

**COMPETITIVE STRATEGIES ADOPTED BY WESTERN UNION
MONEY TRANSFER SERVICE IN THE INTERNATIONAL MONEY
TRANSFER INDUSTRY IN KENYA**

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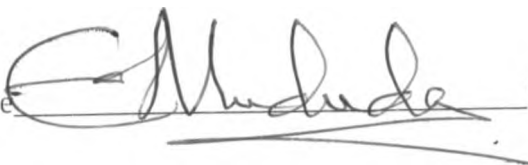
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DECLARATION

This Research Project is my original work and has not been submitted for a degree in any other university.

Signed:  Date 10th Nov 2011
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This Research Project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

To my son, Femi Fadhili, my husband, Sam and my dear parents Mr & Mrs. Elisha Busienei for their love, understanding, encouragement and for all the support they gave me during the entire MBA program.

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To the All Mighty God, for his love, provision, protection and support through the whole journey of the MBA program.

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ABBREVIATIONS

Postbank-Kenya Post Office Savings bank

WU-Western Union

M-Pesa-Mobile money transfer service from Safaricom

PB-Postbank

KCB-Kenya Commercial Bank

NBK-National Bank of Kenya

ABC-African Banking Corporation

R&D-Research & Development

UK-United Kingdom

USA-United States of America

IT-Information Technology

SMS-Short Message Service

EFT- Electronic Fund Transfer

TT- Telegraphic Transfers

ABSTRACT

The international money transfer industry faces a lot of dynamic changes and uncertainty in the environment they operate in. Organizations like Western Union money transfer service must therefore understand the competitive environment they operate in both in terms of opportunities and barriers. In order to be successful in the turbulent environment, they have to exploit and take advantage of the opportunities and at the same time defend themselves against threats and barriers or make them work in their favor.

The research had one objective which was to determine the competitive strategies adopted by Western Union money transfer service to cope with competition in the international money transfer industry in the Kenya. The research design was a case study, interview guides were used to collect the primary data. The use of the guides helped gather valid and reliable data that was relevant to the research question and objective. Since the interviews were done face to face, it provided the researcher with an opportunity for clarification of issues with the interviewee. Secondary data was gotten from internal reports like annual reports, existing or previous strategic plans and newsletters and were used mainly to support the primary data.

The findings of the study were that the Western Union money transfer service in Kenya has put in place several competitive strategies to cope with competition the in the international money transfer industry. The strategies include cost leadership whereby the company reviews its transaction charges from time to time, differentiation through branding, using the latest technology of money transfer, offering quality customer service, having a wide agent network and focusing on meeting customer needs.

The challenges the money transfer service faces in the Kenyan market include the market entrance of cheaper money transfer services that may eat into their market share, changes in customer needs, liberalization of the international money transfer market, their partners collaborating with competitors and maintaining reasonably low charges. The company has however adopted competitive strategies that have enabled it to successfully cope with competition in the international money transfer industry in Kenya.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Remittances to and within Africa are transferred through both formal and informal means. Both financial and non-financial providers offer services similar to those available in the developed world. According to Sander (2004), the use of formal channels is higher in relatively robust and more liberalized economies with strong financial sectors. In Kenya for example, bank transfer services are used more than in Tanzania and Uganda for intra regional transfers and remittances. This is because Kenya has a relatively well developed banking industry.

Money sent home by Kenyans living abroad has become big business for the Kenyan banking sector as industry players' angle for the fast growing remittance business. This is as a result of the investment opportunities in the country that have attracted the attention of Kenyans in diaspora who send money to buy property and to invest in the Nairobi stock exchange. Remittances are also sent to relatives for domestic use like paying school fees and to cater for health care costs. Remittances from Kenyans abroad sent through formal money transfer channels hit Kshs 3.6 billion in March 2008 as compared to Kshs 2.8 billion in the same period in 2007. According to Makau, J. (2008, May 9). MoneyGram widens its network in Imperial Bank deal. *The Business Daily* p.21, Kenyans abroad sent back a total of Kshs 85 billion (\$ 1.3 billion) in 2007 and 581 billion between the year 2000 and 2005. Kenya has therefore been ranked as the second biggest destination for remittances in Africa after Nigeria. As a result more money transfer service providers have been attracted to do business in the country.

The government has played a big role in influencing many if not all aspects of the international money transfer services in the country both directly and indirectly. This has been done through implementing regulations like the scraping of the non-executive policy that had been introduced by Western Union International whereby a bank that had signed up with them was not allowed to offer the services of other money transfer service providers. However, with the turbulent changes in the environment and the increased competition in the international money transfer industry, Western Union money transfer has had to adopt and change its competitive strategies or face the challenge of been rendered obsolete.

1.1.1 Nature of Competitive Strategies

Today's organizations have to deal with dynamic and uncertain environments. In order to be successful, organizations must be strategically aware of the competition around them. They must understand how changes in their competitive environment are unfolding. They should therefore actively look for opportunities to exploit their strategic abilities, adapt and seek improvements in every area of the business, building on awareness and understanding of current strategies and successes. Organizations must be able to act quickly in response to opportunities and barriers.

Porter (1990), states that goal of competitive strategies for business units in any industry is to find a position where the company can best defend itself against competitive forces or can influence them in its favor .Competitive strategies are formulated by relating the company to its environment. The Key aspect of a company's environment is the industry or industries in which the company competes. Industry/industries are a group of firms that are producing goods or do services that are close substitutes for one another. Pearson and Robison (1990), state that in order for an organization to succeed long term, it must compete effectively and out-perform its rivals in the dynamic environment. To accomplish this they must find suitable ways for creating and adding value for their customers. Strategic management is therefore a highly important element of organizational success. This is because it enables one to know what the business is about, what it is trying to achieve and which way it is headed .Every successful business should therefore have this clarity of vision, even though it may not arise from a formal planning process.

According Pearce and Robison (1990), environmental shocks like rapid technological developments, the maturing or stagnation of certain markets. and increased international competition may undermine strategic planning. These changes may force organizations to develop systematic means of analyzing the environment, assessing their organization's strengths and weaknesses, and identifying opportunities for competitive advantage. Competitive Strategies are therefore chosen on the basis of the business goals and the market conditions/business resource situations of a company. The intensity of competition in the international money transfer industry is neither a matter of coincidence nor bad luck. Rather, the competition is rooted in the underlying economic structure and goes well beyond the behavior of current competitors.

1.1.2 Western Union Money Transfer Service

The Western Union money transfer service company is the most renowned and trustworthy organization providing services in the fields of finance and communication. Western Union money transfer service has been operating for over 150 years. Today with just over 310,000 agent locations worldwide in over 200 countries and territories, millions of people trust Western Union money transfer service to send and receive money worldwide. The company reports revenues of up to \$3 billion annually. The base of Western Union money transfer service is in the United States having its headquarters in Greenwood Village, Colorado, North America but the international marketing and commercial headquarters of the company are situated at Montvale, New Jersey (<http://corporate.westernunion.com>).

Western Union money transfer service offers three different options for transferring money literally anywhere in the world, like: online transfer, transfer at the particular location and transfer by phone. The company also offers the Quick Collect Service which is the typical money transfer option. Various other options include person-to-person money transfer, money orders and commercial services. It is indeed very easy to find a Western Union money transfer service location literally anywhere in the world this is because of its conspicuous branding colors of yellow and black. The company has also developed the Western Union money transfer locations locator on its website which assists one to quickly locate a Western Union money transfer service agent anywhere in the world. (<http://corporate.westernunion.com>).

The Western Union head office in Africa is in South Africa. The service was introduced into the Kenyan market in 1995. The first franchisee it signed up with was Postbank which further and signed up Kenya Postal Corporation and other Forex bureaus to offer the money transfer service as agents. Because of this wide network the service was able to be accessed all over the country. Western Union money transfer service has since signed up with other banks as to provide their services like Diamond Trust, K-Rep, Equity, KCB, Housing Finance, Southern credit, Credit bank, and Forex bureaus. Western Union money transfer services can therefore be accessed in over 500 locations in Kenya.

1.1.3 The International Money Transfer Services in Kenya

International money transfer services in Kenya can be divided into the formal and informal services. Formal services include international money transfer services like Money Gram which is a global money transfer service with over 152,000 local agents across 180 countries. In Kenya the service is offered by banks like Cooperative, Stanbic, Imperial and Postbank. The service is also offered by Forex Bureaus like Capital Bureau de Change. MoneyGram can be accessed in about 200 locations country wide. Pesa Money Transfer service is a UK based online money transfer service that offers transfer services purely for the Kenyan market. The service is offered in partnership with Equity Bank who remits the funds to the respective friends and relatives on behalf of Pesa Transfer. The transfer is done via debit card or credit card and once the money has been sent a message is relayed to the receiver via SMS as to which Equity Bank branch to collect the money from.

Poa Pay money transfer service is an online money transfer service that transfers money purely to the Kenyan market. The money can be sent from USA, Canada, or UK. The money is either delivered to the recipients either through home deliveries, bank deposits or personal pickups by recipients. PoaPay services can be found in different locations countrywide. IKobo money transfer service is an online money transfer service where by money is sent via credit or debit card. The recipient is then sent for a Visa electron card by the transfer service company which they can use to withdraw the cash or do purchases from any Visa merchant worldwide. Electronic fund transfer (EFT) and Telegraphic transfers (TT) are mainly used by banks that have fully advanced their money transfer technology and can be able to transfer money through Electronic funds transfer. EFTs and TT are immediate or are done within a day. Banks like Barclays, Standard Chartered, ABC, and National Bank offer EFT services to their customers.

Posta Pay is a money transfer service offered by the Postal Corporation of Kenya. The service is being offered through a partnership with Afripayments a US based company that is also partly an owner of Nairobi based Afripayments Kenya Ltd. The Kenyan entity is a joint venture between Afripayments and a group of Kenyan investors. Customers can receive their cash from abroad in any of the 200 Posta locations. Informal money transfer systems are also a very popular way of receiving and sending money abroad. This is where money is sent to recipients through friends and relatives visiting from abroad. Hawala (Somali/Islamic

remittance system) is an informal money transfer system based on performance and honor also remits a lot of cash to the country from Kenyans living abroad. Although the amount of funds remitted from informal means cannot be accounted for, it is believed that a huge amount of funds is transferred to the country via this means of transfer.

1.2 Research Problem

Obado (2005), states that competition in the International money transfer industry in Kenya has become very intense due to both economic and social forces that are beyond the behavior of competitors like Western Union money transfer service. As Kenyans living abroad continue to send back money to support their families and do investments, and as the number of both local and international investors increase in the country, other money transfer services have joined the market to cater for the needs of Kenyans living abroad and investors. When Western Union money transfer service entered the Kenyan market in 1995, it was very popular and dominated the market due to the fact that it was easy accessible through the Postbank and Kenya Postal Corporation's countrywide branch network. Over the past fifteen years, money transfer services have greatly increased in number; most of these services are much cheaper than Western Union money transfer service or are focused on targeting a particular market segment. For example the Pesa Transfer is UK based while Afripayments which is a partner with Posta Pay is US based; these services are much cheaper than Western Union money transfer and may be preferred by customers because of cost.

Western Union money transfer service initially practiced restrictive trade practices whereby a bank that signed up to offer its services, was not allowed to offer the services of other international money transfer services. However, the government of Kenya through the ministry of finance brought to the attention of Western Union International that restrictive trade practices were not allowed in Kenya. This is because it lessened competition leading to increased prices of commodities which had a negative impact on consumers. As a result of this government directive, banks who had signed up with Western Union money transfer service were allowed to offer services of other international money transfer companies if they wish. For example, Postbank which was Western Union's biggest franchisee signed up with its biggest competitor, MoneyGram. Western Union money transfer service is therefore facing direct competition from other money transfer services been offered by the same banks they have signed up with to offer their services.

A number of studies have been done on competitive strategies in other sectors in Kenya (e.g. Murage 2001, Ndubai 2003, Okoth 2005, Njoroge 2006, and Kariuki 2006). These studies are from different industries covering both products and services in Kenya but not in the international money transfer industry in Kenya. Sander (2004), did a study to establish the nature of money transfer services in Kenya and how these services are used by businesses and individuals especially the low income earners. This study however aimed at determining the Competitive Strategies adapted by Western Union money transfer service as one of such money transfer organs. The research sought to answer the question: What competitive strategies have been adopted by Western Union money transfer service in order to stay relevant and continue to attract customers in the competitive international money transfer service industry in Kenya?

1.3 Research Objectives

The objective of the study was to determine competitive strategies adopted by Western Union money transfer service to cope with competition in the international money transfer industry in the Kenya.

1.4 Value of Study

The Study is important to local Kenyans, Kenyans living abroad and foreigners as it can help them make informed decisions as they choose channels of money transfer to and from Kenya. The study is important to investors as it makes them knowledgeable thus enabling them make informed decisions. Banks and other financial institutions can also benefit from the study as it provides them with information on the state of the general competition in the international money transfer industry in Kenya.

The study is also valuable to the government of Kenya particularly the Ministry of finance as it can help them make informed decisions as they come up with policies and controls for the international money transfer industry in Kenya. The study also contributes to the body of knowledge by filling the research gap regarding the competitive strategies adopted by Western Union money transfer service in the international money transfer Industry in Kenya. It can also act as a point of reference for academicians, scholars and researchers. Future scholars who will be doing studies on competitive strategies in other industries can also benefit from the study as point of reference on competitive strategies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Strategy

Strategic management as a concept has evolved overtime and will continue to evolve. As a result there is noticeable lack of consensus about precisely what the term means. Despite disagreements, strategic management is carried out in most organizations today and most organizations that practice it benefit significantly.

Certo et al (1993), define strategic management as a continuous iterative process aimed at keeping an organization as a whole appropriately matched to its environment. This definition emphasizes that managers engage in performing environmental analysis, establishing environmental direction, formulating organizational strategy, implementing organizational strategy and exercising strategic control. The definition suggests that strategic management process is continuous and never really stops within the organization. The term "iterative" in the definition of strategic management indicates that the process of strategic management starts with the first step ends with the last step then starts again with the first step.

Hax and Majluf (1991), also define strategy as a multi dimensional concept that embraces all critical activities of the firm, providing it with a sense of unity, direction, and purposes as well as facilitating the necessary changes induced by its environment. Mintzberg (1987), suggested that nobody can claim to own the word strategy and that the term can be legitimately used in several ways and can be seen as a plan, a ploy, a pattern of behavior, a position to respect others or as a perspective.

Chandler (1962), defines strategy as the determination of basic long term goals, objectives of an enterprise, the adoption of the courses of action and the allocation of resources necessary for carrying out these goals. Johnson and Scholes (1999), identify three levels of strategy: corporate strategy, business unit strategy and operational and functional strategy. Corporate strategy is concerned with the overall purpose and scope of the organization to meet the expectations of the owner and or major stakeholders and add value to the different parts of the enterprise. Business unit strategy is about how to compete successfully in a particular market. Operational/functional strategy is concerned with how the component parts of the organization in terms of resources, processes, people and their skills effectively deliver

corporate business level strategy.

Houlden (1993), observes that strategic decisions cut across several areas of an organization's operations. Therefore, top management involvement in decision making is imperative. Only at this level is there the perspective for understanding and anticipating broad implications and ramifications. This is because strategic decisions have the potential to affect the health or direction of a business.

According to Johnson and Scholes (2001), strategic issues are important as they involve the allocation of large amounts of resources. These include people, physical assets and money. Strategic decisions commit a firm to a stream of actions over an extended period of time. This period ranges from five to ten years. Once a firm has committed itself to a particular strategic option in a major way, its competitive image and advantages are usually tied to that strategy. This means that the strategic decisions have enduring effects on the firm. Strategic decisions tend to involve more than one functional department. They are no tactical decisions which are made on routine corporate matters.

2.2 The Concept of Competition

According Pearce II et al (2004), the essence of strategy formulation is coping with competition. As much as it is easy to view competition narrowly and pessimistically, intense competition in any industry is neither coincidence nor back luck. Strickland III (1989),states that even though the competition pressure in one industry is never precisely the same in another industry, there are similarities of how competition works from industry to industry, he concludes that as a general rule, competition in an industry is a composite of Porter's five competitive forces, which are rivalry among competing sellers in an industry, companies attempting to win customers over to their own substitute products, the potential entry of more competitors, the bargaining power and leverage exercisable by suppliers of inputs and the bargaining power and leverage exercisable by buyers of the product.

According to Walker (2004), a successful firm must defend its superior market position from attack by competitors. The central means of protecting superior market position are prevention of imitation and creation of high customer switching costs. He further states that because a valuable resource is generally observed, a firm must shield it from being copied by

competitors. There are two means to prevent imitation, first if the firm owns the resource such as technology, it can establish and enforce property rights regarding how the resource is used. Second if the resource is external to the firm, it can turn the resource into a dedicated asset by absorbing its capacity, thereby excluding competitors from using it.

2.3 Challenges of Competition

According to Porter (1980), businesses must respond to the basic competitive forces that drive industry competition. These are the threat to new entrants, threat of substitute products, bargaining power of suppliers, and bargaining power of buyers. Rival firms imitate the product to such an extent that buyers begin to see little if any meaningful differentiation.

Okal (2006) states that the level of rivalry or competition is determined by the concentration ratio of an industry. In his study on Competitive challenges faced by branded fast food chains, Theuri (2000), highlights that the huge financial requirements, changing consumer targets, preferences and huge marketing costs as part of the challenges of competition. Kitoto (2005), found out that inadequate finance is one of the challenges facing investors. Extra cost of adding enough product attributes to achieve differentiation can result in a selling price so much higher than buyers opt for lower priced brand.

Johnson and Scholes (2002), also state that over time more and more buyers may opt that they do not need or want extra features in products or services concluding that a less expensive standard model serves their purpose well. According to Porter (1980), when there is industry growth brought about by industry maturity, competitive rivalry will change. As the industry matures, its growth rate declines resulting to intensified rivalry, declining profits and often a shake out. In order to cope with challenges of competition, Porter (1980), states that companies may use tactics like price competition, advertising battles, new product introduction and increased customer service or warranties. This type of action and reaction may or may not leave the initiating firm and the industry better off. If these moves escalate then all firms in the industry may suffer and be worse off than before.

According to Day (1995), increasing intensity of competition in global markets constitutes yet another challenge facing companies at all stages of involvement in international markets. As markets open up, and become more integrated, the pace of change accelerates, technology

shrinks distances between markets and reduces the scale advantages of large firms, new sources of competition emerge, and competitive pressures mount at all levels of the organization. As more and more firms venture into global markets, competition proliferates, posing new threats and dangers to be reckoned with. In addition to facing competition from well-established multinationals and from domestic firms entrenched in their respective product or service markets, firms face growing competition from firms in newly industrializing countries and previously protected markets in the Third World, as well as emerging global networks or coalitions of organizations of diverse national origins

According to Prahalad (1987), firms from newly industrializing nations such as Taiwan, Singapore, Korea and Hong Kong are increasingly taking the initiative in competing in global markets, rather than acting as low-cost suppliers to firms in the Industrial Triad. The threat of competition from companies in countries such as India, China, Malaysia, and Brazil is also on the rise, as their own domestic markets are opening up to foreign competition, stimulating greater awareness of international market opportunities and of the need to be internationally competitive. Companies which previously focused on protected domestic markets are entering into markets in other countries, creating new sources of competition, often targeted to price-sensitive market segments.

Day (1995), further states that competition is spurred by new advances in communications technology and rapid obsolescence, the speed of competitor response is accelerating. No longer does a pioneer in global markets enjoy a substantial lead time over competitors. Nimble competitors, benefiting from lower overhead and operating costs, enter rapidly with clones or low-cost substitutes, and take advantage of the pioneer's investment in product development. Modern communications and information technology also encourage rapid competitor response to price changes, or new distribution and promotional tactics, and further heighten the pace of competition.

2.4 Competitive Strategies

Thompson and Strickland (1989), state that competitive strategy is composed of all specific moves and approaches a firm has taken or is taking to compete successfully in a given industry. Ansoff (1988) defines competitive strategy as the distinctive approach which a firm uses to succeed in the market. According to Stewart (1993), competitive strategies are chosen on the basis of the business goals, the market conditions the business is facing and the business resources available to the business. If a business has adopted growth as its major goal then an aggressive growth strategy is obviously appropriate.

Thompson and Strickland (2007), state that a company's competitive strategy deals exclusively with the specifics of the management's game plan for competing successfully, that is its specific efforts to please customers, its offensive and defensive moves to counter maneuvers of rivals, its responses to whatever market conditions prevail at the moment, its initiative to strengthen its market position and its approach to secure a competitive advantage. Companies the world over are imaginative in conceiving competitive strategies to win customer favor. As most, companies aim quite strictly to do a better job than its rivals by providing what buyers are looking for thus securing an upper hand in the market place.

In his book, *Competitive Strategy*, Porter (1980), has come up with three generic strategies which can be used singly or in combination for creating a defendable position in the long run and outperforming competitors in an industry. These are overall cost leadership, differentiation and focus. Porter (1980), further states that overall cost leadership is where a firm strives to lower the costs of its products/services in order to attain competitive advantage. This is done by a vigorous pursuit of low cost reductions, tight cost; overhead cost control and cost minimization in areas like sales force and advertising. Though quality, service, and other areas cannot be ignored, a low cost relative to competitors is the theme running through the entire strategy.

Campbell et al (2002), state that a cost leadership strategy coupled with low price is best employed in a market segment where demand is price elastic. A low cost position can yield a firm an above average return despite the presence of strong competitive forces. For example a low cost position protects the firm from powerful buyers because buyers can exact pressure to drive down the level of the next efficient competitor. Porter (1998), indicates that a low cost

position can also protect the firm from powerful suppliers by providing more flexibility to cope with the increase in input costs. Low costs also provide substantial barriers of entry in terms of economies of scale or cost advantage. Low costs position places the firm in a favorable position against substitutes in the industry the firm is competing.

Kortler (2000), defines differentiation as the act of designing a set of meaning to distinguish the company's offering from competitors' offering. In differentiation strategy a product is valued by the customers or in some way affects the customer's choice. Campbell et al (2002), indicate that a differential strategy is based upon persuading customers that a product is superior to that offered by other competitors. Hax and Majluf (1996), also indicate that differentiation calls for creating something that is perceived industry wide as being unique. Porter (1985), looks at differentiation as creating a product or service that is perceived as being unique. Njoroge (2006), concurs that the difference of the product or service should be so strong to the extent that the differentiation is distinctive, superior, preemptive, affordable and profitable. Kortler (2000), further states that differentiation is more effective if the firm differentiates itself along lines of products, services, personnel, image and price. Aaker (1987), goes ahead to include quality option, brand awareness, customer orientation, brand loyalty and technical superiority as ways a company can differentiate itself. According to Johnson and Scholes (2002), differentiation may enhance features of products and services that make them better but not fundamentally different for example greater reliability, greater long term durability, or superior performance. This can also be done by creating a strong brand name through design, innovation and advertising. Uniqueness or improvement of products is achieved through investment in research and design expertise or building on innovatory capabilities in the organization.

Johnson and Scholes (2002), also indicate that a product or service can also be differentiated on the basis of something that goes alongside the product. For example exceptional or superior after sales service or good customer care service. The marketing based approaches in effect demonstrate better competition on how the product or service meets customer needs. Johnson and Scholes (2002) goes ahead to state that the design of the product or service offers something that truly differentiates the product or service and breaks away from the dominant designs which are more superior to those of competitors by virtue of design or technology performance. The company tries to build differentiation on the basis on its

competences, if these competences are peculiar to the organization, then it may be difficult for competitors to imitate them. Through successful differentiation the firm can command a high price for its goods and services sell more units of its products, realize greater degrees of loyalty from its customers and uniqueness of products that newcomers may find difficult to emulate.

According to Hax and Majluf (1996), differentiation is a situation where an organization tries to differentiate its products or services by creating something that is perceived as unique in the industry. Differentiation can take many forms and can be done through design or brand image, technology, features of the product/services, customer service, dealer network or other dimensions. Thompson et al (2007), state that the differentiation strategy does not ignore costs but this is not the strategic target of the firm. When achieved, differentiation can earn the firm above average returns in the industry as it creates a defensive position for coping with competitive forces.

Differentiation provides insulation against competitive rivalry because the firm enjoys brand loyalty from customers as it lowers the sensitivity of price. Through differentiation a company can also increase margins thus avoiding the need for a low cost position.

Porter (1998), states that achieving differentiation means a trade off with cost if the activities required to be achieved are inherently costly, such as extensive research, product design, high quality materials or intensive customer support. A firm that has differentiated itself to achieve customer loyalty will be in a better position to woo customers than its competitors.

Campbell et al (2002), state that the focus strategy aims at a segment of the market or many markets. A particular group of customers is identified on the basis of age, income, lifestyle, geographical location or a combination of both. Porter (1998), states that in the Focus strategy the firm focuses on a particular buyer, group, and segment of product line or geographical market. Porter (1998), goes on to say that the focus strategy is built around serving a particular target group very well and each functional policy is developed around this in mind. The firm therefore achieves differentiation from meeting the needs of a particular target or lower costs in serving this target or achieves both lower cost leadership and differentiation. Thompson (2007), states that a focus strategy based either on low cost or differentiation becomes increasingly attractive when the target market niche is big enough to

be profitable and offers good growth potential.

Pearce II et al (2004), state that strategies used by firms attempting to move toward globalization use can be categorized by the degree of complexity of each foreign market and the firm's product line. Complexity refers to the number of critical factors required to prosper in a competitive arena. Diversity on the other hand refers to the breath of firm's business line, when a firm offers many products lines, diversity is high, when both complexity and diversity are combined by the company it can make several strategic choices. Thompson (2007), states that combining efforts of two companies via mergers and acquisition is an attractive strategic option for achieving operating economics, strengthening the resulting companies competences and opening up avenues of new market opportunity. Mergers and acquisitions help create a more cost efficient operation out of the combined companies, this is because overlapping of activities in departments like sales and marketing also helps in the extension of the company's business into new categories. It can also enable the access of new technologies or other resources and competitive capabilities.

According to Kasina et al (2006), companies can adopt different competitive strategies like Strategic alliances whereby two or more firms' team up together to obtain a common objective by sharing competences to improve efficiency and satisfy stakeholders and customers. The two firms do not lose their identity but complement each other. An alliance between companies can provide different but complimentary services that allow companies to create an advantage over competitors by broadening the scope of their operations. Thompson (2007), indicates that a firm may be involved in vertical integration strategies whereby a firm expands its activities backward into sources of supply and forward into end-users. A firm can do this by starting its own operations in other stages in the industry's activity chain by acquiring a company already performing the activities its wants to bring on board.

A firm may also undertake outsourcing strategies and therefore narrow their boundaries of business. In their book, Thompson (2007), states that a company makes a conscious decision to forgo attempts to perform certain value chain activities internally and instead contract them to outside specialist and strategic allies.

Drivers of outsourcing are that outsiders can perform certain activities better or cheaper. Outsourcing enables a company to focus its energies on those activities that it specializes on. A company may also under take offensive strategies in order to improve its market position and build competitive advantage. A firm may do this by focusing on building competitive advantage and striving to convert the competitive advantage into defensive advantage by employing the element of surprise rather than doing what rivals expect and are prepared for. Thompson (2007), goes on to indicate that in order for a company to protect its market position and gain competitive advantage, a firm may try to lower the risk of being attacked to avoid any impact that can weaken it thus encouraging challengers to aim their efforts at other rivals. Through offensive strategy a firm can enhance its competitive advantage therefore fortifying its competitive position, protecting its most valuable resources and capabilities from imitation. Companies today can also use websites to position themselves in the market place. Websites are used to disseminate product or service information and also online sales (<http://www.quickmba.com>).

Pearce II et al (2004), state that niche market exporting is a competitive strategy used by international companies, in this strategy the company exporting has to modify select product performance or measurement characteristics to meet special foreign demands. Through export, the company is able to maintain quality control standards of its goods. Thompson Jr (2007) states that a licensing strategy makes sense when a firm with valuable technical know-how or a unique patented product and has neither the internal organizational capability nor the resources to enter a foreign market. Licensing also has the advantage of avoiding the risks of committing resources to country markets that are unfamiliar politically volatile, economically unstable or otherwise risky.

Pearce II et al (2004), further indicate that franchising is a form of licensing which can be used as a competitive strategy for entering a foreign market. Franchising allows the franchisee to sell a highly publicized product or service using the parents brand name or trademark, carefully developed procedures and marketing strategies are used as a quality standard for by the company and can be replicated in any country the company wants to enter. The franchisee pays a fee to the parent company typically based on the volumes of sales of franchisor in its defined market area. The franchise is operated by a local investor who must adhere to the strict policies of the parent company. Thompson (2007), states that

strategic alliances, Joint ventures and other cooperative agreements with foreign markets are a favorite and potentially fruitful means for entering a foreign market or strengthening firms competitiveness in the world markets. Cross border alliances have proved to be viable and popular vehicles for companies to edge their way into markets of foreign countries.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research design was a case study. Young (1960), describes case study as a comprehensive study of a social institution be it a person, group, a social institution, a district or a community. Oduor (2007), states that the case study design allows in depth exploration of issues, thus the data collected is content in nature. Bell (1998), explains that the case approach is appropriate for individual researchers because it gives them the opportunity to do in depth research on a particular aspect of a problem. A case study was therefore considered the most appropriate for the study as it sought to inquire the strategies adopted by Western Union money transfer service in the international money transfer service industry in Kenya.

3.2 Data collection

The Data collected was both primary and secondary data, interview guides were used to collect the primary data. According to Kahn et al (1957), an interview is a purposeful discussion between two or more people. The use of interview guides helped gather valid and reliable data that was relevant to the research questions and objectives. Since the interviews were done face to face, it provided the researcher with an opportunity for clarification of issues with the interviewee. Secondary data was gotten from internal reports like annual reports, existing or previous strategic plans and newsletters and was used mainly to support the primary data.

Those who were interviewed were operations managers, customer care managers, branch managers and marketing managers who work in the Western Union money transfer service franchisee banks. The banks selected for the research were Postbank, Diamond Trust and Kenya Commercial Bank (KCB).The interviewer made appointments with the interviewees; and paid a visit to each on them to collect the required data.

3.3 Data Analysis

Since that data collected was qualitative by nature, the data was analyzed by content analysis. Weber (1990), states that content analysis is a useful technique for allowing one to discover and describe the focus of an individual, group, institutional, or social attention .It also allows inferences to be made which can then be corroborated using other methods of data collection.

Mugenda (2003) observed that content analysis is used to study existing information in order to determine factors and explain a specific phenomenon.

Palmquist (1990), further states that content analysis is a research tool used to determine the presence of certain words or concepts within texts or sets of texts. Researchers quantify and analyze the presence, meanings and relationships of such words and concepts, then make inferences about the messages within the texts, the writer(s), the audience, and even the culture and time of which these are a part. Texts can be defined broadly as books, book chapters, essays, interviews, discussions, newspaper headlines and articles, historical documents, speeches, conversations, advertising, theater, informal conversation, or really any occurrence of communicative language.

Miles et al (1994), give incite that it is a common practice to use typical quotations to justify conclusions and to incorporate other options for data display, including matrices, graphs, charts, and conceptual networks. According to Patton (2002), the form and extent of reporting will finally depend on the specific research goals.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The purpose of the research was to find out the competitive strategies adopted by Western Union in the international money transfer service in Kenya. The results presented are based on the research question. The findings are presented in frequency tables, percentages, mean, standard deviation, and pie charts with a clear discussion on each of the findings. The method of data collection was the use of interview guides, interview appointments were made with operations managers, customer care managers, branch managers and marketing managers who work in the Western Union money transfer service franchisee banks. The banks selected for the study Postbank, Diamond Trust and Kenya Commercial Bank (KCB). The researcher made appointments with interviewees and paid a visit to all the participants taking part in the research. Out of the 30 managers visited, the researcher was able to interview 25 managers; this represented 85% of the response rate. Out of the manager selected to be interviewed, 5 managers who represent 15% of the interviewees were not available to be interviewed for various reasons.

4.1.1 Position of the Respondents

The respondents were asked which position they held in their respective banks of employment. The results are shown in table 1 below.

Table 1: Position of the Respondents

Position	Frequency	Percentage
Western Union Money transfer service Managers	6	24
Marketing Managers	5	20
Regional Managers	4	16
Branch Operation Managers	8	32
Customer Care Managers	2	8
Total	25	100

Source: Research Data

From the results, 24% of the managers interviewed were from the Western Union money transfer service department, 20% were from the marketing department, 32% were from the branch operations department, 16% were regional managers and 8% were customer care managers.

4.1.2 Years of Operation

The managers were asked the number of years their respective banks have been doing Western Union money transfer business. This is important as it will enable us to establish the relationship between strategy and operating period. It is also an indicator of growth trends in the industry. The results are shown in table 2 below.

Table 2: Years of Operation

Years of Operation	Frequency	Percentage
1-5	10	40
5-10	5	20
10-15	10	40
Total	25	100

Source: Research Data

From the above information 40% of the managers interviewed stated that their bank has been doing Western Union money transfer business for a period of 10-15 years, 20% stated that their bank has been doing Western Union money transfer business for a period of 5-10 years while another 40% stated their bank has been doing Western Union money transfer business for the a period of 10-15 years.

4.1.3 Branch Network

The respondents were asked if the all their banks offered Western Union money transfer services in all their respective branches. Analysis showed that the services were offered in all branches of the banks under research. This was an important question that confirmed that Western Union money transfer service could easily be replicated to other branches by those banks that were already doing the business.

4.1.4 Agency Services

The respondents were asked if their respective banks had partnered up with other banks and Forex Bureaus to do the Western Union money transfer business on their behalf in areas where they did not have branches. This question was an indicator as to why Western Union money transfer service has a wide agent network. The results are shown in table 3 below.

Table 3: Agency Services

Agents	Frequency	Percentage
Other Banks	4	16
Forex Bureaus	4	16
Other Banks and Forex Bureaus	7	28
No Agents	10	40
Total	25	100

Source: Research Data

The results indicate that 16% of banks partner with other banks as agents to offer the Western Union money transfer service, 16% of banks partner with Forex Bureaus as agents to offer the Western Union money transfer service, 28% of banks partner both Forex bureaus and other banks while 40% of banks do not partner with any form agents to offer the money transfer service.

4.2 Competitive Strategies adopted by Western Union Money Transfer Service in the International Money Transfer Industry in Kenya

The objective of the study was to find out the competitive strategies adopted by Western Union money transfer service in the international money transfer industry in Kenya. This section sought to identify strategies adopted and their success in enabling the organization gain competitive advantage.

4.2.1 Intensity of Competition in the International Money Transfer Industry in Kenya

Table 4 gives a summary of the state of competition in the international money transfer industry as more players join the industry.

Table 4: Intensity of Competition in the International Money Transfer Industry in Kenya

Intensity of Competition	Frequency	Percentage
Stiff	3	12
Not Stiff	2	8
Fairly Stiff	5	20
Very Stiff	15	60
Not Sure	0	0
Total	25	100

Source: Research Data

Figure 1



As can be seen from figure one above, 60% of the respondents stated that the competition in the international money transfer industry in Kenya is very stiff, 20% indicated that the competition is fairly stiff, 8% indicated that the competition is not stiff, while 12% indicated that the competition is stiff. This is an indication that Western Union money transfer service faces competition from other money transfer services that may be cheaper or are offering better services.

4.2.2 Formulation of Competitive Strategies

This section sort to find out if Western Union money transfer service has any formal strategies to cope with the competition it is facing in the international money transfer industry in Kenya. The results are stated in Table 4 below.

Table 5: Formulation Competitive Strategies

Formulation of Strategies	Frequency	Percentage
Highly Formal	15	60
Formal	10	40
Semi Formal	0	0
No process, no planning	0	0
Total	25	100

Source: Research Data

Figure 2



As can be seen from figure two above, 60% of the interviewees stated that the competitive strategies were highly formal with 40% stated that the strategies were just formal while none of the respondents claimed that Western Union money transfer service used semi formal strategies or did not plan its strategies.

4.2.3 Development of Competitive Strategies

This section sort to find out who develops or comes up with the competitive strategies; is it the Western Union money transfer service franchisee banks in Kenya, Western Union International, or both The franchisee banks and Western Union International. The results are in Table 5 below.

Table 6: Development of Competitive Strategies

Development of Strategies	Frequency	Percentage
Western Union money transfer service franchisee banks in Kenya	4	16
Western Union International	6	24
WU International and all its franchisee banks in Kenya	15	60
Total	25	100

Source: Research Data

Figure 3



The results from the respondents indicated that 16% of the competitive strategies used by Western Union in the international money transfer service industry in Kenya were developed by the franchisee banks in Kenya, 24% were developed by Western Union International, and 60% were developed by both Western Union International and franchisee banks in Kenya. The results indicate that the franchisee banks get a lot of support from their franchisor Western Union International.

4.2.4 Implementation of Competitive Strategies

The respondents were asked to what extent the strategies developed were implemented, they used a four point scale ranging from 'very great extent' '4', 'great extent' '3', 'little extent' '2', and 'not at all', '1'. The scores were tallied and mean and standard deviation computed, a high mean indicates greater implementation of the competitive strategy. The results are presented in table 6 shown below.

Table 7: Implementation of Competitive Strategies

Strategy	Mean	Standard Deviation
Cost Leadership (Pricing)	2.72	0.94
Focus-Meeting Customer needs	2.96	0.67
Differentiation through branding	3.80	0.4
Differentiation through quality customer service	2.08	1.58
Regular update of technology	3.24	0.94
Wide agent network	3.24	0.8
Staff Motivation Schemes	3.12	0.80

Source: Research Data

As per the results in table seven above, The strategy that is highly implemented is differentiation through branding (3.8), wide agent network (3.24), regular update of technology (3.24), staff motivation schemes (3.12), focus on meeting customer needs (2.96), Cost leadership strategy (2.72), and differentiation through quality customer service (2.08).

4.2.5 Success of Competitive Strategies adopted by Western Union in the International Money Transfer Industry in Kenya

The respondents were asked to what extent the strategies implemented were successful, they used a four point scale ranging from 'very great extent' '4', 'great extent' '3', 'little extent' '2', and 'not at all', '1'. The scores were tallied and mean and standard deviation computed for each competitive strategy, the higher the mean, the more successful the competitive strategy.

Table 8: Success of Competitive strategies adopted by Western Union in the International Money Transfer Industry in Kenya

Strategy	Mean	Standard Deviation
Cost Leadership (Pricing)	2.46	0.82
Focus-Meeting Customer needs	2.86	0.63
Differentiation through branding	3.90	0.5
Differentiation through customer service	3.44	0.72
Regular update of technology	3.46	0.8
Wide agent network	3.20	0.77
Staff Motivation Schemes	3.03	0.89

Source: Research Data

The results indicate that differentiation through branding was the most successful strategy with a mean of (3.9), regular update of technology (3.46), differentiation through offering quality customer service (3.44), wide agent network (3.20), staff motivation schemes (3.03), focus on meeting customer needs (2.86) and cost leadership (2.46).

4.2.6 Challenges faced by Western Union Money Transfer Service in administering the Competitive strategies

The respondents were asked to what extent Western Union money transfer service faced challenges in implementing the competitive strategies, they were to use a three point scale ranging from '1' No Challenge' '2' 'Fair Challenge', '3' Strong Challenge. The scores were then tallied and means and standard deviation calculated. A high mean indicates a strong challenge

Table 9: Challenges faced by Western Union Money Transfer Service in administering Competitive Strategies

Strategy	Mean	Standard Deviation
Changes in customer needs	2.6	0.60
Cheaper Money transfer services	2.7	0.64
Liberalization of the Money Transfer market	2.4	1.96
Lack of support from WU International	1.6	0.97
Lack of finances to expand network	1.4	0.41
Partners collaborating with competitors	2.5	0.5
Maintaining reasonable low charges of services	2.3	1.7

Source: Research Data

The results indicate that Western Union money transfer faces a strong challenge from other cheaper money transfer services and has a mean of (2.7), changes in customer needs (2.6), partners collaborating with competitors (2.5), liberalization of the money transfer market (2.4), maintaining reasonably low charges (2.3), lack of support from WU International (1.6), and lack of finances to expand network (1.4).

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the research findings, discusses the findings and draws conclusions. The research had one research objective which was to determine the competitive strategies adopted by Western Union money transfer service to cope with competition in the international money transfer industry in Kenya. The method of data collection was the use of interview guides, interview appointments were done with operations managers, customer care managers, branch managers and marketing managers who work in the Western Union money transfer service franchisee banks that were considered for the research. These were Diamond Trust Bank, KCB and Postbank. The findings were presented in frequency tables, percentages, means, standard deviations and pie charts with a clear discussion on each of the findings.

5.2 Summary

The research has confirmed that the competition in the international money transfer is very stiff, as a result Western Union money transfer service has had to adopt a cost leadership strategy whereby it revises its transaction fees from time to time to ensure that its services are affordable and within the reach of its customers and potential customers. This has enabled it to retain its customers who would have otherwise opted for other money transfer services.

The study established competitive strategies are formulated in conjunction with the franchisee banks. This ensures that the strategies adopted are practical and can be implemented in the local environment. A market research is done to confirm the needs and expectations of the customers. A market research is also done to find out what competitors are offering in terms of pricing of services, quality of customer service and the product features.

The findings from the research established that the money transfer service offers quality customer service to its customers. Employees are trained on how to offer quality customer service and are enlightened on customer expectations. A follow up on the same is done by carrying out 'Mystery Shopping', to confirm if employees are offering quality customer service in their respective branches. Customers are invited for focus groups meetings to find out their experiences and expectations of Western Union money transfer service.

From the research, it is clear that the money transfer service boasts of been a popular brand worldwide, however it still emphasizes on continually marketing itself in the Kenyan market, this has played a big role in product awareness. This is done through advertisements, billboards, branding of public vehicles, customer incentives and community service which has given the money transfer service publicity in several occasions.

As per the research, it was evident that franchising has given Western Union money transfer service an upper hand over its competitors. This is because it has been able to easily expand its money transfer service to its agents without compromising on service quality. As a result, it is widely accepted by the banks and Forex Bureaus who are comfortable with the franchising terms and conditions and have been able to comfortably uphold the expected franchise standards. As a result, the money transfer service is offered in over 500 locations in Kenya including banks like Postbank, Diamond Trust, KCB, Equity, K-Rep, Southern Credit Bank, Giro Bank, credit bank, Family Bank, Housing Finance and Forex Bureaus. Because of this wide agent network, the service is very popular with Kenyans in diaspora, investors and business people sending money to and from Kenya.

The study established that the transfer service uses the latest money transfer technology in the market. This has been used by the transfer service as a competitive strategy as it has made customers service more efficient and effective. Customers are very impressed with the efficiency of service as it takes a maximum of 3 minutes to do a transaction. The efficient technology has put the transfer service ahead of its competitors and has helped it retain its market share.

Further findings revealed that the transfer service also ensures that employees are always motivated and have the right work attitudes. This is done through offering them regular training on customer care, staff retreats, conventions and the popular 500 club competition that takes place annually. In this competition employees are trained and tested on issues concerning offering quality customer care service. The best branch is rewarded handsomely by Western Union international.

5.3 Conclusion

From the findings it can be concluded that Western Union money transfer service uses competitive strategies in order to cope with competition in the international money transfer industry in Kenya. Competitive strategies used include cost leadership, differentiation through quality customer service, differentiation through branding, franchising, use of the latest technology and staff motivation schemes. As a result it has been able to easily to acquire a wide agent network, at the moment the service is offered in over 500 locations in Kenya and this makes it the biggest and the most readily available international money transfer service in Kenya.

5.4 Recommendations for further Research

Since this study only focused on international money transfer service of Western Union, further studies can be done on the impact of local money transfer services like M-pesa, Airtel cash and Yu-cash on the Western Union intra cash money transfer service in Kenya.

Another study can also be done on the challenges faced by Western Union money transfer service in maintaining its market position in the international money transfer industry.

5.5 Limitations of the Study

Since data collection was by use of interview guides, there were challenges in securing interview appointments with those to be interviewed. This meant that the process of data collection took longer than expected, thus delaying the completion time of the project.

Some interviewees were too busy and had very little time to spare for the interviews; this meant that interviewer did not ask some interviewees all the questions in the questionnaire. In some instances, there was also lack of time to further probe the interviewees as they had very busy schedules.

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APPENDIX ONE: INTERVIEW GUIDE

Goal of the interview Process

To determine the competitive strategies adopted by Western Union money transfer in the international money transfer industry in Kenya.

SECTION OF A-Organization Profile

1) Name of bank _____ branch _____ (Optional)

2) When did your bank sign up to offer the Western Union money transfer service?

3) Does your bank offer Western Union money transfer services in all its branches?

4) Apart from your branches, has your bank signed up with other agents to offer Western Union money transfer services on your behalf?

5) If so, which agents?

Forex Bureaus ()

Other Banks ()

No agents ()

PART B-Competitive Strategies

6) How would you rate the level of competition in the international money transfer industry in Kenya?

Stiff () Formal () Fairly Stiff () Not Stiff () Not Sure ()

7) If yes, what kind of competitive strategies does Western Union money transfer service follow?

Highly formal () Formal () Semi formal () No process, no planning ()

8) Who develops these strategies?

Western Union international ()

Each Franchisee bank ()

WU International and Each Franchisee bank ()

9) Please indicate whether Western Union money transfer service implemented the following Competitive strategies

Strategy	Very Great Extent	Great Extent	Little Extent	No Extent at all
Cost leadership (Pricing)				
Focus- Meeting customer needs				
Differentiation through branding				
Differentiation through quality customer service				
Regular Update of technology				
Wide agent network				
Staff motivation schemes				

10) Do you know of any other competitive strategies adopted by Western Union money transfer service apart from those mentioned above?

11) Has Western Union money transfer service been successful in implementing the following strategies?

Strategy	Very Great Extent	Great Extent	Little Extent	No Extent All
Cost leadership (Pricing)				
Focus- Meeting customer needs				
Differentiation through branding				
Differentiation through quality customer service				
Regular Update of technology				
Wide agent network				
Staff motivation schemes				

12) In your own words, do you think Western Union money transfer service has been successful in implementing competitive strategies?

13) Does Western Union money transfer service face the following challenges?

Strategy	Strong Challenge	Fair Challenge	No Challenge
Imitation of products by competitors			
Changes in customer needs			
Cheaper Money transfer services			
Liberalization of the Money Transfer market			
Lack of support from WU International			
Lack of finances to expand network			
Political Instability in the region			
Partners collaborating with competitors			
Maintaining reasonable low charges of services			

14) Do you know of any other any challenges been faced by Western Union money transfer service in coping with competition?

15) What do you think is the future of the international money transfer service in Kenya?

APPENDIX TWO: LETTER OF INTRODUCTION

Caroline Busienei,
University of Nairobi,
P.O.Box 30197
NAIROBI

Dear Interviewee,

RE: COLLECTION OF SURVEY DATA

I am an MBA student in the University of Nairobi. In order to fulfill the requirements of this course I am required to undertake a research project. The title of my research project is **Competitive Strategies adopted by Western Union money transfer service in the international money transfer service industry in Kenya.**

I am requesting to interview you as one of my respondents. The information provided will be treated with strict confidence and will only be used for the purpose of this project. Please note that your name or the name of your organization will not be mentioned anywhere in the project.

Thank you for your cooperation.

Yours faithfully

Caroline Busienei
Student

Eliud Mududa
Supervisor



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone 020-2059162
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P O Box 30197
Nairobi, Kenya

DATE 4th October 2011

TO WHOM IT MAY CONCERN

The bearer of this letter CAROLINE JEPCHUMBA BUSIGNEI

Registration No. D61/P/8366/03

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.

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SCHOOL OF BUSINESS
MBA OFFICE
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NAIROBI

JUSTINE MAGUTU
ASSISTANT REGISTRAR
MBA OFFICE, AMBANK HOUSE