

ABSTRACT

Worldwide, Telecommunication Industry revenue has reached 2.1 trillion dollars in 2013 and is expected to grow by 3.4% by 2014. In Kenya, the mobile phone sector is growing at 80.5% adoption rate and contributed 12% GDP growth in 2014. The 2013/2014 Communication Authority of Kenya (CAK) sectorial report, however, revealed frequent service interruptions, numerous customer complaints, fraud, limited network coverage as key concerns of stakeholders. Past studies have focused on establishing quality-satisfaction relationship in high-contact service settings like banking, hospitality and learning institutions only. Consequently, aspects of this relationship in low-contact services that are highly integrated with technology, such as Kenya's mobile phone services are not known. Furthermore, the inconsistent findings regarding effect of service quality on customer satisfaction suggests that moderating processes may be involved. Hitherto, limited efforts to resolve the conflict through moderator investigation exist. Service failure and customer communication, though plausible moderators, have, however, not been considered. Consequently, their likely effect on service quality-customer satisfaction relationship remains unknown. The purpose of the study was to examine the moderating effect of service failure and customer communication on the relationship between service quality and customer satisfaction. The specific objectives were to: establish the effect of service quality on customer satisfaction; examine the moderating effect of service failure on service quality and customer satisfaction relationship; and analyze the moderating effect of customer communication on service quality and customer satisfaction relationship. Expectancy disconfirmation theory guided the study in a correlational survey research design. The population was 32.2 million subscribers of four mobile phones firms in Kenya out of which 384 respondents were selected using proportionate stratified sampling technique. Pilot results ($N=10$) revealed 42-item instrument overall mean reliability $\alpha=0.943$. Discriminant validity was tested using factor intercorrelations where all values are less than 0.7 indicating that the retained factors are measures conceptually different constructs. Results revealed Reliability ($\beta=0.143$, $p=0.009$); Assurance ($\beta=0.419$, $p=0.000$) and Empathy ($\beta=0.559$, $p=0.000$) meaning they significantly predicted customer satisfaction in Kenya's mobile phone firms. Service failure ($\Delta R^2=0.064$; $p=0.000$) moderated the relationship significantly implying the interactive effect of service failure improved customer satisfaction by 6.4% while customer communication ($\Delta R^2=0.059$; $p=0.000$) moderated the relationship meaning the interactive effect of customer communication improved customer satisfaction by 5.9%. The study concluded that service quality practices (reliability, assurance and empathy) were significant predictors of customer satisfaction; service failure has a negative moderating effect ($\beta= -0.662$, $p=0.000$) on the relationship between service quality and customer satisfaction; while customer communication moderates the relationship positively ($\beta=0.640$, $p=0.000$). Recommendations were that firms should continue enhancing service quality dimensions, mitigate service failures and institute effective customer communication strategies as these efforts enhance customer satisfaction. The study's significance is informing service marketing literature and marketing policy by isolating service failure and customer communication as key variables.