

**AN INVESTIGATION OF SAFARICOM M-PESA STRATEGIES IN  
ENHANCING MOBILE MONEY TRANSFER SERVICES IN KENYA**

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## DECLARATION

I, Agnes Wairimu Gitu declare that this research project is my original work and has never been submitted to any other University for assessment or award of a degree, diploma or certificate.

Signature.....

Date.....

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## SUPERVISOR' S APPROVAL

This project has been submitted with my authority as the University Supervisor.

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## **DEDICATION**

I dedicate this research project to my husband Dan Nyatigi, parents Ignatius and Purity Gitu, brothers; Dickson, Titus and Patrick for their tireless effort and support in my study.

I also dedicate this research to my unborn child.

## **ACKNOWLEDGEMENT**

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## ABSTRACT

The business environment in which organizations are operating has over the years witnessed drastic changes. The changes are both complex and 'chaotic' and organizations have found it difficult to cope with increasingly complex environments from internal resources and competences alone. Today's business environment is very dynamic and undergoes rapid changes as a result of technological innovation, increased awareness and demands from customers. Business organizations, especially the telecommunication industry of the 21st century operates in a complex and competitive environment characterized by these changing conditions and highly unpredictable economic climate. Building long-term relationships with customers has become a critical strategy for most financial institutions in today's competitive financial markets. As the current economic environment becomes more competitive and introducing new brands becomes increasingly costly, companies must find new strategies to increase their capacity and competitiveness. The objective of the study was an investigation of Safaricom M-Pesa strategies in enhancing mobile money transfer services in Kenya. The research design adopted by the study was a case study. The study used primary data that was collected using an interview guide. Content analysis was used to analyze the data. The findings of the study were that Safaricom M-Pesa product is currently the market leader with a market share of 67% of the Kenyan market share. This level of acceptance by the users is due to its fast, reliable and convenient services, good network access and the widespread agent network. The market positioning of the product, marketing and appropriate capitalization of the Kenyan culture came out as yet another contributing factor to the success of the M-Pesa. The positioning of the M-Pesa product to capture the unbanked segment of the population especially in the lower income level bracket by providing a product that can easily and conveniently be accessed has made the M-Pesa become popular among the low income earners customers. Strategies used by Safaricom to popularize the M-pesa product were an adoption of technology in the product development that has given it an edge over the other players. This has come about due to the increased investment in innovation and that employee's use modern technology in their processes. The low cost strategy model also came out as yet another strategy that is used, Japanese concept of continuous improvement of a product or Kaizen, product differentiation through offering M-Pesa products with unique or superior value to the customer through product quality, features, or after-sale support. To motivate their agents, Safaricom has also come up with different promotions that only the agents participates in giving them higher commissions than the competitors offer.

**Keywords:** Mobile money transfer, mobile money operators, mobile money transfer strategies.

## **LIST OF ABBREVIATIONS AND ACRONYMS**

ATM	Automated Teller Machines
CBK	Central Bank of Kenya
CCK	Communications Commission of Kenya
M-pesa	Mobile Money Transfer
POS	Point of sale
SIM	Subscriber Identity Mobile

## TABLE OF CONTENTS

Declaration.....	ii
Dedication.....	iii
Acknowledgement.....	iv
Abstract.....	v
List of Abbreviations and Acronyms.....	vi
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study.....	1
1.1.1 The Concept of strategy.....	3
1.1.2 Mobile Money Transfer.....	4
1.1.3 Mobile Money Transfer in Kenya.....	6
1.1.4 Safaricom Ltd and M-pesa Outlets.....	7
1.2 Research Problem.....	8
1.3 Research Objective.....	10
1.4 Value of the Study.....	11
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>13</b>
2.1 Introduction.....	13
2.2 Theoretical Foundation.....	13
2.3 Mobile Money Transfer.....	14
2.4 Mobile Money Transfer Strategies.....	16
2.5 Significance of Mobile Money Transfer.....	21
<b>CHAPTER THREE: RESEARCH METHODOLOGY.....</b>	<b>24</b>
3.1 Introduction.....	24

3.2 Research Design.....	24
3.3 Data Collection .....	25
3.4 Data Analysis .....	25
<b>CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION.....</b>	<b>27</b>
4.1 Introduction.....	27
4.2 Respondents Profile .....	27
4.3 Strategies used by Safaricom M-Pesa.....	28
4.4 Discussion .....	35
<b>CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS</b>	<b>38</b>
5.1 Introduction.....	38
5.2 Summary .....	38
<b>5.3 Conclusion .....</b>	<b>41</b>
5.4 Recommendation .....	41
5.4 Suggestions for further Research .....	42
<b>REFERENCES.....</b>	<b>43</b>
<b>APPENDICES .....</b>	<b>46</b>
Appendix I: Letter of Authorization .....	46
Appendix II: Letter of Introduction .....	47
Appendix III: Interview Guide.....	48
Appendix IV: Organizational Chart.....	50



# **CHAPTER ONE: INTRODUCTION**

## **1.1 Background of the Study**

The business environment in which organizations are operating has over the years witnessed drastic changes. The changes are both complex and 'chaotic' and organizations have found it difficult to cope with increasingly complex environments from internal resources and competences alone. Today's business environment is very dynamic and undergoes rapid changes as a result of technological innovation, increased awareness and demands from customers. Business organizations, especially the telecommunication industry of the 21st century operates in a complex and competitive environment characterized by these changing conditions and highly unpredictable economic climate. Information and Communication Technology (ICT) is at the centre of this global change curve. Laudon and Laudon, (2011) contend that managers cannot ignore Information Systems because they play a critical role in contemporary organization. They point out that the entire cash flow of most fortune 500 companies is linked to Information System.

In global and highly competitive markets, organizations strive to be innovative and agile enough to meet customers' demands. Competitiveness, based on organizational capabilities and production strategies, may lead to quality, efficiency and flexibility. In the pursuit of 'mass customization', flexibility and scale economies are followed simultaneously. The search for a system's flexibility, responsiveness and reliability on the one hand, and low costs on the other, has led to the reconfiguration of the design and production activities and thus advocated the changes in the overall supply chain management (Suri, 1998). As the current economic environment becomes more

competitive and introducing new brands becomes increasingly costly, companies must find new strategies to increase their capacity and competitiveness (Lipponen et al., 2004). Today's market is enormously more complex. Henceforth, to survive in the market, the company not only needs to maximize its profit but also needs to satisfy its customers and should try to build upon from there (Slater and Olson, 2001). Flexibility and adaptability have become key management concepts to develop a sustainable competitive advantage, and successful firms apply them in new organizational strategies that put into question many conventional tenets on organizations and their management (Nandi, 2002).

The intensity of competition in an industry is not a matter of luck. Rather, competition is rooted in underlying industry economics and goes well beyond the established competitors. Not all industries have equal potential. They differ fundamentally in their ultimate profit potential as the collective strength of the forces of competition differs; the forces range from intense in industries like tires, paper and steel, where no firm earns spectacular returns, to relatively mild in industries such as oil field equipment and services, cosmetics and toiletries, where high returns are common (Kroll *et al.*, 1999). The essence of competitive strategy for a company is to find a position in its industry where it can best cope with these competitive forces or can influence them in its favor. Knowledge of the underlying sources of competitive pressure can reveal the basic attractiveness of an industry, highlight the critical strengths and weaknesses of a company, clarify the areas where strategic changes may yield the greatest payoff and pinpoint the industry trends that promise the greatest.

### **1.1.1 The Concept of strategy**

A strategy is a long term plan of action designed to achieve a particular goal, most often "winning" (Thompson et al, 2007). Strategy is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated and often practically rehearsed. According to Johnson and Scholes (2002), strategy has to do with how an organization matches its internal and external environment and the management process is concerned with how to maintain, stabilize or change that position. Mintzberg and Quinn (1998) identify four interrelated definitions of strategy as a plan, perspective, pattern and position. As a plan, it is some sort of consciously intended course of action, a guideline to deal with a situation. As a pattern it integrates an organization's major goals, policies and actions sequences into a cohesive whole. Strategy as a position becomes a mediating force or match between the organizations and its external and internal environments. Strategy as a position looks outside the organization seeking to locate the organization in the external environment and it in a cohesive position. Strategy as a perspective looks at the organization. In this respect it is a concept and a perspective shared by the members through their intentions and actions.

Johnson and Scholes (2000, p. 12) define strategy as "the direction and scope of an organization over long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations". Strategy can be seen as the matching of the resources and activities of an organization to the environment in which it operates. This is sometimes known as search for strategic fit. Strategy and tactics bridge the gap between ends and means. Resources are allocated or deployed and then employed in the course of executing a given strategy

so as to realize the end in view. The establishment of the ends to be attained does indeed call for strategic thinking, but it is separate from settling on the strategy that will realize them. Three levels of strategy are usually in existence enterprise level, business level and functional level (Nickols, 2011).

### **1.1.2 Mobile Money Transfer**

Money transfer services for both domestic and international remittances are shifting from traditional providers to wireless carriers such as mobile operators who are able to compete for consumer market share on the basis of technological ubiquity and lower cost services (Merritt, 2010). According to Rizza (2007), mobile money transfer is the term used for using a cell phone to make payments to others using a cell phone where value can be stored on an “m-wallet” before and after the transaction. Basically, in mobile money transfer transactions, a sender loads money into his m-wallet by going to a registered agent sometimes a financial institution then the sender uses a secure electronic approach to transfer funds to the recipient’s m-wallet. The recipient can either store the funds in his m-wallet for further mobile money transactions or go to an agent to convert the mobile money to cash.

According to Esselaar et al. (2007), mobile money transfer is used to loosely refer to money stored using the subscriber identity module (SIM) as an identifier as opposed to an account number in the conventional banking sense. A notational equivalent in value is then kept on the SIM within the mobile phone, which is also used to transmit payment instructions. The corresponding cash value is physically held by the mobile network operator, a bank or another third party depending on the business model. As pointed out

by Morawczynski, (2009), mobile network operators and their agents provide an interface between the two sides through cash-out (issuing cash on demand) or cash-in (convert cash to notational equivalent) functions providing convertibility between mobile money and cash.

Western Union has made penetration in the African mobile money transfer services by enabling the service users to make international money transfer with partnerships with mobile phone companies in some African countries. These agreements have been made with MTN in Uganda, Vodacom in Tanzania, and Inova in Burkina Faso, Safaricom's M-Pesa in Kenya, Telmar Madagascar and other such agreements are still in the pipeline. In this collaboration, customers are able to add funds to their accounts, which they can send through Western Union's system. They can receive money via the same system from anywhere in the world. Money transfer has undergone a revolution since evolution of mobile phone services. The spread of the mobile phone services across the world, which was occasioned by production of easily affordable handheld telephone sets, has led to expansion of mobile money transfer. It is currently estimated that more than 60 million adults in the world are using mobile money transfers to carry out their daily transactions (World Bank, 2012). According to Lewandowska (2009), the ratio of mobile phone users to bank accounts is 4: 1.5. This means the possibility of mobile money transfer picking up faster in non-banking transactions is high.

The use of electronic mobile money transfer system has been on a rising trend since the advent of mobile phone technology. Report done by World Bank (2012) indicates that 3

% of the world population uses mobile money transfer to pay bills, buy goods, save money, lend and borrow. Of the population in sub-Saharan Africa, 16 % use mobile money transfer. This money transfer is of importance to the population in sub-Saharan Africa, three quarters of which were reported to be lacking access to the formal banking services.

### **1.1.3 Mobile Money Transfer in Kenya**

Kenya prides itself on the world stage as the success story of mobile money transfer services. For every three people who use the mobile money transfer services, one is a Kenyan. The Kenyan M-Pesa system which is provided by one of its mobile service providers, Safaricom, began in 2007 and is the main player behind the success story of mobile money transfer. The quick uptake of mobile banking services in Kenya within a short period has been attributed to various reasons (World Bank, 2012).

Agrawal (2010), in his discussion about the social economic benefits of mobile money transfer, points out that the poverty problems in Kenya contributed to the acceleration of the success of the mobile money transfer. The population of Kenya is estimated to be 38 million. The country has 840 bank branches and 1510 ATMs. This number is not sufficient to serve the entire population. The introduction of M-Pesa with its 15 000 agents countrywide was therefore embraced as a solution to the part of the population that is unbanked.

Mutuku (2012) gives a different reason for the quick uptake of the M-Pesa as the mobile money transfer service within a span of five years. In his explanation, the mobile service

regulators made it easy for the services to take place seamlessly. This was enhanced by the Central Bank of Kenya (CBK) and the Communications Commission of Kenya (CCK). The restrictions put by the Central Bank of Kenya for the mobile money transfer operators to meet were less strict even though the CBK promised to have an oversight of the financial activities of the agents. This opening led to 80 % of the mobile phone service users to be subscribed to the service.

#### **1.1.4 Safaricom Ltd and M-pesa Outlets**

Safaricom began its operations in 1997. The company is currently the largest mobile phone operator in Kenya, controlling nearly 80 percent of the market, ahead of its three nearest rivals Yu Mobile, Airtel Bharti and Orange Telkom. Safaricom Limited is a subsidiary of the British Vodafone company. Vodafone has other companies operating in the African continent. The company is one of the biggest private sector employers with 3500 employees who work in different departments.

Despite being successful in its initial years of operation in terms of profits, Safaricom Limited hit the world headlines when it launched its money transfer service of M-Pesa in 2007. In April 2007, following a donor-funded pilot project, Safaricom launched a new mobile phone-based payment and money transfer service, known as M-PESA. M-PESA has spread quickly, and has become the most successful mobile phone-based financial service in the developing world.

Safaricom has diversified its services in a bid to move away from voice provision since its inception. Some of the value added services include provision of data services,

messaging, mobile television service provision and the M-PESA. By use of M-PESA, the company has entered into partnerships with local banks to enable its customers who hold bank accounts to access their money through ease of transfer of the money between M-PESA account and the bank account. The M-PESA has picked since its inception since the service does not require users to have bank accounts, and one can send money by use of short message service. With M-PESA, the user can buy digital funds at any M-PESA agent and send that electric cash to any other mobile phone user in Kenya, who can then redeem it for conventional cash at any agent. This system is remotely comparable to hawala banking or services like Western Union. An M-PESA enabled mobile phone can also function as an electronic wallet and can hold up to 100,000 Kenyan shilling.

## **1.2 Research Problem**

Building long-term relationships with customers has become a critical strategy for most financial institutions in today's competitive financial markets. As the current economic environment becomes more competitive and introducing new brands becomes increasingly costly, companies must find new strategies to increase their capacity and competitiveness (Lipponen *et al.*, 2004). As customer loyalty is considered a vital objective for a firm's survival and growth, building a loyal customer base has not only become a major marketing goal but it is also an important basis for developing a sustainable competitive advantage. It has been well accepted that the cost of obtaining a new customer is relatively high and the profitability of a loyal consumer grows with relationship duration (Chiou and Droge, 2006). Understanding loyalty cultivation or retention is thus considered to be a key element in delivering long-term corporate



profitability as profits can be increased over the lifetime of a customer through his/her retention.

The telecoms industry in Kenya has witnessed bitter rivalry between the four main players. Safaricom rivals have invested in a number of strategies to attract Safaricom customers to their networks. However, majority of Safaricom customers have remained loyal. Since its inception M-PESA had realized vast growth both usage and popularity across the country. This was in resonance with the spread of mobile phones in money transfer across the developing world as one of the most remarkable technology stories of the past decade. Based upon its success in Kenya, M-PESA has now gone global and has become the most preferred medium of personal cash transfers making it a highly phenomenal and globally recognized money transfer service.

A number of studies have been done locally on strategies used for expansion. Mworira (2009) researched on expansion strategies adopted by commercial banks in Kenya. The findings were that the expansion strategies adopted by these banks were physical branch distribution network, infrastructure software and electronic distribution systems and mergers and acquisitions. The distribution channels used to reach all the consumers in expansion were contracting distributors, locating the banks where they were accessible by most customers, mobile bank branches, bank agents, Internet banking, automated teller machines (ATMs), POS devices, EFTPOS devices and mobile phones. Mdindi (2012) researched on product characteristics that influenced the rapid adoption of M-Pesa in Kenya and the findings were that the most distinctive factors were that it had relative advantage in terms of simplicity, innovations, safety, and communication both from and

to the service among others. Challenges faced by M-PESA despite its breakthrough were stability in their system and the networks in general, curb fraudsters, faster resolution of customer queries, doubling of the transaction limits among others as detailed in the study. Muciimi researched on the challenges faced by Safaricom (MPESA) Limited in international Money Transfer and found out that key challenges facing Safaricom (M-Pesa) international money transfer service were numerous regulatory and bureaucratic controls involved in mobile international money transfer; mobile money transfer system is suspected to fuel illegal money flows; in some countries, mobile money transfer may not be permitted by governments since regulation may be difficult; the mobile money transfer is suspected to nurture tax evasion.

Other studies include Camner and Sjoblom(2010) who did a study to find the differences between the success of mobile money transfer in Kenya and in Tanzania. In their findings, the authors came up with various factors that made M-PESA be successful in Kenya as opposed to such a service which is offered by its sister network in Tanzania. Among other factors, agent network management, market share of customers and marketing strategies came out as the salient issues that put M-PESA above the rest in mobile money transfer. The above studies have not addressed the Safaricom M-PESA strategies in enhancing mobile money transfer. What is the Safaricom M-PESA strategies used to enhance mobile money transfer services in Kenya?

### **1.3 Research Objective**

The objective of the study was to determine the Safaricom M-PESA strategies used to enhance mobile money transfer services in Kenya.

## **1.4 Value of the Study**

The findings of this study will be of value to various stakeholders who have interest in mobile money transfer. This will include the banking fraternity, mobile phone service companies, the governments, financial institutions and academicians. A positive uptake of mobile money person to person transfer can lead to an increase in remittance. All the players have therefore to understand the strategies that will lead to the success of the M-PESA program.

The findings of the study will also assist mobile phone service providing companies in establishing person to person mobile money transfer as compared to banks because of the already available customers who use their mobile phone services. This can be achieved through aping M-PESA's best practice in expansion of mobile money transfer will be the most prudent decision any mobile phone company which wishes to venture into the money transfer service can do. Companies which have already established the services will find the research findings useful because they will use them to improve their existing network of agents.

Financial institutions, mostly the Breton Woods institutions such as the International Monetary Fund and the World BANK, may also find this study beneficial as they make efforts to improve the economies of member countries. Successful implementation of mobile money transfer is predicted to booster economic growth of countries.

Those in the academic realm who may wish to do further studies on mobile money transfer will find the research findings and the literature as a useful source of reference in their studies. Furthermore, these findings can be used in future academic endeavors as comparison to assert the accuracy of any other study that may be closely related to this research. The findings of the study will also contribute to the existing pool of knowledge in mobile money transfer.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter presents relevant literature that has been reviewed in the area of mobile money transfer. Among the issues discussed, include the overview of mobile money transfer, mobile money transfer strategies and the significance of expanding money transfer services.

### **2.2 Theoretical Foundation**

The resource-based view regards the firm as a cognitive system, which is characterized by idiosyncratic and context-dependent competences that are core to strategic purpose. These are conditioned by hierarchical capabilities, or sets of routines, involved in the management of the firm's core business processes that help to create value. Competences typically involve the development of specialist expertise, and firms may become locked into a trajectory that is difficult to change effectively in the short to medium-term (Amit and Schoemaker, 1993). The premises of the resource-based view is that successful firms develop distinctive capabilities on which their future competitiveness will be based; which capabilities are often idiosyncratic or unique to each firm, and may also be tacit and intangible in nature (such as knowledge) (Teece *et al.*, 2007).

Competitive advantage is seen to be founded on a complex of competences, capabilities, skills and strategic assets possessed by an organization, or in other words from the astute management of physical and intellectual resources which form the core capability of the business. Teece *et al.* (2007) define core capabilities as “a set of differentiated skills, complementary assets, and routines that provide the basis for a firm’s competitive

capacities and sustainable advantage in a particular business”. Such capabilities or core competences are not built on discrete independent skills but are “the synthesis of a variety of skills, technologies and knowledge streams” (Prahalad and Hamel, 1990).

In transaction costs theory, the reason for inter organizational cooperation is found in potential for transaction costs reduction for the firms involved (Frey 2002). Cost plays a significant role in competitive advantage and can often be the basis upon which larger companies compete, and for larger companies, that often makes sense. Sometimes, a larger company will be able to become the low cost producer in that industry. Although a company might not develop an overall lower cost structure, that company might be able to leverage specific business costs such as distribution cost, labor cost, or lower cost of capital investment (Porter, 1985).

### **2.3 Mobile Money Transfer**

Mobile money transfer projects started in 2003 in the Philippines, followed by Kenya and South Africa. These projects are being embraced enthusiastically by regulators and providers in Asia, Africa and Latin America. More than eighty per cent of the world population now has mobile coverage. In 2009, there were more than four billion mobile subscriptions. Eighty per cent of these new subscriptions were in emerging markets and held mostly by lower income consumers (CGAP and DFID, 2009). CGAP and DFID (2009) further assert that the euphoria around mobile money transfers lies in the fact that a large number of the unbanked have mobile phones. Hence they have access to a familiar payment channel. However, surveys of the use of mobile money transfers show that the majority of current customers are coming from the banked group. This does not

diminish the fact that some of the people using mobile money transfers do not have a bank account.

At present, mobile money transfers depend on the basic handset, often using SMS to convey the message that money has been transferred. The person wanting to send money goes to a cash-in agent. The agent sends a message to the recipient giving a code number that needs to be taken to a cash-out agent at the receiving end. As such, mobile money transfer services are among the most promising mobile applications in the developing world. They have become a general platform that transforms entire economies, as it is adopted across commerce, health care, agriculture, and other sectors. To date, according to Menekse, (2011), at least one hundred and ten money mobile systems have been deployed, with more than forty million users. The most known system, M-PESA, started in Kenya and is now operational in six countries; it has more than twenty million users who transferred \$500 million a month during 2011 as per the Vodafone Annual Report 2011.

As an evolving technology, mobile money transfer has modified the ways in which users transmit and exchange money. It focuses on the increasing momentum behind the use of mobile phones as a tool to promote economic growth and, specifically, financial inclusion. The convergence of mobile communications and financial services has enabled a large number of people worldwide to benefit from mobile financial services thus influencing development. According to Ignacio and Radcliffe (2010), nowadays, mobile money services are not only popular for domestic remittances, that is person to

person (P2P), but also are used for bill payments e.g. for utilities or school fees, business to business (B2B) and government to business (G2B) payments, and social transfer payments such as government to citizen (G2C). For the latter, mobile money can enable “m-vouchers” where the use of social transfer payments can be restricted to purchasing certain items, such as fertilizer or other inputs. In this way, mobile money has the potential to facilitate faster and more secure flow of money among billions of customers far more than current bank account holders.

The movement of money (money transfer) in any economy is very essential in development of economies of countries and improvement of livelihoods of their citizens. Money movement enables businesses to pay out for services and to buy the essential commodities needed for production. Likewise, in the consumer economy, the consumers need access to money to pay for essential commodities and services. Access to cash or easy to convert cash sources is therefore an important factor in procuring of any services both in the producer and consumer economy (Fight, 2006).

## **2.4 Mobile Money Transfer Strategies**

The success of mobile money transfers rests on their fulfillment of customers’ needs and the offer of a better solution than was previously available. According to Merritt (2010), advances in technology have enabled alternative functionalities for mobile handsets beyond the original visions of the designers of handsets or wireless communication architectures to supporting a new and viable channel for mobile financial services, including bill payment and account transfers, domestic and international person to person



transfers, proximity payments at the point of sale, and remote payments to purchase goods and services.

Chatain et al. (2008), assert that the approach to adopting mobile financial services differs throughout the world due to a variety of factors, including the regulatory and legal environments, access to supporting technologies, and economic constraints, as well as experience with antecedent products and services. Consumer need and experience represent key components of each of these variables and are the ultimate determinants of adoption. The vast diffusion of cellular networks allows mobile operator firms to extend services to broad geographic areas unreachable by traditional financial service providers that dependent on landline networks.

In many emerging markets the rapid adoption of mobile payments has led to the unanticipated utility of prepaid airtime as an alternative currency. Expanded airtime distribution channels can accommodate a large customer market increasingly agnostic of geographic borders. Bilateral and multilateral partnerships between carriers expand the wireless network reach to facilitate the distribution of mobile payments services to a greater number of available users. While the use of prepaid airtime is beginning to be used as a mechanism for purchasing goods and services in some countries, thus providing enabling environment for mobile money transfer payments (Chatain et al. (2008).

As observed by Bourreau and Verdier (2010), mobile money transfer firms have become successful in the financial industry because they utilize the strategy of predominately

focusing the mobile money transfer initiatives on the unbanked in emerging markets. Here, the mobile network operator fills the role of drawing the ecosystem together, providing the infrastructure for the payment system and oversight for the agent network. In the process, mobile operators can recognize incremental revenue for the addition of data transmission to their voice network operating systems, either in cooperation with a bank partner or independently. The mobile carriers own the customer billing relationships and exercise control over the distribution of mobile phones through their relationships with the handset manufacturers.

Another strategy used by mobile money operators to ensure success of their operations is incorporating agent networks. According to Bangens and Soderberg (2008), agents are non-bank entities such as retailers either the mobile network operators' own retail center or another retailer such as a village stores that handle customer registration and liquidity needs for the mobile money users, on behalf of the mobile network operators. The mobile network operator acts as an agent, using its own retail distribution network; however, in some countries, airtime resellers have emerged as sub-agents to expand service distribution to more rural locales. The primary role of an agent is to accept and disburse cash, in essence providing cash-in and cash-out services from the consumer's mobile handset. In this role, the agents serve as branches for the mobile network operators and act as the primary touch point for the customer relationship. As the liaison between the mobile network operator and the consumer, the agent bears responsibility for account opening, customer due diligence, and know-your-customer program compliance.

Retail sales stores and airtime resellers are typical candidates for mobile money transfer agents because they tend to have sufficient liquidity to satisfy consumers' needs to deposit and withdraw cash. This network of local agents expand the mobile operator's reach to rural areas in order to achieve a higher level of penetration in unbanked markets where there is no physical bank presence, essentially enabling a branchless payment system, outside the traditional bank-led business model. Agents typically provide liquidity with funding from other business activities including selling airtime in addition to general merchandise (Bangens and Soderberg 2008). For example in Kenya, Safaricom's M-PESA agent network has evolved into a two-tier structure with master agents who manage liquidity as the liaison between Safaricom and the individual stores, or sub-agents under their management framework. The master agent buys and sells cash from Safaricom, makes it available to the sub-agents, and distributes agent commissions (Bangens and Soderberg 2008). In return, agents receive commissions for transactions, holding the balances on their own cell phones (Jack and Suri 2010). These mobile airtime balances and cash on premises are the critical elements of the agents' liquidity management system.

Mobile money operators also utilize the innovation strategy to ensure that they serve their customers well, as well as remain competitive and relevant in the ever challenging, turbulent and dynamic market. According to Merritt (2010), different mobile payments business models have emerged depending on the applicable regulatory climate, consumer culture, and demographics. In the most basic sense, a business model may be bank-centric, mobile-operator led, or partnership led (Boer and de Boer 2010), with technology

service firms often included to enable the application or platform for payment service delivery. A number of mobile payment solutions have been introduced recently that cooperate with the major card networks as a funding mechanism and payment channel for person to person mobile transfers such as M-transfers, M-payments and M-financial services.

M-transfers dominate the domestic mobile money services across East Africa. The bulk of these transactions occur between urban and rural areas, as migrants to urban areas send money back to the rural areas to support their extended families. In this case, mobile money replaces traditional informal methods like sending money with someone or by bus or taxi. Part of the success of mobile money is attributed to the lack of scale and reliability of informal methods (Jack and Tavneet, 2011). From M-transfers, money transfer operators have broadened mobile money services to include a range of M-payments. Money transfer operators started out this service by targeting entities that receive recurrent payments from diverse customers like utility companies and those that make bulk payments like salaries and school fees. Many of these services were launched as free promotional offers to help build the business-case and prove their utility to the consumer. Money transfer operators have also started cultivating merchants for M-payments, mainly targeting large entities with multiple outlets like supermarkets (United Nations, 2012).

To date, according to United Nations (2012), the biggest M-payment beneficiaries are the money transfer network operators themselves through the sale of airtime or credit directly

to consumers. This avenue to sell airtime is helping them to make significant savings through bypassing the traditional distribution system of scratch cards. Mobile network operators save by avoiding the need to print new cards and pay commission to dealers and their agents. United Nations (2012), further point out that although banks initially shunned mobile money, many have recognized the potential it has and some have even signed up as super agents for mobile money services.

## **2.5 Significance of Mobile Money Transfer**

The global system for mobile communications Association (GSMA) reported more than 4 billion mobile phone subscriptions globally, with 80 percent of new connections in emerging markets and mostly by lower income consumers. By contrast, only 2.2 billion of the world's population has a bank account (or access to financial services) ((Montez and Goldstein, 2010). M-banking and mobile money transfer (MMT) have emerged as promising new approaches to accelerate financial inclusion and increase access to financial services. Although most m-banking applications provide a new delivery channel to existing bank clients, transformative models can integrate unbanked populations into the formal financial sector. According to the GSMA, as of March 2010, there were approximately 60 live m-money deployments and more than 87 planned deployments (Montez and Goldstein, 2010).

One of the reasons mobile money has attracted considerable attention is the expectation that it can provide affordable financial services to previously excluded populations (Ivatury 2006). A considerable literature on financial inclusion emphasizes that “banking the unbanked” can lead to better decision-making, more efficient markets, and various

other development goals (Collins et al. 2009). Throughout the developing world, mobile phones have emerged as one of the most widely diffused technologies; in Kenya, mobile subscriptions in 2009 were 48.65 percent of the population, up from a paltry 0.41 percent only 10 years earlier. This is a scale unimaginable for traditional brick and mortar infrastructure, such as bank branches.

M-payments intersect with microfinance because the technology can be used to increase outreach to clients, particularly in rural areas, and deepen financial inclusion. With the increasingly large number of mobile phones being used in developing countries including microfinance clients, m-payments and m-banking, there are excellent options in microfinance's arsenal (Chemonics International, 2010). Ideally, m-banking could be used as another channel or method to provide microfinance services to clients, including loans, deposits and insurance. However, implementing m-payment and m-banking for microfinance has, in most cases, proven challenging and should be studied carefully before being integrated into a microfinance activity. Some of the issues that arose in the past initiatives were: lack of IT infrastructure and human resources capacity within microfinance institutions (MFIs) and vague regulatory environments governing microfinance, electronic money, and payment systems (Chemonics International, 2010).

Ivatury (2006) assessed 62 banks and microfinance institutions (MFIs) using ICT to deliver financial services to poor people. Of these, only ten were using mobile phones, as opposed to ATMs or point-of-sale terminals. Providers were motivated to use ICT by a desire to improve customer convenience, lower processing costs and increase coverage,

revenue and holdings. However, a paucity of data made it difficult to ascertain if poor and remote populations were benefiting and, if so, to what degree. Importantly, Ivatury (2006) linked mobile money explicitly to a significant and well-established literature on the impact of financial inclusion.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter presents the methodology that the researcher employed in the study. The methodology included the research design, data collection methods and data analysis techniques.

### **3.2 Research Design**

The research design was a case study. The study used a case study as a strategy research in order to understand or explain the phenomena, which are the Safaricom M-PESA strategies that are used to enhance mobile money transfer services, by placing them in their wider context, which is the specific company within the telecommunication industry. The reason for this choice was based on the knowledge that case studies are the most appropriate for examining the processes by which events unfold, as well as exploring causal relationships and also they provide a holistic understanding of the phenomena (Kitay and Callus, 1998). Also, According to Cooper and Schindler (2005), case studies place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations.

A case study is an in-depth study of a particular research problem rather than a sweeping statistical survey as it narrows down a very broad field of research into one or a few easily researchable examples. It allows for testing whether a specific theory and model actually applies to phenomena in the real world. It is a useful design when not much is



known about a phenomenon as it allows a researcher to use one or more of the several research methods depending on the circumstances.

### **3.3 Data Collection**

The study used primary data which was collected using an interview guide. An interview guide is a set of questions that the interviewer asks when interviewing. The respondents interviewed were those involved with Safaricom's four sections that deal directly or indirectly with M-PESA. These are the agent administration, operations team, customer care and risk and fraud detection team.

The choice of the respondents is very important, as the respondents are involved in the running of M-PESA. Additionally, managers of all levels have a holistic view of the organization and of the implementation of strategies. Furthermore, they may provide access to more significant and useful secondary data as documents, and other valuable information. The interview was semi-structured so that some questions can be omitted or added if some new and useful information come up through the whole procedure, which will be "face to face" interviews. The order of the questions also varied depending on the flow of the conversation (Saunders *et al.*, 2000).

### **3.4 Data Analysis**

A content analysis technique was used to generate and categorize items for comparison with the interview results from the managers. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Hsieh and Shannon, 2005). It is a technique of making inferences by systematically and

objectively identifying specific characteristics of messages and using the same to relate to trends. It involves observation and detailed description of objects, items or things that comprise the object of study.

The data obtained from the interview guide was analyzed qualitatively. Qualitative data analysis makes general statements on how categories or themes of data are related. The qualitative analysis was adopted in this study because the researcher was able to describe, interpret and at the same time criticize the subject matter of the research since it was difficult to do so numerically. The qualitative analysis was done using content analysis.

## **CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION**

### **4.1 Introduction**

The research objective was to determine the Safaricom M-PESA strategies used to enhance mobile money transfer services in Kenya. This chapter presents the analysis and findings with regard to the objective and discussions of the same.

### **4.2 Respondents Profile**

This section of the interview guide wished to establish the targeted respondent's academic, professional qualifications as well as their job experience. From their academic qualification backgrounds as well as work experience, the researcher will be able to assess their capacity to answer questions on the Safaricom M-PESA strategies used to enhance mobile money transfer services in Kenya.

The respondents comprised the middle level managers in company. In total, the researcher interviewed 8 respondents out of the intended 10 respondents. From the answers from the interviewees, the researcher found that all the respondents had at least a first degree from various fields such as economics, business courses, marketing, finance and psychology. In addition, all the respondents had pursued various professional qualifications in their respective fields which has enabled the respondents to undertake their jobs with the expected results. With such academic and professional backgrounds, the respondents were deemed to be capable to analyze and critical identify and respond appropriately to the research questions.

The work experience for the respondents ranged from 2 to 10 years both within the company and without. Having worked in various telephony companies in Kenya and outside the country for such a period, the researcher believed that the respondents had firsthand experience on the strategies adopted by Safaricom to enhance their businesses in the money transfer market. With this solid background, it was felt that the respondents were knowledgeable enough on the research subject matter and thus of help in the realization of the research objective.

### **4.3 Strategies used by Safaricom M-Pesa**

This section of the interview guide sought to establish the strategies that Safaricom is employing to enhance the competitiveness of M-pesa as one of its products. This is due to the cognizance of the fact that a number of money transfer service has been initiated by other rival telephony firms, commercial banks as well as other independent entities.

First, the researcher wished to establish from the respondents about their views on the current performance of M-Pesa in the market as compared with the other competitors. On this question all the respondents answered that indeed the Safaricom product is currently the market leader. They pointed out that out of the over Ksh 310B that was transferred in the year 2012, Safaricom Mpesa accounted for 270B meaning that Safaricom transferred over 85% of the total money transfer in the country. The respondents pointed out that this level of acceptance by the users is due to its fast, reliable and convenient, good network access and because of the widespread agent network. Other respondents attributed the same to the excellent and more reliable services that the provider has put in place.

Due to the high market share that M-pesa enjoys, the researcher also wished to establish what might have contributed to the acceleration of the success of the mobile money transfer in Kenya. On this question, the respondents gave a number of reasons that have contributed to the same and these include the improved safety and convenience of the M-pesa service. They noted that unlike other competitor services, M-pesa has a good trail of transactions and all the security controls are such that at least two independent persons are needed for a transaction to be effected. This means that if all the controls instituted are followed, it will become almost impossible for one individual to undertake a fraud without being flagged by another person. The respondents also noted that the market positioning of the product, marketing and appropriate capitalization of the Kenyan culture came out as yet another contributing factor to the success of the M-pesa. They noted that continuous marketing of the product using various forms of the media has contributed to the popularity of the M-pesa.

An annual budget of Ksh 450M to promote the product has also endeared it with its customers and several corporate social responsibilities being undertaken by the company under the M-pesa sponsorship has also bettered its appeal. Such a strategy will be in line with the approach propagated by Lipponen *et al.*, (2004) who posited that customer loyalty is considered a vital objective for a firm's survival and growth, building a loyal customer base has not only become a major marketing goal but it is also an important basis for developing a sustainable competitive advantage. Safaricom also took note of the many unbanked Kenyans especially in the lower income level bracket who have difficulties in accessing and use of the banking services in the country. As a consequence

of this need, the respondents noted that such target marketing necessitated the firm to start the M-pesa service which aimed at availing the capacity to bank and transfer funds from one corner of the country and other countries globally. This position was also supported by Bourreau and Verdier (2010) who observed that one of the reasons why mobile money transfer firms have become successful in the financial industry is because they utilize the strategy of predominately focusing the mobile money transfer initiatives on the unbanked in emerging markets.

The level of technology employed by an organization in offering its products or services can grant it the necessary competitive edge. Towards this, the researcher also wished to establish from the respondents how Safaricom has employed technology in the M-pesa product. All the respondents appreciated that technology is indeed a factor that will influence the availability and affordability of the service. A number of technological features have been employed in the M-pesa platform that the respondents noted has made it easier for the unbanked to access financial services with ease, improve convenience in sending money, resulted in more product innovation like M-Shwari, resulted in easy to use even by the not so learned customers. The employment of technology by Safaricom has also resulted in an effective, efficient, tamperproof system that also has facilitated search of contacts from the phonebook which has also reduced errors in the operation of the M-Pesa service. As an additional feature of the Safaricom employment of technology, the respondents pointed that currently, M-Pesa customers can interact with all the commercial banks operating in Kenya, such that the Commercial banks customers can withdraw and deposit money via their phones courtesy of the technology employed by

Safaricom Company in their M-pesa product. As Chemonics International (2010) observed, M-payments intersect with microfinance because its technology can be used to increase outreach to clients, particularly in rural areas, and deepen financial inclusion. Therefore, with the increasingly large number of mobile phones being used in Kenya, the respondents pointed out that by including microfinance clients in m-payments and eventually in the m-banking, this option can be excellent in microfinance's sector arsenal.

The low cost strategy model as advanced by Porter (1985) as one of the generic strategies came out as one of the other strategy employed by Safaricom to enhance its competitive edge. The researcher wished to determine whether the company has employed the cost strategy to enhance product position in the market. Towards this question, all the respondents observed that M-Pesa service is cost effective compared to say inter-bank transfer, Western Union and other mobile fund transfer services offered by the competing firms in the region. Within the cost leadership strategy, the respondents also noted that the many branch networks that Safaricom has adopted in the M-Pesa agency business has given it the economies of scale. The interviewees pointed that it is the intention of the company to have many more outlets such that whenever a customer wants any nature of financial transaction, they can get in every street of the major towns or locality in the rural areas. In addition, the innovative of the company towards making M-Pesa handle more transaction has also helped it to be cost effective. They pointed out that currently a customer can in addition to banking services, make payments offered by various providers. At present Safaricom has got over 1800 companies in Kenya whose services can be purchased using the M-Pesa services. Because of the many customers, the

respondents noted that Safaricom can afford to offer the services at a much competitive rates than other competitors in the market. The respondents also noted that the low cost strategy has been achieved courtesy of the company's investment in continuous research and developing employee knowledge through training and development programs and at the same time rewarding staff for innovative ideas.

Market focus is yet another strategy that Safaricom has employed in the M-Pesa product. The researcher wished to establish from the interviewees whether Safaricom has been able to utilize this strategy. The respondents pointed that the strategy of focusing on the unbanked market by the company has enhanced mobile transfer services in Kenya. M-pesa has offered the much needed access to financial services for the majority of the unbanked and consequently has increased the product uptake since the unbanked constitute a significant proportion of the population. Two of the respondents pointed that the unbanked can now bank on their mobile phones and transfer their banked cash via mobile phones hence the growth. With this move, M-Pesa has promoted financial inclusion to the people; hence they are assured of security of fair money. The strategy of a firm concentrating in one segment of the market that it has a competitive advantage was also advocated by Porter (1985) to be a source of competitive advantage.

The Japanese concept of continuous improvement of a product or Kaizen, is one other strategy the Safaricom has employed in gaining competitiveness of the product. The respondents noted that Safaricom has earmarked a substantial amount of funds on research that aims in adding value within the mobile money transfer platform and



introducing innovations on such agency networking, and aggressive marketing of M-Pesa. They noted that in the last 8 years Safaricom has been able to introduce a new product feature in the M-Pesa every year such that the improvement has led to ease of usage of the service and increased its clientele in the market. In addition, the improvement has increased confidence in mobile money transfer and enhanced money security due to reduced errors. In addition, it was found out that the increased number of services that a customer can get in the Safaricom products has enhanced the uptake of mobile money transfer services. The continuous improvement of the firm's products has opened up new secure avenues of carrying out financial transactions like m-banking, lipa na mpesa, m-soko. Recently M-shwari also provided an avenue for people to save their meager earnings.

Product differentiation also came out as another strategy employed on M-Pesa product by Safaricom to gain a competitive edge over other similar products offered by competitors. The respondents pointed that the M-Pesa product is differentiated from the other money transfer services since it is able to fulfill a customer need and involves tailoring the product or service to the customer. This therefore allows the organizations to charge a premium price to capture market share. In the case of Safaricom, the differentiation strategy involves offering M-Pesa product with unique or superior value to the customer through product quality, features, or after-sale support. As the respondents pointedly agreed, firms that follow a differentiation strategy can charge a higher price for their products based on the product characteristics, the delivery system, the quality of service, or the distribution channels. The quality may be real or perceived based on fashion, brand

name, or image. As McCracken, (2002) pointed the key step in devising a differentiation strategy is to determine what makes a company different from a competitor's. This is the same strategy which Safaricom has employed in making the M-Pesa service a unique and easily differentiated from other services in the market. Another feature of the differentiation strategy as adopted by Safaricom is customer service. They have purposed to make the level of handling customer queries as prompt and efficient as possible. The 24 hour call centre is manned by a dedicate team of professionals who ensure that all questions are dealt with promptly and purpose to leave the customer with a smile.

The M-Pesa product is also associated with engagement with several corporate social responsibilities to the society. The company has been in the forefront in the preservation of the environment such as the Aberdare forest, protection of the endangered animals such as the black rhino in the Lewa conservancy as well as facilitating the contribution to be made by members of the public whenever there is national disaster such as drought and terrorist attack. Such activities differentiate the M-pesa service as a pro to the common man and therefore helping to endear it to more customers.

In Kenya and indeed in the whole world, the respondents pointed that Safaricom was the first mobile phone company to start a money transfer service. This has helped it get recognized internationally as a pioneer in the money transfer. By being the first company to start the money transfer services, the respondents noted that Safaricom was able to become accepted by the Kenyan market and also establish a business relationship with many agents. In addition, the respondents pointed that they were able to strategically

locate the M-Pesa shops in locations that are easily frequented by many customers and also register more agents that will solely offer the Safaricom services. To motivate their agents, Safaricom has always come up with different promotions that only agents participate and giving them a higher commissions than the competitors offer.

The researcher also wished to determine from the respondents how the satisfaction of the M-pesa service has enhanced the money transfer service in the country. On this question, the respondents noted that customer satisfaction of a service has led to the growth of money transfer service as many have adopted the service i.e. there has been an increased uptake of the service as evidenced by the number of people registering for mobile transfer services and opening up mobile transfer outlet. They pointed out that many customers have opted to using m-pesa for all their financial transactions as it is reliable and has guaranteed security for their money.

#### **4.4 Discussion**

In Kenya today, there are various mobile money transfer services being embraced by the various providers as a way of business and sustainability used to reach the customer. The Mobile network operators and banking institutions have devised various services to meet the customer needs and enhance the socio-economic status of the providers of the service. Bourreau and Verdier (2010) observed that one of the reasons why mobile money transfer firms have become successful in the financial industry is because they utilize the strategy of predominately focusing on the mobile money transfer initiatives for the unbanked in emerging markets.

It was established that due to the large number of the unbanked persons in Kenya and the fact that M-pesa ensures that money is transferred safely, cheaply and efficiently, the implementation of the service was successful with increased users. The number of M-pesa agents who are responsible for carrying out the different transactions with the customers have also grown steadily since inception making the service widely accessible to a large number of individuals. Furthermore, though the service targeted the unbanked, it has been adopted by a large cross section of Kenyans from different economic, demographic and educational backgrounds.

The extent to which the mobile payment usage would impact on performance depends largely on whether there is an enabling environment (Porteous, 2006). Of particular interest are the environments in which widespread access is likely. The study established that M-Pesa has widespread access and requires an enabling environment to enhance the success of its consumers. Mobile payment procedures are essentially information technology (IT) procedures and channels through which users make various payment transactions. The results indicate that M-Pesa is as a result of technology and this is consistent with Davis (1989) who indicated that users are presented with a new technology. A number of factors influence their decision about how and when they will use it. These factors are perceived usefulness defined as the degree to which a person believes that using a particular system would enhance his or her job performance, and perceived ease of use defined as the degree to which a person believes that using a particular system would be free from effort.

Cost leadership strategy is usually developed around organization-wide efficiency and this has enabled Safaricom to secure a relatively large market share by being the lowest cost producers or service provider in the industry or market. The transaction costs of sending money through the mobile payment technology are lower than those of banks and money transfer companies. The cost of a payment transaction has a direct effect on consumer adoption if the cost is passed on to customers. Transaction costs should be low to make the total cost of the transaction competitive (Mallat 2007). The cost of the mobile payments should be affordable to most of the micro business operators and far below what the banks normally charge for their bank transactions.

The study established that Safaricom has adopted product differentiation strategy employed to gain a competitive edge over other similar products offered by competitors. This involves having more features in the platform, advertising and partnership with other organizations. It should be noted that Safaricom has partnered with 6 other Kenyan banks apart from Equity bank 'M-Kesho'. However the service is a paybill account in which case, customers who already have bank accounts are eligible to sign up for an 'M-Pesa paybill' service from which they can access the funds in their bank accounts. The availability of several features in the platform has resulted to several consumers using the network. Consumer decision to adopt a payment system is therefore significantly affected by the amount of other consumers and traders using it. Failure to create a critical mass has contributed to discontinuance of several previous payment systems, including several smart card systems (Szmigin and Bourne, 1999). It is therefore a critical success factor for the M-Pesa mobile payment provider to reach a wide enough base.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents summary, conclusion and recommendations of the study basing on the objective of the study which was to undertake an investigation of Safaricom M-Pesa strategies in enhancing mobile money transfer services in Kenya. Suggestion for further study is also presented.

#### **5.2 Summary**

In summary, the study shows that the interviewees are aware of Safaricom M-PESA strategies used to enhance mobile money transfer services in Kenya. The knowledge about the operations and strategies of the company was exhibited by the internal respondents by virtue of all of them having worked in the institution for more than two years and due to the fact that all of the respondents were engaged in the day-to-day management and operations of the strategic process of the company. In addition, the respondents were found to be well versed with the subject matter of the study and had all solid academic background having attained a first degree. As a result of the above, the researcher felt that the results obtained from the respondents reflects the true position of the company strategies on M-pesa product.

Safaricom M-pesa product is currently the market leader with a market share of 85% of the Kenyan market share. The respondents pointed out that this level of acceptance by the users is due to its fast, reliable and convenient, good network access and the widespread agent network. Other respondents attributed the same to the excellent and more reliable services that the provider has put in place. Unlike other competing services, Mpesa has good security controls such that at least two independent persons are needed for a transaction to be effected. With such controls in place, it is difficult for one person to make a fraud using the M-pesa service unless there is an error of commission from another party. The market positioning of the product, marketing and appropriate capitalization of the Kenyan culture came out as yet another contributing factor to the success of the Mpesa.

The positioning of the M-Pesa product to capture the unbanked segment of the population especially in the lower income level bracket by providing a product that can easily and conveniently be accessed has made the Mpesa become popular among the low income earners customers. Hence target marketing necessitated the firm to start the Mpesa service which aimed at availing the capacity to bank and transfer funds from one corner of the country and other countries globally.

Several strategies have been employed by Safaricom to popularize the M-pesa product. Adoption of technology in the product development has given it an edge over the other players. This has come about due to the increased investment in innovation and that employee's use modern technology in their processes. The level of technology is indeed a

factor that influences the availability and affordability of the service. The low cost strategy model also came out as yet another strategy that is used by Safaricom and from this, the current pricing of the service is lower than that of the inter-bank transfer, Western Union and other mobile fund transfer services offered by the competing firms in the region.

The Japanese concept of continuous improvement of a product or Kaizen, is one other strategy the Safaricom has employed in gaining competitiveness of the product. The improvement in the product has been due to the increased budget that the company has put on adding value within the mobile money transfer platform and introducing innovations on such activities as agency networking, and aggressive marketing of M-Pesa. Product differentiation also came out as another strategy employed on M-Pesa products by Safaricom to gain a competitive edge over other similar products offered by competitors. This therefore allows the organizations to charge a premium price to capture market share. In the case of Safaricom, the differentiation strategy involves offering M-Pesa product with unique or superior value to the customer through product quality, features, or after-sale support.

By being the first company to start the money transfer services, it also was found that Safaricom product was able to be accepted by the Kenyan market and also establish a business relationship with many agents. This also enabled strategic positioning of the product in locations that can easily be accessed by many customers and also registration of more agents that will solely offer the Safaricom services. To motivate their agents,



Safaricom has always come up with different promotions that only the agents participate and also giving them a higher commissions than the competitors offer.

### **5.3 Conclusion**

From the research findings, some conclusions can be made about the study:

Customer satisfaction is very vital for the success of any company. The study showed that Safaricom does all they can to ensure that customer expectations are met and these include good customer service, strategic location of outlets and interior décor and ensuring that the prices they charge are competitive. The prices charged for the services can be considered to be fair and thus enabling majority of the customers to purchase what they need at competitive prices.

The changes in the business environment will affect the performance of the mobile telephony firms and therefore the need to strategize on how to counter the changes becomes important for a firm. Sustainable competitiveness of a firm is crucial to its business and therefore the use of the various strategies by the firms to deal with threats resulting from entry by competitors, power of substitute products, bargaining power of buyers and suppliers and the competition from existing competitors reflects the willingness of a firm to ensure that they protect their business territory.

### **5.4 Recommendation**

The findings from the study indicates that the company uses the low costs strategy in order to gain competitive advantage, however the company has not managed to reduce

sufficiently its overhead costs and it is recommended that they work towards streamlining its operations so that they can reduce the costs to manageable levels. Although the company has managed to differentiate themselves from other players in the market, differentiation alone without marketing of the products will not attract sufficient customers and it is recommended therefore, that the company continue to allocate more funds to the advertisement of its products especially now that the other players in the mobile telephony have hyped up their level of advertisement budget. The focus by the company currently on local market will ensure the company builds its market share first before venturing to other countries; it is however recommended that the company exploits the potential to grow its market share by not segmenting the market but venturing into the competitive market.

#### **5.4 Suggestions for further Research**

The study confined itself to Safaricom' M-Pesa service. This research should therefore be replicated in other products offered by the company that are also popular. In addition cross sectional study on the money transfer services should be undertaken to compare the various strategies the mobile telephony firms have in marketing their money transfer services.

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## APPENDICES

### APPENDIX I: LETTER OF AUTHORIZATION



**UNIVERSITY OF NAIROBI**  
**SCHOOL OF BUSINESS**  
**MBA PROGRAMME**

Telephone: 020-2059162  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE.....9/11/2013

#### **TO WHOM IT MAY CONCERN**

The bearer of this letter .....AGNES WAIDIMU GITU.....

Registration No.....DG/176172/2009.....

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



  
**PATRICK NYABUTO**  
**MBA ADMINISTRATOR**  
**SCHOOL OF BUSINESS**

## **APPENDIX II: LETTER OF INTRODUCTION**

University of Nairobi

School of Business Studies

Dear Respondent,

I am a postgraduate student in the School of Business Studies, University of Nairobi, conducting a management research paper on Safaricom M-Pesa strategies in enhancing mobile money transfer services in Kenya.

In order to undertake the research, you have been selected to form part of the study. This letter is therefore to request your assistance giving me information to the attached interview guide. This information will be treated with strict confidence and is purely for academic purposes. A copy of the final report will be availed to you upon request.

Your assistance and co-operation in this exercise will be highly appreciated.

Yours faithfully,

Agnes Ann Wairimu  
**MBA Student**

Dr. James Gathungu  
**Supervisor**

## **APPENDIX III: INTERVIEW GUIDE**

The interview guide will seek to achieve the following objective;

1. To determine the Safaricom M-PESA strategies used to enhance mobile money transfer services in Kenya.

### **Part A: Background Information on the respondents**

1. What current position do you hold in the company?
2. For how long have you been holding the current position?
3. How many years have you worked in the company?
4. What is the highest level of education you have received?

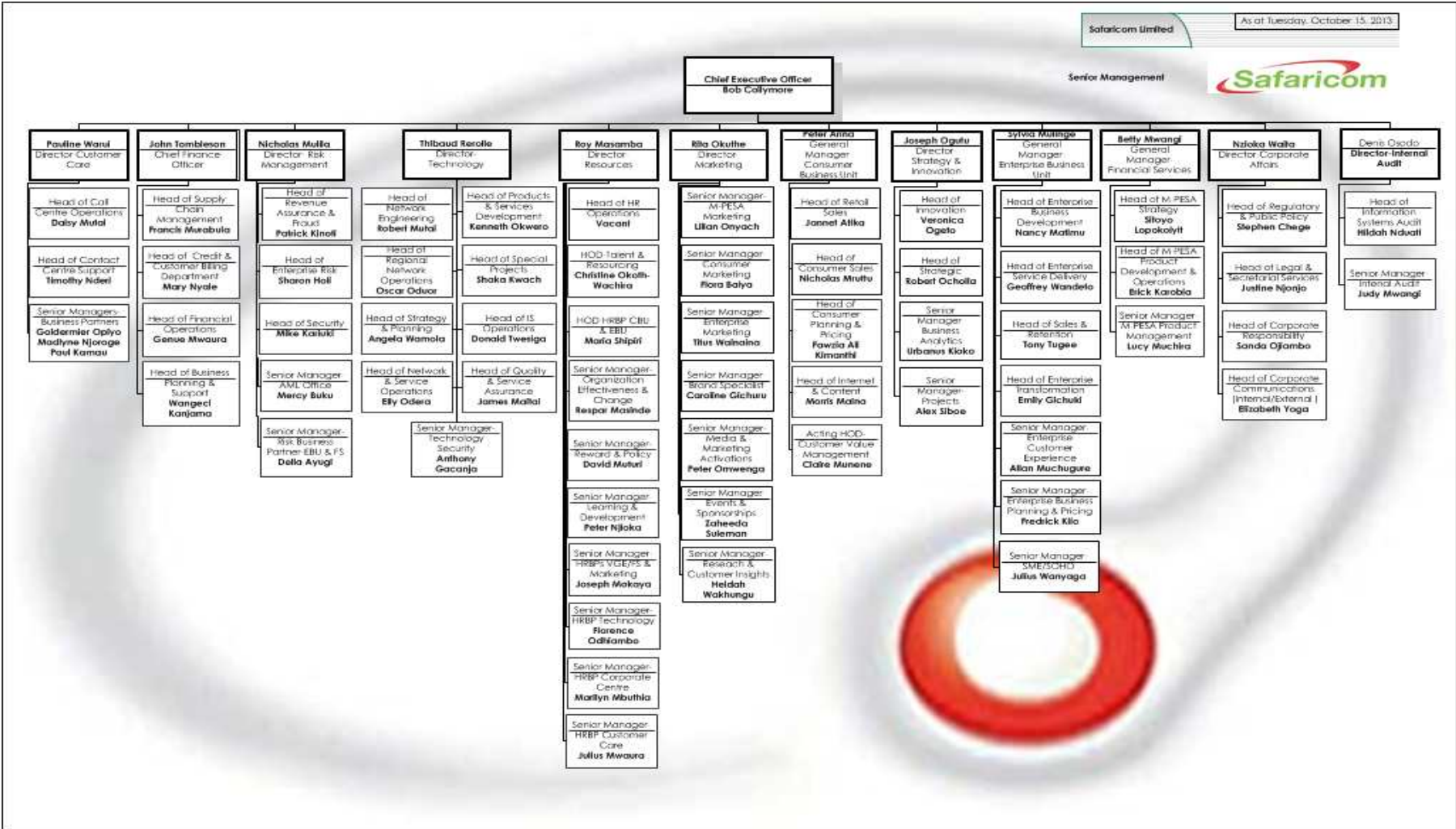
### **Part B: Strategies used by Safaricom M-PESA**

1. How is M-Pesa money transfer service performing as compared to other mobile money transfer services?
2. What has contributed to the acceleration of the success of the mobile money transfer in Kenya?
3. How has the technology deployed by the company enhanced money transfer service in Kenya?
4. Does your organization focuses on providing services at a lower cost than the competitors?
5. How have the management of the company achieved the low cost-leadership?
6. Does the organization promotional strategy often involves trying to make a virtue out of low cost product features?
7. How has the strategy of focusing on the unbanked market by the company enhanced mobile money transfer services in Kenya?
8. How has agent networking contributed to the uptake of M-Pesa in Kenya?
9. How has the continuous innovation by Safaricom contributed to enhanced mobile money transfer services in Kenya?
10. How has the organization managed to differentiate itself from competitors?



11. Does the organization have resources and skills such as strong marketing capabilities, product engineering skills, creative flare, corporate reputation for quality, reliable and durable products and/or technological leadership, in order to ensure successful implementation of the strategy?
12. Do you assess each competitor's cost structure and relate this to their prices when setting the prices to charge on your products?
13. How does the location of your agents attract customers?
14. How has the perceived satisfaction of the customers with M-Pesa service enhanced money transfer service?

# APPENDIX IV: ORGANIZATIONAL CHART



Source: [www.safaricom.co.ke](http://www.safaricom.co.ke)

