. This training as was stated above should include simulation exercises that focus on irritated customer encounters.

Apart from this, complaint handling procedure have to be instituted that enable frontline employees to make decisions and resolve complaints. This in general will affect the speed, convenience, accessibility, and flexibility of complaint procedures.

**Employee Retention and Motivation:** It is evidenced above and highly supported by literature review (Ross 1995) that employee dissatisfaction is most evidenced in decreasing employee retention, and absenteeism, and has a direct bearing on external customer satisfaction. The high/ increasing rates of employee turnover expressed by management at TIGO should act as an indicator of the source of the low satisfaction level expressed by customers.

Workloads, competencies and personal characteristic traits of employees, especially those that are in contact with customers, should be evaluated so as to increase employee satisfaction and possibility for intervention. Employee retention affects greatly customer satisfaction as it is a sign of employee satisfaction; external
customers cannot be satisfied is internal customers are not satisfied. Employees can be motivated through involvement and training. Training in all regards must be linked to customer satisfaction and as a result should entail simulations and role-playing methods. Training that simply roles out the bottom line and instruction manuals usually does not hit the mark.

It must also be noted that due to the changing many employers are aggressively redesigning job offers to attract the attention of suited candidates, including those trained by TIGO. As a result TIGO should see customer defection in this light also.

**Management Priorities:** The main driver to increasing satisfaction levels of internal and external customers is leadership involvement in service quality initiatives (Ross 1995). Top management must become convinced that customer satisfaction is a prerequisite for increased profits and revenue. Objectives that focus on revenue overlook what it takes to get those revenues. The top management at TIGO needs to set specific quality targets and standards that aim at improving customer satisfaction. For example more emphasis should be put on servicing customers at branch level. At present branch managers are rated more highly for effecting new sales than for servicing customers while in actual fact the main customer relations center is the branch.

Key performance indicators for TIGO managers, customer service managers, and other frontline employees for ‘customer satisfaction’, ‘accuracy and turn around times’, ‘queing lengths being kept at minimal time possible’, ‘minimal incidences of fraud’ need to indicate specific measures and how they will be accounted for.

**Customer Focus:** TIGO’s customers differ in many regards and cannot be handled as a bulk. Customer relationship marketing calls for identifying the unique needs of the customers you have and responding to them accordingly. With the introduction of new products such as personal loans, executive accounts that attract a non-traditional TIGO target customer base, efforts need to be made vary focus to accommodate these new customers without frustrating the old ones.
The Excel program, for customers with account accounts exceeding 25 million shillings, needs to be enhanced so that it enables customers in this group to feel more involved in the direction of the company without directly influencing it. That is to say that TIGO should work towards developing partnerships with these kinds of customers. Efforts should be made to visit these customers and not just wait for them to come. For customers with accounts exceeding 10 million shillings, the company should engage an accountable and proactive marketing approach. That is to say that the company should check on these customers and actively contact them about new product uses and helpful new products. For customers with less than 1 million TIGO should make use of a reactive marketing approach, that is to say, that the customer is simply encouraged to call if there are any questions, comments, or complaints. Focused marketing approaches cut down costs because they direct them only where they will be recover.

**Development of a Customer Database:**
TIGO should put in place a database system that enables it to register more information about its customer. Paramount is the need to be able to trace customer defection, attrition and fluctuations in account sizes. It is critical that TIGO know customer’s intention to defect in advance of account closure. This may entail the extension of service support systems onto the net, especially for corporate and ‘high net-worth customers’.

**5.3.2 Recommendations to Regulatory Authorities**
Although this microeconomic analysis of customer retention indicators garners more benefits to TIGO than the regulatory bodies concerned, but this research brings to surface several issues that need to be properly or adequately promoted by them. The regulatory bodies concerned should encourage the implementation of service quality management. From a macro-economic perspective customer retention applies, as the world is a global village where all producers compete against irrespective of location. The key indicator in this regard is likewise satisfaction. This can be achieved promoting Total Quality Management Awards. This also helps companies like TIGO justify investing more in service quality management to its shareholder, who would
otherwise view it to be less beneficial to wealth maximization. By monitoring these indicators, the regulatory bodies concerned will be better positioned to set policies that benefit all Tanzanians.

5.4 Recommendation for Future Research

Despite the interesting findings and implications that emerge from this research, it is important to recognize its limitations and the need for additional research. This research used a ‘univariate’ approach that analyses the results of one variable (satisfaction) and was based on external customers only. Research in the future should:

1. Including a preliminary survey to identify the specific areas that customers use to measure satisfaction, unlike the arbitrarily chosen areas of interpersonal communication, service performance and complaint handling (picked from unrelated researches).
2. Tracing the relationship between the satisfaction level and the likelihood to leave TIGO, as this would expose a more accurate depiction of the customer retention indicators; including internal customers in order to validate the relationship that internal customer satisfaction levels have on external customer’s satisfaction. These three considerations would result in a more comprehensive research.
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RESEARCH TITLE: Customer Retention Strategies in Telecommunication Industry in Tanzania: A Case Study of TIGO (Milicom) Tanzania

QUESTIONNAIRE FORM

Dear respondent;
I am a bonafide student of the above University pursuing Masters Program in Human Resources Management. I request your considerable help in answering the following questions. Your answer in this study will contribute and help the Researcher in doing the research at hand, which is a partial fulfillment of the award of Masters Degree in Human Resources Management.
Thank you in advance.

INTRODUCTION
The purpose of this study is to examine customer retention strategies in Telecommunication Industries in Tanzania with reference to TIGO Company (Milicom Tanzania). This is because of the sensitiveness of the communication Industry in our economy. The government and stakeholders in any country of the World should take an active role to make sure that their economy growing to the stable level. However in the free market and privatization system of economy, economy posed on the hands of private sectors.

1. Personal Particulars
2. Name: ..............................................................................................................

3. Sex:
   (i). Male
   (ii). Female
3. Age........................................................................................................

4. Designation...................................................................................................

5. Department;
   (i). HRM
   (ii). Marketing
   (iii). customer service
   Any other specify .................................................................

6. Years at this work:
   (i). Less than 3yrs
   (ii). Between 3 and 5
   (iii). above 5

PART TWO
General Questions
1. Customer defection
2. In average, how many customers do you get in each month?

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<th>Month</th>
<th>No. of Customers</th>
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<td>December</td>
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</table>
2. Do you experience regular customers or new one?
   (i). Yes
   (ii). No

3. Do you have any established profile of recording regular and new customers?
   (i.) Yes
   (ii.) No

4. If yes in average, how many regular customers do you lose each month?
   ……………………………………………………………………………………
   ……………………………………………………………………………………

5. If no how do you know the increase, decrease and retention of your customers?
   ……………………………………………………………………………………
   ……………………………………………………………………………………
   ……………………………………………………………………………………

6. Why do you experience customer defection in you company?
   ……………………………………………………………………………………
   ……………………………………………………………………………………
   ……………………………………………………………………………………

Customer retention strategies
1. Do you have any customer retention strategies in your company?
   (i). Yes
   (ii). No

2. If yes describe the customer retention strategies and how you implement them
   ……………………………………………………………………………………
   ……………………………………………………………………………………
   ……………………………………………………………………………………
3. Significance of customer retention strategies

4. Are the customer retention strategies of any significance in your company?
   (i). Yes
   (ii). No

5. Name the importance of customer retention strategies in your company
   ……………………………………………………………………………………………
   ……………………………………………………………………………………………
   ……………………………………………………………………………………………

6. Is there any disadvantage associated with customer retention strategies in your company?
   (i). Yes
   (ii). No

7. If Yes; List them
   ……………………………………………………………………………………………
   ……………………………………………………………………………………………
   ……………………………………………………………………………………………

8. Recommendations
   Give recommendations to improve customer retention strategies.
   ……………………………………………………………………………………………
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PART THREE

Please honestly indicate your perception on the customer retention strategies in Telecommunication Industry country by ticking on appropriate number relating to your thinking.

<table>
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<tr>
<th>Scores:</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
</table>

Study’s main objective is to examine customer retention strategies in Telecommunication Industries in Tanzania with reference to TIGO Company. (Milcom Tanzania)

4 Customer satisfaction is a key factor for customer retention?
   - (1) Agree
   - (2) Uncertain
   - (3) Disagree
   - (4) Strongly Disagree

5 To have a large customer base is a sign of customer retention?
   - (1) Agree
   - (2) Uncertain
   - (3) Disagree
   - (4) Strongly Disagree

6 High number of customers churning is a sign of low customer retention?
   - (1) Agree
   - (2) Uncertain
   - (3) Disagree
   - (4) Strongly Disagree

7 To have customer royalty schemes is among of the strategies of retention?
   - (1) Agree
   - (2) Uncertain
   - (3) Disagree
   - (4) Strongly Disagree

8 Creating high cost of customers switching is the best way of customer retention?
   - (1) Agree
   - (2) Uncertain
   - (3) Disagree
   - (4) Strongly Disagree

9 Creating social bonds, customer delight and customer perceived value are the key factor for customer retention?
   - (1) Agree
   - (2) Uncertain
   - (3) Disagree
   - (4) Strongly Disagree

10 Establishing customer’s club membership is a factor for customer retention?
    - (1) Agree
    - (2) Uncertain
    - (3) Disagree
    - (4) Strongly Disagree