The Relationship between Rebranding and Customer Loyalty: The Case of Kenya Power

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Abstract: Kenya Power and Lighting Company rebranded to Kenya Power. The rebranding exercise entailed name change, corporate color and logo. In this study, academic knowledge is enhanced with the help of a case study. As a result, this study suggests a new definition for corporate re-branding and presents an empirically grounded framework for understanding corporate re-branding and its impact on customer loyalty. The study used survey research design with a sample size of 234 customers of Kenya Power. The data for this study was obtained using administered questionnaires which were structured in both open and closed ended questions. The analyses of data was conducted using SPSS program. From the findings of the study, the service quality of Kenya Power had improved since rebranding. The study further established that rebranding had moderately improved the company image. Findings of this study are considered significant in enhancing strategies towards effective implementation of rebranding exercise among corporate organizations. The study also sought to add knowledge to the existing literature on rebranding and highlight the relationship between rebranding and customer loyalty.

Keywords: Rebranding, Customer Loyalty, Customer attitudes

1. Introduction

Brands and the new marketing paradigm are names, terms, symbols and designs that identify the goods or services of a seller in ways that differentiate them from those of competitors (Kotler and Keller, 2012). Organizations attempt to imbue products and services with benefits that consumers value as research shows that consumers choose brands on the basis of perceptions of fit between their functional and emotional needs and the economic and symbolic benefits that brands offer (King and Grace, 2004). Effective brands facilitate the achievement of a range of marketing aims that include brand loyalty, brand based price premiums, successful product launches, facilitation of consumer decision making and the reduction of consumer risk (Aurand et al., 2005).

Rebranding has been sometimes referred to as the repositioning, revitalizing, or rejuvenating of a brand and in some cases as even having a brand being totally “reborn”. Muzellec et al. (2003) presented their study as “a first attempt to explore the marketing issues of relevance to the rebranding phenomenon” They defined rebranding as “the practice of building a new a name representative of a differentiated position in the mind frame of stakeholders and a distinctive identity from competitors”. So in general, rebranding represents updating or changing the image of a brand in the minds of the different stakeholders involved.

2. The Problem Statement

The service brand name is the most important component of the brand and an important source of information to the customer, because service attributes are difficult to communicate via other means (Turly and Moore, 1995). Academics suggest that the change of a company’s name should be done only when there are no other alternative solutions (Kilic and Dursun, 2006). Renaming indeed could have more disastrous consequences than a simple loss of clients (Thurtle, 2002). In addition, this strategy involves tremendous costs such as advertising, legal fees, promotions among others. The need for rebranding can be attested to rapidly changing business environment characterized by ever rising competition and uncertainties of consumer behavior and attitudes. To overcome such challenges, marketers attempt to develop new branding strategies to create more brand values which are hard imitate by competitors and that will be more appealing to the target market. The rebranding strategies have been focused towards changing visual brand elements like color and logo to create new brand associations and induce customers’ purchase intentions. However outcomes of such strategies may be varied between different consumer durable brands.

In this regard, attempts of rebranding may be successful or flop in delivering new outlook and enhanced customer perception and attitudes. Although there is an extensive literature on branding services, no much of it addresses the issue of rebranding practice particularly in the service institutions (Wafa, Nabil and Olfa, 2011). In fact, most of the rebranding literatures do not investigate the effects of rebranding strategy on consumer attitudes. The study therefore sought to investigate the relationship between rebranding and customer loyalty.

3. Objective of the Study

3.1. General Objective

The general objective of this study is to determine the effect of rebranding as a change strategy on customer attitudes, a case of Kenya Power.

3.2. Specific Objectives

To determine the relationship between rebranding and customer loyalty at Kenya Power
4. Conceptual Framework

The conceptual framework illustrates how the independent variable relates to the dependent variable. The dependent variable of the study is customer loyalty while the independent variable is corporate rebranding.

![Conceptual Framework](image)

Source: Researchers (2013)

5. Literature Review

Daly and Moloney (2004) presented a rebranding continuum made up of three main categories: minor changes, intermediate changes, and complete change. Minor changes focus on aesthetics and “varies from a simple face lift, to restyling, to revitalizing the brand appearance or aesthetics which may have dated and be in need have change.” Intermediate changes focus on repositioning and uses “marketing tactics especially communication and customer service techniques to favorably reposition an existing brand name, thus giving it a new image”.

Finally a complete change involves getting a new name and brand and all the necessary marketing communications involved to make all stakeholders aware of this change.

5.1. Types of Rebranding

More specifically, rebranding has been categorized into different types based on name, logo and slogan change. The level of change in corporate brand may vary from minor, evolutionary changes to a complete, revolutionary change (Daly and Moloney 2004; Stuart and Muzellec 2004; Muzellec & Lambkin 2006). Evolutionary rebranding refers to a fairly minor development in the company’s positioning and aesthetics that is so gradual that it is hardly perceptible to outside observers (Muzellec & Lambkin 2006). It varies from a simple face lift to restyling or revitalizing a brand which may need a change (Daly and Moloney 2004) and usually considers minor changes in slogan or logo only (Stuart and Muzellec 2004). Revolutionary rebranding, on the other hand, describes a major, identifiable change in positioning and aesthetics that fundamentally redefines the company. Revolutionary change is usually symbolized by a change of name (Muzellec & Lambkin 2006) or changing name, logo and slogan simultaneously (Stuart and Muzellec 2004).

Also corporate values may be changed (Lomax and Mador 2006) in revolutionary change the name is new to stakeholders and they do not know what the brand stands for. The values and image of the new brand are communicated to all stakeholders (Daly and Moloney 2004). There may be five types of rebranding: a new name and logo, a new name, a new logo and slogan, a new logo only, and a new slogan only (Stuart and Muzellec, 2004).

5.2. Drivers of Rebranding

Muzellec et al. (2003) stated that “corporate rebranding aims to modify the image (the perceived-self) and/or to reflect a change in the identity (the core-self)” of a company. They provided four general drivers of rebranding: a change in ownership structure, a change in corporate strategy, a change in competitive position, and a change in the external environment. They also mentioned that the change in ownership structure “appears to be the most frequent cause of rebranding as well as the most compelling reason for it” with mergers and acquisitions at the top.

This definition focuses on the firm’s input activity of differentiating by means of name and visual identity devices (de Chernatony and Dall’Olmo Riley 1998). Although limiting, it corresponds to the rebranding process as described in the business press.

5.3. Branding and Brand loyalty

Brand loyalty is defined as a kind of behavioral response (e.g. purchase) with biased brand selection (i.e. repurchase the particular brands) which is expressed over time ( Jacoby and Chestnut, 1978). Some studies reveal that brand loyalty can be damaged due to some alterations made in the brand, of which core values and benefits cannot be preserved and maintained during such changes. However, some researchers discover that loyal customers seem to be more tolerant towards the changes if there are high similarities before and after the changes of brands. For instance, Pimentel and Heckler (2003) demonstrate that, with the familiarity effects, customers tend to accept slight changes of visual identities of brands. A study by Walsh, Page and Mittal (2007) also discover that consumers who are strongly committed to a brand have more negative attitudes when the difference of logo redesign increases.

Brand loyalty arises from positive brand perceptions and affection (Chaudhuri and Holbrook, 2002). Wang (2003) et al believes that Consumers’ preference for one certain brand in terms of purchase behavior and attitude, forms brand loyalty. Brand loyalty can be divided into behavioral loyalty, emotional loyalty, cognitive loyalty, and intentional loyalty ( Yang and Wang, 2010). According to Oliver (1999) 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 have the potential to cause switching behavior”. While there may be a distinction in loyalty measures between attitudinal loyalty and behavioral loyalty, Olsen (2002) points out that loyalty is commonly assessed by
behavioral measures rather than attitudinal measures (Ha et al., 2011). Customers who are loyal to a brand will probably buy its products and service again, do positive word of mouth and are willing to pay more to achieve their favorite brand (Kwon & Sharron, 2009). We can gauge behavioral loyalty in terms of repeat purchases and amount or share of category volume attributed to the brand (Keller, 2008; Wang et al., 2008). Yoo believe that loyalty is a deep commitment to buy again or support a favorite product or service that in spite of the situational effects and marketing efforts of competitors result in repurchasing a brand or a set of products of a brand in future (Yoo et al., 2009).

5.3.1. Rebranding and Customer attitudes

According to Andrews and Kim (2007), rebranding always involves some changes in the existing perceptions among customers and also firm position in the market. For instance, when marketers implement rebranding for an established brand, new name, term, symbol, design or other visual identity devices may create a novel position and image to both internal organization and external market (Muzellec and Lambkin, 2006; de Chernatony and Riley, 1998). In fact, rebranding can be a very risky and challenging strategy that may cause serious damage to brand loyalty and brand equity (Ellwood, 2006; Gotsi and Andriopoulos, 2007; Hatch and Schultz, 2003). Customers may not appreciate such changes of the brands and react negatively if they perceive that core brand values have disappeared after rebranding (Haig, 2003).

Wafa, Nabil and Olfa, (2009) state that an enhanced attention on how to re-give a distinguished image of brands or products is given through the last few years. Firms become increasingly conscious about communicating the emotional side of the brand more than the functional one. Brand name, as a symbolic component, is important since it serves as a communication tool for customers' awareness (Aaker, 1991). Therefore, it was suggested that changing the corporate brand name may lead to a modification of customers' perception (Muzellec and Lamkin, 2006).

6. Research Methodology

The study was carried out using descriptive survey design. According to Mugenda & Mugenda (2003) descriptive studies determine and report things the way they are. This method was used to describe the area of interest by bringing out the facts from the field as they are. It will also be appropriate for the study given the anticipated mass of numerical data to be collected and interpreted. The main advantage of this study design is that it allows the researcher to be flexible in the data collection exercise, by using both open and closed ended questions hence providing the target group with opportunity to give additional information. The study was carried out in Nakuru town; in Nakuru County with specific target on 1294 Kenya Power customers with active utility accounts.

To select the sample size proportionally, we used stratified sampling where the target population is grouped into homogenous strata. This is because stratified sampling takes into account each identifiable strata of population then divided into sub-groups and the elements are selected randomly ensuring representation of each of this group in the population. According to Mugenda & Mugenda (2003) a sample of at least 10% is sufficient. Since the target population, \( N \), is known the study adopted the formula of Israel (1992) as shown in the equation 1 below, to determine the sample size, \( n \), of survey respondents:

\[
\begin{align*}
n &= \frac{N}{1+N(e)^2} + 1
\end{align*}
\]

where \( n \) is the optimum sample size, \( N \) the target population (i.e. the total number of employees and customers) in Kenya Power, Nakuru branch, \( e \) the probability of error (i.e. the desired precision e.g. 0.05 for 95% confidence level.) \( n \) was approximately 328 as derived in the equation 2 below:

\[
\begin{align*}
n &= \frac{1294}{1+1294(0.05)^2} = 234
\end{align*}
\]

Using proportionate sampling, the sample size, consequently comprised 234 customers who were interviewed by use of questionnaires.

7. Data Analysis

Descriptive statistics was used in the analysis of quantitative data. Data analysis began with editing, coding and tabulation of data according to research questions. Achola (2007) states that analysis means ordering, categorizing, manipulating and summarizing of data to obtain answers to research questions. The data was analyzed using Statistical Package for Social Sciences (SPSS). Information was presented using frequency tables, bar graphs, pie charts and graphs.

![Customer rating of new Kenya Power brand](image-url)

**Figure 2:** Customer rating of new Kenya Power brand
In fig 2, the researchers sought to establish the feelings of the 223 respondents towards the new Kenya Power brand. Majority of customers believed that the new brand is good 92(41.3%) with other respondents believing the new brand is very good 43(19.3%), average 70(31.4%), bad 5(2.2%) and others believe it is very bad 13(5.8%). This is an indication that most respondents like the new look of Kenya Power.

![Customer Attitudes](image1.png)

**Figure 3:** Customer attitude towards Kenya Power before rebranding

Fig 3 represents findings on the customer attitudes before Kenya power rebranded. Majority of respondents had an average attitude about the KPLC before rebranding with a response of 54.3%. Very few 6.3% of customers stated that KPLC was very bad before. Furthermore; some customers reported that KPLC was very good before rebranding with a response rate of 10.3%.

![Opinion on Colour Change](image2.png)

**Figure 4:** Customer opinion on new Kenya Power colors

In fig 4, the researchers established most respondents were moderate in their opinion about the new colors of Kenya Power with a response of 93(41.7%). However, many respondents believe that the new Kenya Power colors are great, with response rate of 86(38.6%). Very few 9(4.0%) ranked the new Kenya Power colors very low.

### Whether Kenya Power has improved its service quality since rebranding

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>38</td>
<td>17.0</td>
</tr>
<tr>
<td>Agree</td>
<td>120</td>
<td>53.8</td>
</tr>
<tr>
<td>Uncertain</td>
<td>47</td>
<td>21.1</td>
</tr>
<tr>
<td>Disagree</td>
<td>12</td>
<td>5.4</td>
</tr>
</tbody>
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The research sought to establish from the respondents whether according to them, service quality had improved in Kenya Power since rebranding. Table 1 above presents findings on their response. Majority of customers agreed that service quality had improved with a response rate of 120 (53.8%). Very few believe that service quality had not improved with a response rate of 6(2.7%) strongly disagreed. Fig 5: Rating of customer service by customers since rebranding.
Fig. 5 sought to rate the service at Kenya Power since rebranding. Majority of respondents 131 (58.7%) believe that service had moderately improved. 17.5% and 18.8% of the respondents reported highly improved and uncertain respectively. However, minority of respondents 11 (4.9%) still believe that services had not improved at all.

Fig. 6: Perception on Kenya Power response to customer complains since rebranding

To further investigate their attitudes towards Kenya power, the researchers through Fig. 4.9 above established that majority of respondents 109 (48.9%) believed that customer complaints were handled fairly. Very few 14 (6.3%) believed that customer complaints response was very poor.

8. Summary, Recommendations and Conclusions

8.1. Summary

The researchers aimed at finding out the relationship between rebranding and customer loyalty. The study sought to find out the effect of Kenya Power rebranding on loyalty among Kenya Power customers. This research focused on finding out the feeling towards new Kenya Power brand among both customers and employees, attitude towards new brand and perception on new colors. Furthermore, the study focused on finding out whether service quality had improved especially after the rebranding of Kenya Power, handling of customer complaints, level of likeness to the new brand, level of satisfaction with the new brand and whether rebranding has changed the image of Kenya Power.

Further, the study sought to draw findings on the customer attitudes before and after Kenya power rebranded. Majority of respondents 54.3% had average attitude towards the KPLC before rebranding. A section of the respondents 6.3% stated that KPLC was very bad before. Consequently, a considerable portion of customers 103% reported that KPLC was very good before rebranding. The researchers further established that most respondents were moderate in their opinion about the new colors of Kenya Power with a response of 41.7%. A section of customer respondents 38.6% believed that the new Kenya Power colors are great, with response rate of 38.6%) while only 4% ranking the new colors very low.

The research sought to establish from the respondents whether according to them, service quality had improved in
Kenya Power since rebranding. Majority of customers at 53.8% agreed that service quality of Kenya Power had improved since rebranding. Very few 2.7% believed that service quality had not improved by strongly disagreeing on the subject. Some respondents 17.5% and 18.8% reported highly improved and uncertain respectively. The perception of the respondents on service quality was that there has been improvement since rebranding which can be attested to enhanced attitude towards Kenya Power new brand by most customers. To further investigate their attitudes towards Kenya power, the researchers established that majority of respondents 48.9% believed that customer complaints were handled fairly. A very few 6.3% believed that customer complaints response was very poor. When it comes to employees, majority 71.6% were averagely satisfied with the new Kenya Power brand, 16% were highly satisfied while 12.3% were not sure on their attitude towards new Kenya Power brand. Additionally, among the employees, the study revealed that majority 54.3% agreed that rebranding has moderately improved the company image. It was further revealed by the researchers that 21% of Kenya Power employees argued that rebranding has greatly improved the company image, 19.8% reported low improvement while 4.9% completely disagreed on the matter. This was believed to attest to greater levels of customer loyalty enhance customer attitude towards Kenya Power majorly due to the rebranding as a change strategy.

8.2. Conclusions

Rebranding can be a very risky and challenging strategy that may cause serious damage to brand loyalty and brand equity (Ellwood, 2006; Gotis and Andriopoulos, 2007; Hatch and Schultz, 2003). Customers may not appreciate such changes of the brands and react negatively if they perceive that core brand values have disappeared after rebranding (Haig, 2003). The researchers aimed at finding out the relationship between rebranding and customer loyalty. It was categorically reported that the new Kenya Power brand was rated positively among both customers and employees as observed by majority of customers who believed that the new brand is good 41.3%. The new Kenya Power brand received a rating of like among employee respondents as pointed out by 50.6% of the employees. Consequently, the new Kenya Power brand was established to be popular among customers. These findings indicated that most respondents like the new look of Kenya Power especially the customers of whom majority supported the new brand to be good. The customer attitude towards Kenya Power rebranding was found out to be average at 54.3% where some customers at 38.6% were categorical that the new Kenya Power colors were great. Service quality has also improved since rebranding of Kenya Power. Majority of customers at 53.8% agreed that service quality of Kenya Power had improved since rebranding. In addition, handling of customer complaints was also rated fairly among customers which has since enhanced customer attitude and loyalty towards the company. The study also concludes that the image of the company has also improved as a result of rebranding. This was reported by the 54.3% f employees who were also averagely satisfied at 71.6% with the new Kenya Power brand. This was believed to attest to greater levels of customer loyalty through enhanced customer attitude towards Kenya Power majorly due to the Customer awareness was the major challenge faced during rebranding. This was evidenced by the fact majority of the employees 65.4% perceived that customer awareness was the major challenge experienced during rebranding exercise. By this, majority of the respondents commented that there is need for increased customer awareness and adequate funding for rebranding exercise in order to ensure its success.

8.3. Recommendations

Corporate rebranding can be successfully implemented as change strategy in relation to enhancing customer attitudes of a company. The study therefore recommends greater adoption of rebranding among organizations in attempts to enhance their change strategies with respect to attitude and loyalty of their respective customers. This will help to promote the image of the company renew its commitment towards providing high quality services to its customers hence greater levels of satisfaction among the stakeholders.

There is also need for wide publicity of rebranding exercise to create greater awareness among the various stakeholders and targeted groups in rebranding exercise. Besides, employees should be trained and encouraged to participate in the corporate rebranding processes to facilitate the success of a particular rebranding process. The research also recommends high level of preparedness towards rebranding. There is need for creation of adequate awareness covering all the expected and actual dimensions of rebranding majorly to curb the challenge of unawareness among customers.

References


Volume 4 Issue 3, March 2015
www.ijsr.net
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