STRATEGIC RESPONSES OF KENYA COMMERCIAL BANK TO MOBILE MONEY TRANSFER SERVICES IN KENYA

BY

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DECLARATION

This management project is my original work and has not been presented for a degree in any other university.

Signed. . . . . .Date ...)A\\.).?£!.

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This project has been submitted for examination with my approval as university supervisor.

Signed ^. . . . . .D a t e . J . ^ . M . I . ^ . . ^

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DEDICATION

This paper is dedicated to the Almighty God for enabling me to successfully complete this research. To my family and dear friends for their encouragement and patience.

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My pursuit for the MBA degree would not have been possible without the encouragement, support and assistance of a number of people. Whereas I cannot mention everyone by name, I feel extremely grateful to so many people. I would like to thank my supervisor for her patience and dedication in guiding me. I would also like to thank my family for their moral support during the entire duration of the course. Finally, I also extend my gratitude to my workmates who ensured that I got enough time to complete this work.

ABSTRACT

The introduction of mobile money transfer services in Kenya had a great impact on the way in which Kenya Commercial Bank conducted their day to day business. This state of affairs compelled the researcher to conduct this study on the strategic responses adopted by Kenya Commercial Bank to mobile money transfer services.

The data was collected from senior staff of the Bank. The researcher used an interview guide to collect data from the respondents. The interview guide had different questions covering the demographic details of Kenya Commercial Bank management respondents and the general information on mobile money transfer services in the banking industry in Kenya and specific information covering strategic responses of Kenya Commercial Bank to mobile money transfer services. The findings of the study are interpreted using content analysis.

The findings of the study indicate that responses included improvement in human resource management, thorough research on the customer needs and development of products to match such needs to achieve customer expectation and also attract new customers. The most talked about response was the adoption of mobile banking service also known as KCB Connect. The bank also adopted a marketing system to reach it clients alongside the use of modern information and technology system. Based on the findings it is evident that Kenya Commercial Bank not only concentrated on targeting new customers but also on developing extensive distribution channels in order to gain a competitive edge in the market. This was done by increasing the branch network both

locally and in the East African region as well as increasing the number of ATM outlets and coming up with KCB Mtaani.

Based on the findings it may be recommended that Kenya Commercial Bank should not only concentrate on targeting new customers and developing extensive distribution channels in order to gain a competitive edge in the market but to also do thorough research on their client needs and preferences and not just do things based on the fact other banks are doing it.

For further research the banking industry can be studied as a whole where the strategic responses to mobile money transfer services of all banks are sought and compared. Another area of study that researchers may find especially useful is the study of mobile banking in Kenyan banks.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

To survive in today's business environment, a company's management team must be able a react to the changes in the internal and external environment (Meyer and Rowan, 1997). By understanding the business environments and how they affect the businesses, one can locate and correct problems before they become crippling. According to Scherrer (2003), businesses are confronted with unique challenges caused by rapidly changing financial and market conditions. The current business environment is of unpredictable instability which can lead a business into rapid decline if its management team does not understand the signals of a declining business.

Jelassi and Enders (2005), outline the fundamental reasons why an organization may find it necessary to have a strategy is to define the long-term direction of the organization, the development of an overall plan for deploying organization resources, determination of the necessary tradeoffs, to define its unique positioning vis a vis competitors and to achieve sustainable competitive advantage over rivals in order to ensure lasting profitability. Ahuja (2004) suggests that a strategic plan and strategic planning process itself offers a competitive edge and enables a company to measure achievements against expectations,

According to Turban et al (2008), the study of strategic responses can therefore be said to aid in the development of a competitive advantage, survival of the organization and ensure profitability of an organization. This is also said that those who fail to plan, plan to fail. This is the key reason why strategies are made. The management of an organization should however come up with suitable strategies only after they have done a thorough

SWOT analysis of the organization. This involves the identification of the strengths, weaknesses, threats and opportunities of the organization.

According to Thompson (2008), different environments exist in a particular industry. A company can be said to be emerging, rapidly growing, sustaining rapid growth, mature, declining or stagnant based on the life cycle of a company or it can be described as a leader, runner up, weak, in a fragmented industry or in a high velocity or turbulent market. This may important is tailoring a particular strategy to specific industry and company situations. For instance a company that has to deal with technological advancement in the industry may employ strategies that are used by emerging industries, rapidly growing industries or turbulent markets.

1.1.1 Concept of Strategy

Quinn (1980) defines strategy as a plan that puts together an organization's major goals, policies and actions to ensure its continuity and survival. The environment is always changing and the survival of organizations will highly depend on their ability to identify potential threats and come up with ways of dealing with them so as to ensure continuity. Organizations must be responsive to the external demands and expectations in order to survive (Meyer and Rowan, 1977). An organizational strategy is a broad based formula on how a business is going to accomplish its mission, what its goals should be, what plans and policies it will need to accomplish these goals. An organizations strategy addresses fundamental questions about the current position of a company and its future directions. (Jelassi and Enders, 2005). Pearce and Robinson (2010), define strategy as large scale, future oriented plans for interacting with the competitive environment to achieve company objectives. It's a company's game plan.

According to Turban et al (2008), Strategy is more than determining what a company should do next. Strategy is also about making tough decisions about what not to do. A strategy is important for the reasons cited above but the process of developing a strategy may be even more important. No matter how large or small an organization, the strategic planning process forces corporate executives, a company general manager, or a small business owner to assess the current position of the firm, where it should be and how to get there. The process involves stakeholders such as board of directors, employees, and strategic partners. This involvement ensures the stakeholders buy into the strategy and reinforces stakeholder commitment to the future of the organization.

Turban (2008), outline 4 strategic planning phases namely strategy initiation, formulation, implementation and assessment. A cyclical approach to strategic planning is required since during assessment of a strategy, it may be discovered that the strategy is not effective. Grant, (2002) argues that a successful strategy is consistent with the organizations goals and values, external environment, resources and capabilities and organization systems. The organization depends on environment for its survival and responses to the environmental situation determine its performance.

1.1.2 Concept of Strategic Response

Pearce and Robinson (2010) define strategic responses as a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm's objective. Strategic management allows organizations to be efficient but more importantly it allows them to be effective. The strategic management process results in decisions that can have significant long lasting consequences. Erroneous strategic decisions can inflict severe penalties and can significantly exceedingly difficult to reverse. Ansoff and MeDonald (1990), argue that organizations are environment dependent and serving. Ansoff (1988) argues that business firms whose behaviors are unplanned and unguided do not survive for long except in monopolistic and subsidizing environments.

Useful strategic planning tools include SWOT analysis. Competitor analysis grid, scenario planning and balanced score card (Turban, 2008). SWOT analysis is a methodology that surveys the opportunities (O) and threats (T) in the external environment and relates them to the organizations internal strengths (S) and weaknesses (W). A competitor analysis grid is a strategic tool that highlights the points of differentiation between competitors and the target firm. The grid is a table with the company's most significant competitors entered into the columns for comparisons entered into the rows. Scenario planning offers an alternative to traditional planning approaches that rely on straight line projections of current trends. The aim of scenario planning is to generate several plausible alternative futures, giving decision makers the opportunity to identify the actions that can be taken today to ensure success under varying future conditions. Balanced score card is a tool that assesses organizational progress towards strategic goals by measuring performance in a number of different areas.

Strickland (2003), argues that the particular business opportunities a firm has and the threats to its position are key influences of strategy. Response needs to be deliberately crafted to capture some or all of a firm's best growth opportunities especially those that can enhance its long term competitive position and profitability. Likewise response should be geared towards the provision of a defense against external threats to the firm's well being and future performance. For a strategy to be successful, it has to be well matched to the firms' opportunities and threats. Successful strategists aim at capturing a company's best growth opportunities and creating defenses against threats to its competitive position and future performance.

1.1.3 Mobile Money Transfer Services

In simple terms, mobile money transfer service involves the use of mobile phones to transfer funds from one person's mobile phone to that of another person. It is a form of m-commerce which simply means the use of cellular phones to carry out transactions. Mobile money transfer service is a branchless banking service, meaning it is designed to enable users to complete basic banking transactions without the need to visit a bank branch. There is usually limited involvement of a bank.

Mobile banking is a natural extension of ecommerce which is a technological advancement in the use of mobile or cellular phones to carry out transactions. Often the issue is not whether to adopt a new technology but when to adopt it and how to integrate the change with the organizations' operating practices and strategies. Typically, signals of the new technology's impact are visible well in advance leaving time for companies and people to respond (Bateman and Zeithaml, 1993)

Mobile money transfer service is a natural extension of e-commerce. There are several attributes that make mobile money transfer services desirable to the people who use it. These attributes include ubiquity, convenience, interactivity and personalization. Ubiquity means to be available at any location at any time. Convenience is seen where the users are able to operate the wireless cellular phones easily since they are portable and most feature instant connectivity. Interactivity here means that the services are immediate. Personalization is a great advantage of mobile money transfer services since mobile phones are highly personal computing devices. Almost always the mobile devices are owned and operated by a single individual. This enables consumer personalization.

The development of mobile money transfer services is being driven by technological, business, social and economic factors. One reason is the widespread availability of more powerful devices. According to Turban (2008), the number of cell phones throughout the world has exceeded 1.5 billion. In 120 countries the number of cell phones exceeds the number of landline phones. Thus a potential mass market for conducting mobile phone money transfer services. The other thing is the handset culture. This is closely related to the widespread use of cell phones among the 15 to 25 year old age group. These users constitute a major market.

In Kenya, mobile money transfer services are offered by the major mobile phone operators such as Safaricom's MPESA, Airtel's ZAP and Yu's YU money. This is mainly through agents who are distributed across the country. They provide services such as the transfer of funds from one person's mobile phone to that of another person, withdrawal and receipt of funds within the same network. Mobile money transfer is a topic that is relatively new in the market. As a result little research that has been done on the topic. This may be due to the fact that mobile money transfer has been prevalent in developing countries. Most developing countries do not invest in research and development. As a result there is little if any information on the advent of mobile money transfer services.

1.1.4 Kenya Commercial Bank

Kenya Commercial Bank is the largest commercial bank in Kenya with subsidiaries in Uganda, Tanzania, Rwanda and South Sudan. Plans are underway to have a subsidiary in Burundi. The bank has a branch network of more than 150 branches in Kenya alone. This makes it a market leader in the country and in the east African region.

Kenya Commercial Bank is regulated by the Central Bank of Kenya, CBK Act Cap 411 and the Banking Act Cap 488. These acts are intended to primarily facilitate the development and maintenance of a sound monetary policy (GOK, 2006). The CBK which falls under the Ministry of Finance docket is responsible for the formulating and implementing of monetary policy and fostering the liquidity solvency and proper functioning of the financial system. The central issue for the central bank of Kenya is how best to promote access to the financial system by a wider segment of the population.

In the quest for market domination, leading banks across the globe have adopted the latest technologies to increase customer retention, achieve streamlined operations and enhance customer service (McDaniel and Gitman, 2008). Adoption of latest technologies include strategies such as coming up with new systems and embracing new technology such as mobile banking. For instance, Kenya Commercial Bank adopted the T24 system and came up with Kenya Commercial Bank Connect. This service provides account owners with the ability to access their accounts through a mobile phone with the help of mobile phone operators such as Safaricom and Airtel. The service provides the same (if not better) convenience that is touted by users of mobile money transfer services such as MPESA in Kenya. The service is also cost effective as each transaction is currently charged at a flat fee of KES 30.

1.2 Research Problem

To survive in today's business environment, a company's management team must be able to react to changes in the external and internal environment. By understanding their environments, they can locate and correct problems before they become crippling to them and finally lead to the death of the company. This is why Porter (1980) states that strategy is a concept of competition. He further explains that the competition may be as a result of five forces namely: threat of substitute products, bargaining power of buyers, bargaining power of suppliers, threat of new entrants and finally the competitive reactions from competitors in the market. It is imperative that an organization does not ignore its environment while formulating its strategies since this may lead the death of the organization. The core reason for the existence of most companies is the maximization of revenues earned and banks are no exception.

Competition in banking has never been fiercer (McDaniel and Gitman, 2008). Mobile money transfer service is a technological advancement that has brought about great changes in the way in which people do business in Kenya. As a result many banks have experienced the need to respond since the use of mobile money transfer services eats directly into their revenues. Mobile money transfer service has provided Kenya's unbanked population with the option of reduced costs as well as convenience which was not provided by the various banking institutions in the country. It is because of this that the banks Kenya Commercial Bank decided to also cash in on the benefits sought by those who preferred to use mobile phone money transfer services as opposed to the convectional banking money transfer services. For instance, Kenya Commercial Bank has most of its branches open between 8 am and 4 pm. In comparison the mobile phone transfer services can be accessed any time. Kenya Commercial Bank saw this and responded with different strategies to deal with mobile money transfer services so as to reap the benefits associated with the same.

Various studies have been conducted by scholars on the concept of strategic response. Ojwang' (2010), discussed, on his unpublished paper, the strategic responses of Kenya Commercial Bank to changes in the environment. Mwadime (2010) studied analysis of growth strategies by Kenya Commercial Bank to the changing environment. Machio (2010) discussed the effect of mobile banking on selected macroeconomic factors in Kenya. Ojwang (2010) concluded that the management of Kenya Commercial Bank should change their perception on cost leadership, market share leadership and technology leadership to take advantage of industry growth. Mwadime (2010) concluded that to remain competitive in the market Kenya Commercial Bank should focus on cost management both in the local and international markets. These studies have been instrumental in determining the strategic responses adopted by the two banks to deal with changes in the environment. There is very little written literature on mobile money transfer services since it is prevalent in countries with a great amount of unbanked population. Machio's study on mobile banking came to the conclusion was that there was no direct relationship between effect of mobile banking and selected macroeconomic factors.

The related studies above clearly show the gap that exists in not only getting general information with regard to mobile money transfer services as well as its effect on the development of strategic defenses by Kenya Commercial Bank. This study will therefore help in gathering information with regard to mobile money transfer services in Kenya.

1.3 Research objective

The objective of this study was to establish the strategic responses Kenya Commercial Bank has adopted to address mobile money transfer services

1.4 Value of the study

The findings in the study will be useful to top management of the different commercial banks in Kenya since they will be able to know the specific strategic responses employed by other banks to deal with mobile money transfer services

The findings in this study will also be beneficial to scholars in the field of mobile money transfer service to identify gaps that need to be expounded upon.

The study may also be of great use to government institutions such as treasury and ministry of finance in coming up with different policies and regulations for the improvement of the banking industry in Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature on the subject under study presented by various researchers, scholars, analysts and authors. The facets in this chapter include the concept of strategy, concept of strategic response, Porter's generic strategic responses, Ansoffs product or market matrix and other strategic.

2.2 Concept of Strategy

Quinn (1980) defines strategy as a plan that puts together an organization's major goals, policies and actions to ensure its continuity and survival. The environment is always changing and the survival of organizations will highly depend on their ability to identify potential threats and come up with ways of dealing with them so as to ensure continuity. Organizations must be responsive to the external demands and expectations in order to survive (Meyer and Rowan, 1977). An organizational strategy is a broad based formula on how a business is going to accomplish its mission, what its goals should be, what plans and policies it will need to accomplish these goals. An organizations strategy addresses fundamental questions about the current position of a company and its future directions. (Jelassi and Enders, 2005). Pearce and Robinson (2010), define strategy as large scale, future oriented plans for interacting with the competitive environment to achieve company objectives. It's a company's game plan.

According to Quinn (2002), there are five P's of strategy. Strategy can be a Plan, Position, Perspective, Pattern or a Ploy. Strategy is considered as a plan when it has some sort of consciously intended course of action or a guideline to deal with a situation.

It is a ploy if it is a plan intended to outwit an opponent. It is a position if its intention is to show where an organization is located in the external environment. Strategy is considered a pattern if it is a stream of actions or there is consistency in behavior whether intended or not. It is a perspective if it looks inside the organization and tries to explain the heads of collective strategists in the organization.

According to Turban et al (2008), Strategy is more than determining what a company should do next. Strategy is also about making tough decisions about what not to do. A strategy is important for the reasons cited above but the process of developing a strategy may be even more important. No matter how large or small an organization, the strategic planning process forces corporate executives, a company general manager, or a small business owner to assess the current position of the firm, where it should be and how to get there. The process involves stakeholders such as board of directors, employees, and strategic partners. This involvement ensures the stakeholders buy into the strategy and reinforces stakeholder commitment to the future of the organization. Turban et al (2008), outlines 4 strategic planning phases namely strategy initiation, formulation, implementation and assessment. A cyclical approach to strategic planning is required since during assessment of a strategy, it may be discovered that the strategy is not effective.

2.3 Concept of Strategic Response

The concept of strategy is important to any organization. This is because all organizations operate within an environment and understanding the issues that issues that emerge from an environment determines the nature of the organizations response in order to secure its long term survival by fulfilling the stakeholders' expectations. Pearce and

Robinson (2010) state that due to the rapid changes in the environment, managers have the responsibility of ensuring their firms capacity for survival. Ansoff (2008) argues that all environments tending towards turbulence, complexity and uncertainty. In response a firm must be a learning organization that can respond quickly and flexibly to the changing needs of the environment.

A response is a well planned set of actions or actions aimed at countering a change which has already taken place, is currently taking place or is anticipated to take place. According to Ansoff and McDonnell (1990) strategic response involves changes in the firms' strategic behavior to assure success in the changing future environment. The usefulness or relevance of a response adopted by a firm is measured by how well it has countered the challenges emanating from the external environment. According to Grant (2002), survival and success for an organization occurs when it creates and maintains a match between its strategy and environment. An organization needs to harness both tangible and intangible assets to maintain a strategic fit between strategy and environment. If this fit is not realized then a strategic gap exists.

According to Thompson (2008), there are Ten Commandments for crafting successful business strategies. The first is a company should place top priority on crafting and executing strategic moves that enhance the company's competitive position. Secondly, the company should be prompt in adapting to changing market conditions, unmet customer needs, buyer wishes for something better, emerging technological alternatives and new initiatives. Thirdly, the company should invest in creating a sustainable competitive advantage over rivals. Fourth, a company should avoid strategies that are capable of succeeding only in the most optimistic circumstances. Fifth, the company should consider attacking competitive weaknesses rather than competitive strengths. Sixth, a company should be wary of cutting prices without the established cost advantage. Seventh, a company should open up very meaningful gaps in quality or service features when pursuing a differentiation strategy. Eighth, a company should not underestimate the reactions and the commitment of rival firms. Ninth, a company should avoid stuck in the middle strategies that represent compromises between lower costs and greater differentiation and between broad and narrow market appeal. Finally, a company should be judicious in employing aggressive moves to wrest market share away from rivals.

2.4 Porter's Generic Strategic Responses

Porter (1998) calls his strategies generic because they are not firm or industry dependent. They can be applied to any firm or industry. These strategies are three named cost leadership, differentiation and focus strategy. A firm's relative position within the industry will determine whether its profitability is above or below the industry average. The fundamental basis of above average profit in the long run is sustainable competitive advantage. This is combined with the scope of activities for which the firm seeks to achieve lead to the three generic strategies for achieving above average performance in the industry.

The table below shows the three basic strategies for coming up with strategic responses.

Table 2.1: Porter's Generic Strategies

TARGET SCOPE	ADVANTAGE	
	Low Cost	**Product Uniqueness**
liroad(industry-wide)	Cost leadership strategy	Differentiation strategy
Narrow (market segment)	Focus strategy (low cost)	Focus strategy (differentiation)

2.4.1 Cost leadership Strategy

According to Pearce and Robinson (2010), cost leadership requires the business to be able to provide its product or service at a cost below what competitors can achieve. It must be a sustainable cost advantage. Thompson (2008) argues that this strategy strives to achieve lower overall costs than rivals and appeal to a broad spectrum of customers usually under pricing rivals. Attempts to out manage rivals on costs normally involve such actions such as striving to capture all available economies of scale, taking full advantage of learning or experience curve effects, trying to operate at full capacity, pursuing efforts to boost sales volumes and thus spread costs, being alert on cost advantages of outsourcing, improving supply chain efficiency, adopting labor saving operating methods, using online systems and sophisticated software to achieve operating efficiency.

According to Thompson and Strickland (2C08), a low cost provider strategy works best particularly when price competition among rival sellers is vigorous, the products of rival sellers is essentially identical and supplies are readily available, there are few ways to achieve product differentiation, most buyers use the product in the same way and buyers are large and have significant power to bargain down the prices. Porter (1980) states that the characteristics of cost leadership strategy include low levels of differentiation, aim for an average consumer, use of knowledge gained from past experience and addition of new products only after the market demands for them.

2.4.2 Differentiation Strategy

According to Thompson, 2008, this strategy seeks to differentiate the company's products from those of rivals to appeal to a broad spectrum of buyers. Pearce and Robinson, 2010, state that differentiation requires that the business have sustainable advantages that allow it to provide buyer's with something uniquely valuable to them. Hence the buyer feels the additional cost to buy the product or service is worth compared with the other available alternatives. Strategies dependent on differentiation are designed to appeal to customers with a special sensitivity for a particular product attribute. Grant (2002) argues that differentiation is not about pursuing uniqueness for the sake of being different, but it is about understanding the products or services and the customers.

Usually, building a sustainable competitive advantage via differentiation involves incorporating product attributes and user features that lower the buyer's overall cost of using the product, incorporating features that raise the product performance, incorporating features that enhance buyer satisfaction in non economic ways and differentiating on the basis of competencies and competitive capabilities that rivals do not have. A broad differentiation strategy works best where buyer's needs and uses of the product are diverse, there are many ways to differentiate the product, few rivals are following this differentiation approach and technological change is fast paced and competition revolves around rapidly evolving product features, Thompson (2008)

2.4.3 Focus Strategy

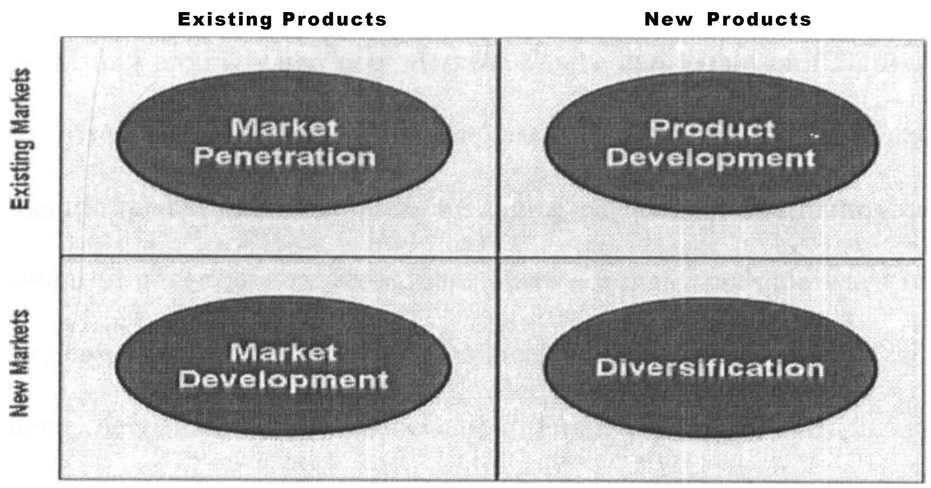
Focus strategy involves targeting a particular market segment. It rests on the choice of a narrow competitive scope within an industry. The target segment or niche can be defined by geographical uniqueness, by specialized requirements in using the product or by special product attributes that appeal only to niche members. According to Porter (1985), focus strategy has two variants: cost focus and differentiation focus. Cost focus strategy concentrates on a narrow buyer segment and out competing rivals by having lower costs than rivals and thus being able to serve niche members at a lower price. Thompson Differentiation focus concentrates on a narrow buyer segment and out competing rivals by offering niche members customized attributes that meet their tastes and requirements better than rivals' products. This strategy is attractive only where the target market niche is big enough to be profitable and where few, if any, other rivals are attempting to specialize in the same segment.

2.5 Ansoffs product / market matrix

The Ansoff Growth matrix is a tool that helps businesses decide their product and market growth strategy. Ansoffs product/market growth matrix suggests that a business' attempts to grow depend on whether it markets new or existing products in new or existing markets. Ansoffs product or market mix is part of the grand strategies because it provides basic direction for strategic actions. Ti is the basis of coordinated and sustained efforts directed toward the achieving of long term business objectives. Pearce and Robinson (2010), the matrix includes market penetration, product development, market development and diversification.

The figure below shows Ansoffs four product or market mix of growth strategies.

Figure 2.1: AnsofPs product and marketing mix of growth strategies



The output from the Ansoff product/market matrix is a series of suggested growth strategies that set the direction for the business strategy. These are described below:

2.5.1 Market penetration

Market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets. According to Strickland (2007), market penetration may seek to achieve the following objectives: to gain access to new customers, achieve lower cost and enhance the firm's competitiveness, to capitalize on a firm's core competencies and to spread the business risk across a wider market base. A market penetration marketing strategy is very much about "business as usual". The business is focusing on markets and products it knows well. It is likely to have good information on competitors and on customer needs. It is unlikely, therefore, that this strategy will require much investment in new market research.

2.5.2 Market development

Market development is the name given to a growth strategy where the business seeks to sell its existing products into new markets. Pearce and Robinson (2010) argue that this strategy involves the selling of present products with only cosmetic modification to customers in related marketing areas by adding channels of distribution or by changing the content of advertising or promotion. There are many possible ways of approaching this strategy, including: New geographical markets, new product dimensions or packaging, new distribution channels or different pricing policies to attract different customers or create new market segments

2.5.3. Product development

Product development is the name given to a growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets. According to Johnson and Scholes, this strategy may require a commitment to high levels of research and development. According to Pearce and Robinson (2010), product development strategy is based on the penetration of existing markets by incorporating product modifications into existing items or by developing new products with a clear connection to the existing product line.

2.5.4 Diversification

Diversification is the name given to the growth strategy where a business markets new products in new markets. This is an inherently more risk strategy because the business is moving into markets in which it has little or no experience. For a business to adopt a diversification strategy, therefore, it must have a clear idea about what it expects to do. Diversification is the most risky of the four growth strategies since it requires both product and market development and may be outside the core competencies of the firm. In fact this quadrant has been referred to by some as the " suicide cell ". However, diversification may be a reasonable chance of a high rate of return.

According to Thompson (2008), a company becomes a prime candidate for diversifying when it spots opportunities for expanding into industries whose technologies and products complement its present business, when it can leverage existing competencies and capabilities by expanding into businesses where these same resource strengths are key success factors and valuable competitive assets, where diversifying into closely related businesses opens new avenues for reducing costs and where it has a powerful and well known brand name that can be transferred to the products of other businesses and thereby used as a lever for driving up the sales and profits of such businesses.

2.6 Other Strategies

These are strategies commonly used by different organizations but that do not feature in Porter's generic strategies or in Ansoffs product matrix.

2.6.1 Strategic Alliances

A strategic alliance is a formal agreement between two or more separate companies in which there is a strategically relevant collaboration of some sort, joint contribution of resources, shared risk, shared control and mutual dependence. Strategic alliances may help a company in several ways including achieving of an important objective, building, sustaining and enhancing competitive advantage, blocking competitive threat, opening up new market opportunities and mitigating a significant risk to a company (Thompson, 2008)

2.6.2 Mergers and Acquisitions strategies

A merger is the pooling of equals, with the newly created entity often taking on a new name. An acquisition is the combination in which one company, the acquirer, purchases and absorbs the operations of another, the acquired. The difference between a merger and an acquisition relates more to the details of ownership, management control and financial arrangements than to strategy and competitive advantage. Most companies use the strategies of mergers and acquisitions to create a more cost efficient operation out of the combined companies, expand a company's geographical coverage, to extend the company's business into new product categories, to gain access to new technologies (Thompson, 2008)

2.6.3 Vertical Integration Strategies

Pearce and Robinson (2010) argue that vertical integration extends a firm's competitive and operating scope within the same industry. It involves expanding the firm's range of activities backward into sources of supply and forward towards end users. Thus if a manufacturer invests in facilities to produce certain component parts that it formerly purchased from outside suppliers it remains essentially in the same industry as before. The only change is that it has operations in two stages of the industry value chain (Thompson 2008)

2.6.4 Outsourcing Strategy

According to Pearce and Robinson, (2010), outsourcing involves a conscious decision to abandon or forgo attempts to perform certain value chain activities internally and instead to farm them out to outside specialists and strategic allies. The two biggest drivers of outsourcing are that outsiders can often perform certain activities better or cheaper and it allows a firm to focus its entire energies on those activities at the centre of its expertise and that are most critical to its competitive and financial success. Apart from the obvious advantages of outsourcing outlined, there are other reasons why a company may opt to outsource. These include its ability to help a company innovate, to streamline the company's operations, enable the company to assemble diverse kinds of expertise and reduce company's risk exposure to technology and changing buyer preferences.

2.7 Tailored Strategic Responses

Thompson 2008, states that this involves the matching of strategy to a company's circumstances. Mobile money transfer service is a relatively new concept in the Kenyan market. As a result little is known as to the direction the industry will take in the near future. Very little, if any, legislation exists on the same. As a result a company that would want to develop strategies to deal with mobile money transfer services may encounter three different industries namely emerging, rapidly growing industries and highly turbulent and high velocity markets.

An emerging industry is one in the formative stage. Unique characteristics of an emerging industry include speculation about how fast the industry will grow and how big it will get. In addition much of the technological know-how underlying the products or emerging industries is proprietary and closely guarded. There is also no consensus on which product attributes will win buyer favor. The initial task is to induce buyers to make the initial purchase. A rapidly growing industry is one which is experiencing double digit rates of growth and leading to great revenues for the companies in that particular industry. A high velocity market is characterized by rapid technological change, short product life cycles, and entry of important new rivals, fast evolving customer requirements and expectations. (Strickland, 2008).

According to Pearce and Robinson (2010), strategy options for an emerging industry include pushing to perfect technology, considering mergers and acquisition of another firm, forming alliances with companies that have related or competitive and pursuit of new customer groups. Strategies for competing in a rapidly growing industry include pursuing product innovation, gaining access to additional distribution channels and sales outlets, expanding the company's geographical coverage and driving down costs per unit so as to enable price reductions that attract droves of new customers. The central strategy making challenge in a turbulent market environment is managing change. A company in a high velocity market can choose to react, anticipate or lead change. Reacting to change is a defensive strategy while anticipation entails looking ahead to analyze what is likely to occur and preparing accordingly. Leading change entails initiating the market and competitive forces that others must respond to. It is an offensive strategy.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Research is defined as the process of arriving at a dependable solution to a problem through planned and systematic collection, analysis and interpretation of data. The research methodology used in this study highlighted the overall approach taken in terms of the research design, data collection, respondents, data collection procedures and data analysis.

3.2 Research design

The research was designed in form of a case study of Kenya Commercial Bank. The researcher opted to study Kenya Commercial Bank since it is the largest commercial bank in the East Africa, mobile money transfer services which is relatively a new concept in the region and therefore the most suited bank for the studying the responses of banks to mobile money transfer services was Kenya Commercial Bank .it also enabled the researcher to probe and obtain an in-depth understanding of the strategic responses adopted by the company to deal with mobile money transfer services.

3.3 Data collection

Data for this study was collected using a semi-structured interview guide (see appendix II). Open ended questions were employed to make the interview guide easy to understand. The researcher also visited the human resources manager for Kenya Commercial Bank and asked for the authority to administer the instruments. The research specifically targeted eleven heads of divisions in Kenya Commercial Bank since they are the key informants and are involved in the active process of coming up with different strategies to be employed by the bank. Primary data was collected from the key informants above as well as secondary data from using books journals and magazines.

3.4 Data analysis

All the interview guide forms were collected and inspected to ensure that they are complete and consistent. Content analysis was used to analyze the data collected and information was derived from the data thus collected. Content analysis is a technique for making inferences by systematically and objectively identifying specific characteristics of messages and then relating the themes.

Cooper and Schindler (2008), point out that content analysis measures the semantic content or the "what" aspect of the message. Its breadth makes it a flexible and wide ranging tool that may be used as a methodology or as a problem specific technique. The data analysis always kept in mind that tha research objective was to find out which strategic responses Kenya Commercial Bank has used to deal with mobile money transfer service in Kenya.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND INTERPRETATION

4.1 Introduction

This chapter presents the analysis and findings of the study as set out in the research methodology. The method of data collection was done through an interview guide which was developed in line with the objective of the study. The research objective was to determine strategic responses adopted by Kenya Commercial Bank to mobile money transfer services.

Primary data was collected from Kenya Commercial Bank's top management team who included the Divisional Directors of human resources, finance, strategy and research, marketing, retail banking, corporate banking, information technology and the head of communications. This team included the divisional directors from human resources, finance, marketing and research, corporate banking, retail banking, strategy, information technology divisions as well as the head of communications in the bank. These respondents were specifically chosen since they have an in-depth knowledge of the bank and its procedures and are actively involved the formulation and implementation of strategies in the bank.

4.2. Respondents demographic profiles

The researcher sought to find out the dominant gender of the respondents being interviewed. Of the eleven respondents chosen, only eight were available for the personal interviews. Of the eight respondents, seven were male and only one was of the female gender. This means that most of the senior management at Kenya Commercial Bank are of the male gender.

4.2.1 Level of education

The researcher also sought to find out if the bank selects its senior management after completion of a certain level of education. This was fundamental in determining whether the respondents had enough technical knowledge as well as education to be actively involved in the formulation of strategies in the bank. This would ensure that the respondents are suitable for the study. Of the eight respondents who were available for interviews, all had postgraduate degrees in different fields of study. This means that the respondents have the adequate knowledge base to participate in the study and to formulate sound strategies in the bank.

4.2.2 Number of years in the bank

The research also sought to find out the length of time each divisional director had been in employment in the bank. This data was meant to give information as to whether the respondents were sufficiently conversant with issues relating to the bank. It was assumed that the longer the divisional director had been in the bank, the more information he/she had with regard to the formulation of strategies in the bank. From the interviews conducted none of the respondents had worked at the bank for less than one year. One out of eight, representing 12%, of the respondents had been in the bank for between one year and five years. Two out of eight, representing 25%, of the respondents had worked for the bank for a period of between five years and ten years. Five out of eight, representing 63%, of the respondents had been in the bank's continued employment for over ten years.

The fact that none of the respondents had been in the bank for a period of less than one year may mean that the bank either has not employed new divisional directors in the last year or that the bank had a policy of employing people who have been in the bank to help it chart its way forward. There was only one division whose director had been in employment with the bank for less than five years. The finding that most of the divisional directors had been in the bank's continued employment for a period of ten years or more may also mean that the bank had persons who are well conversant with the bank and the industry in which it operates.

4.3 Mobile money transfer service

The respondents were asked to define what they understand by the term mobile money transfer services and to give an opinion as to whether mobile money transfer service poses a threat to the banking industry. This was meant to get a clear understanding as to what the directors thought was the meaning of the term mobile money transfer services. The respondents explained that mobile money transfer services include the transfer of funds from one's mobile phone to that of another person. The respondents explained that it is a technological advancement in the transfer of funds in Kenya. They further went on to add that the industry is relatively new in the country as well as in the world and that the services were basically unique to developing countries. They gave an example of Tanzania, Uganda and Rwanda as the other countries that the services are used but indicated that the services were a great success in Kenya as compared to those other countries. The directors gave the examples of MPESA, ZAP and YU in Kenya. On further enquiry some of the respondents said that they actually used the services offered by these mobile money transfer service operators.

The respondents were also required to give information as to whether they believe that mobile money transfer service is a threat to banks in Kenya. The respondents agreed unanimously that the service is a threat to banks in Kenya. The reason they gave was that mobile money transfer services led to the reduction of revenue for the banks. They argued that the people served by the mobile money service operators would generally be served by the local banks. They said that the most critical being the deposits people make into their mobile phones to transact using mobile money transfer services. They argue that banks generally use funds deposited into bank accounts to give loans which is a major source of revenue for the banks. If these funds are deposited elsewhere it means that the banks have no cheap deposits to lend to the public and as a result the interest that would have been earned from the disbursement of such loans is also highly affected. They also gave the reduction in fees used in the transactions carried out by these mobile money transfer services operators. They argue that the banks would generally be increasing revenue if they could tap into the amount of fees charged for transacting. This is because most of the mobile money transfers services clientele would have been in the bank for that particular transaction; the respondents agreed that the banks have generally suffered a decline in revenue levels with the onset of mobile money transfer services. They respondents also mentioned that due to the cut throat competition between the banks and mobile money service operators, banks have had to review their tariffs for carrying out particular transactions. For instance they gave the example of Bankika and Jiinue accounts which were developed by Kenya Commercial Bank. These accounts have minimal opening and operating balances and their transaction fees have been waived.

The research also sought to find out if the mobile money transfer service industry could be described as emerging, rapidly growing or a high velocity market. The respondents agreed that all of the phrases could be used to define the mobile money transfer service in Kenya. That means that they thought that the industry was emerging, rapidly growing and at the same time one with high velocity. They gave reasons such as the fact that the industry is relatively new to argue that the industry is newly emerging. They also gave reasons such as the fact that no one is really aware how fast the industry will grow and how big it will get. They also believe that the industry is rapidly growing since Safaricom, which is the most profitable of the industry players has been recording abnormal profits. They argue that this may be due to the fact that it is an industry that is rapidly growing.

4.4 Introducing strategic responses to mobile money transfer services

The study sought to find out whether the respondents considered mobile money transfer services as a threat to Kenya Commercial Bank and in what way the services posed the threat. The respondents opined that Kenya Commercial Bank was challenged by mobile money transfer services since the services were eating into the revenues which traditionally would have been earned by the bank and other banks. Specifically the services were eating into the interest revenues that would have been earned from the disbursement of loans to clients at a higher interest rate and the interest paid to providers of funds at a cheaper rate. Some of the directors were of the opinion that there are people who are saving their money in the form of mobile money as opposed to the traditional deposit of funds into a bank account. This is because mobile money transfer service operators such as Safaricom have increased the maximum amount that can be held in the mobile money account from thirty five thousand to one hundred thousand shillings per day. This means that the funds which traditionally would have been deposited in a bank can now be kept in the mobile account for ease of use and this indirectly eats into the interest revenues that would have been earned by the bank.

The respondents also argued that the mobile money transfer service operators were eating indirectly into the revenues of the bank since the amounts that can be transferred by an individual per day by Safaricom, a mobile money transfer operator, had been increased from thirty five thousand shillings to one hundred and forty thousand shillings. This means that the transactions which traditionally would have been done by a bank can now be done using mobile money transfer services. This has cost the bank revenue in terms of transaction fees that it would have earned had it done the transactions by itself.

The respondents also opined that mobile money transfer services were also indirectly eating into the revenues from the bank by forcing it to come up with products that could match the cost of transacting with mobile money transfer services. According to the respondents, Kenya Commercial Bank came up with cheap accounts in the names of Bankika and Jiinue accounts. These accounts have minimal monthly maintenance fees, cheaper transacting fees, no operating balances and no opening balances. These accounts are supposed to counter the effect of having cheaper services from the mobile money transfer service operators. This means that the mobile money transfer services were indirectly eating the revenues of the bank by having it reduce the charges it has put for fees. This has cost the bank revenue in terms of transaction fees that it would have earned had it charged the normal cost of two hundred shillings per transaction and three hundred and fifty shillings in monthly maintenance fees.

The research sought to find out if the mobile money transfer service has been a factor in the formulation of strategic responses in the banking industry in Kenya. This question was meant to find out the particular policy changes that Kenya Commercial Bank has had to come up with to deal with mobile money transfer services. The respondents agreed that the bank has had to factor in mobile money transfer services when coming up with different strategies. The respondents gave the major attributes that make mobile banking desirable to the people who use it to be convenience, cost effectiveness and availability. According to the respondents, all these attributes are considered in the formulation of strategic responses to mobile money transfer services since they are the reasons why the masses are moving to the use of mobile money transfer services leading to loss of revenue for the bank. They therefore argued that the bank has had to factor in the different ways in which it can make its products readily available, cost effective and convenient to use.

The respondents argue, for instance, that the bank has had to adopt various technologies such as mobile banking to compete directly with the mobile money service providers. This ensures that banking facilities and services can be provided to the different clients in a convenient manner using their mobile handsets. This is the same way that funds are transferred in mobile money transfer services. Only difference is that the funds are transferred from one's bank account to another account altogether. Some of the respondents also mentioned that the bank was more willing to adopt technological advancements in the field of banking such as internet banking which is the use of internet to transact on one's account. This mode of transacting is more convenient and easily available to the users compared to the traditional way of transacting in the bank which required that the individual has to go to the bank physically to do any form of transaction during normal working hours.

The respondents also gave the increase in customer focus as a strategy has been brought about by mobile money transfer service. They argue that this was mainly due to the fact that the bank has several major competitors who make it necessary to fight for the market share. As a result they say that the company has invested heavily in training the different staff on customer service and has also ensured that the staffs are adequately matched to their abilities. For instance, they say that customer complaints are dealt with more seriously than before and that the staffs are carefully selected to serve in their different capacities. There are also reward schemes to those staff that are recognized to have excellent customer service skills.

Another way in which mobile money transfer services have been a factor in the formulation of strategies is with regard to the attribute of availability of services. The respondents mentioned that the company has heavily invested in expansion into new and existing markets. This has led to the opening of many branches especially in the year 2007 and 2008. They say that the company had also ventured into the regional East African market such as South Sudan, Rwanda, Tanzania and Uganda making the company the largest bank in the region. They say this was mainly aimed at making sure that the services offered by the bank are readily available to different customers in a place easily accessible to them. They state that the company has increased its branch network to more than 150 branches in the last four years. This was meant to ensure that the services offered by the bank are readily available to their clientele. In the same breadth, the bank has invested in more ATM outlets which are considered to be auto branches. This is because ATM outlets are able to do a number of transactions such as depositing cash, withdrawals, mini statement requests, cheque deposits as well as the transfer of funds. These services are available twenty four hours a day. This is what the bank hopes to cash on since automation is the cheapest way to provide such services.

4.5 Specific strategic responses to mobile money transfer services

The respondents were asked to identify particular strategic responses adopted by Kenya Commercial Bank amongst a list of known strategies to respond to mobile money transfer services. I explained the different types of strategies and for each strategy the respondents were expected to identify a way in which the bank had adopted the strategy.

4.5.1 Cost leadership

Cost leadership strategy strives to achieve lower overall costs than rivals and appeal to a broad spectrum of customers usually under pricing rivals. The respondents agreed that the bank has in the recent past made major cutbacks on their charges for particular products. According to the respondents, Kenya Commercial Bank has come up with cheap accounts such as Bankika and Jiinue accounts. These accounts have minimal monthly maintenance fees, cheaper transacting fees, no operating balances and no opening balances. These accounts are supposed to counter the effect of having cheaper services from the mobile money transfer service operators. This means that the mobile money transfer services were indirectly eating the revenues of the bank by having it reduce the charges it has put for fees. This has cost the bank revenue in terms of transaction fees that it would have earned had it charged the normal cost of two hundred shillings per transaction and three hundred and fifty shillings in monthly maintenance fees.

4.5.2 Focus strategy

Focus strategy involves targeting a particular market segment. It rests on the choice of a narrow competitive scope within an industry. The target segment or niche can be defined by geographical uniqueness, by specialized requirements in using the product or by special product attributes that appeal only to niche members. The respondents agreed that the bank has chosen to focus on the youth age group of between 20 to 35 years of age to deal with the specific requirements of that age group. The bank discovered that this age group is technology savvy and prefer to use technology to perform any transaction. Mobile money transfer services providers identified this opportunity and gave this generation an opportunity to use their mobile phones to carry out transactions. The bank in turn saw this weakness in their systems and came up with mobile banking and internet banking to counter this threat.

4.5.3 Differentiation strategy

Differentiation strategy seeks to differentiate the company's products from those of rivals to appeal to a broad spectrum of buyers. This strategy has also been adopted as a response to mobile money transfer services. This is because the bank has opted to use mobile banking service which allows the users of the product to withdraw money directly from their accounts as opposed to the way mobile money transfer services operate. Mobile banking allows the users to also check their account statements and to request for balances, ATM cards and cheque books. All these services are meant to challenge the ease of operation enjoyed by mobile money transfer service operators. There are several attributes that have made mobile money transfer service attractive to the youth. These attributes include ubiquity, convenience, interactivity and personalization. Ubiquity means to be available at any location at any time. Convenience is seen where the users are able to operate the wireless cellular phones easily since they are portable and most feature instant connectivity. Interactivity here means that the services are immediate. Personalization is a great advantage of mobile money transfer services since mobile phones are highly personal computing devices. Almost always the mobile devices are owned and operated by a single individual. This enables consumer personalization. The bank has dealt with these attributes by coming up with mobile banking service. The service is called KCB Connect in the bank.

4.5.4 Market penetration

Market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets. The respondents agreed that the strategy of market penetration has been used by the bank to deal with the challenge of mobile money transfer services. This has been done by the bank by increasing the number of branch outlets in the country as well as in the region of East Africa. According to the respondents, this strategy deals directly with the advantage of convenience and ubiquity that are key selling points of mobile money transfer services. The bank has also increased the number of ATM outlets in the country and spread them strategically so that most of the geographical areas covered by the bank are easily accessible to the clients. The bank also recently came up with agency banking that involves the provision of banking services at retail outlets without the clients actually going to the bank. This strategy in the bank is known as KCB Mtaani. This strategy specifically also addresses the issue of convenience and ubiquity that are enjoyed by mobile money transfer service users.

4.5.5 Product development

Product development is the name given to a growth strategy where the business focuses on selling new products in existing markets. The respondents argued that the bank was aggressively marketing its mobile banking service which is called KCB Connect to its existing market. Mobile banking was developed as a product to deal with specifically with mobile money transfer services since the bank realized that it was losing out on revenues in terms of fees and interest when the bank's clients used services such as MPESA to do simple transactions such as the transfer of funds from one individual to another. The respondents argue that this is the most important strategy that the bank has come up with to deal with the threat of mobile money transfer service. This is because it has the same attributes that mobile money transfer services have such as ubiquity, cost effectiveness, convenience and personalization.

4.5.6 Market development

Market development is the name given to a growth strategy where the business focuses on selling new products to new markets. The respondents agreed that once the bank discovered that mobile banking was highly successful in the Kenyan market, they opted to introduce the service in the East African region. They therefore increased the uptake of the service which already existed into the new countries. This was a major strategic response since the bank had its footprints in these countries already and the mobile money transfer operations were not in existence in these countries. The respondents also agree that this move was a direct move to attack this weakness of mobile money transfer service operators in the country.

4.5.7 Diversification

Diversification is the name given to the growth strategy where a business markets new products in new markets. The bank directors responded by saying that the bank had not adopted diversification as a strategic response to mobile money transfer service since they considered the venture too risky.

4.5.8 Strategic alliances

The respondents argued that strategic alliances had been crafted between Kenya Commercial Bank and Western Union and Money Gram service to counter mobile money transfer services .this is because the two companies are both in direct competition for clientele with mobile money transfer service operators. One of the directors actually mentioned that this strategic response was meant to disarm the ability of mobile money transfer service operators to enjoy a monopoly in the field of provision of money to the masses without going to the bank. Of particular interest was the phenomenon on Kenya Commercial Bank coming together with MPESA which is a mobile money transfer service to come up with certain services which are enjoyed by common clientele. This service was offered to persons who have an account with Kenya Commercial Bank but who still wish to enjoy the benefits transferring funds from one's phone to that of another. This is a classic case where the bank has come up with a strategy that benefits it as well as the competitor. The respondents argue that the bank saw that there are some benefits it can only enjoy by agreeing to do business with a competitor.

4.5.9 Other strategies

None of the directors thought that the bank had adopted mergers, acquisitions, vertical integration or outsourcing strategies to directly respond to mobile money transfer services.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the findings, conclusions, and recommendations from the findings. The overall purpose of the study was to identify the strategic responses of Kenya Commercial Bank to mobile money transfer services. From the findings, it was observed that Kenya Commercial Bank has adopted various strategic responses to mobile money transfer services.

5.2 Summary

The researcher targeted a total of eleven respondents but only managed to interveiw eight respondents. This was a response rate of 73% which can be considered sufficient to give reliable results. Out of the eight respondents, seven were of the male gender and one was female. This means that most of the management team at the bank are of the male gender. In addition all the respondents had post graduate degrees in their different fields of study. This means that the bank is focused on having a staff that is equipped with the technical knowledge to drive its mission. Most of the respondents had been in the bank for a period of more than five years. This means that the respondents had enough experience in the bank to chart its way forward during the formulation of strategies.

From the findings, the responses included improvement in human resource management, establishment of research and development department to create and review product and services in order to achieve customer expectation, attract new customers. The bank has also come up with different cost effective products that are meant to appeal to individuals who use mobile money transfer services because of the cost aspect. The respondents further argue that the attribute of convenience and ubiquity of mobile money transfer services have been dealt with by increasing the branch network both locally and in the East African region as well as increasing the number of ATM outlets and coming up with KCB Mtaani which allows the bank clients to access services in a location near them and not necessarily in a bank.

The most talked about response was the adoption of mobile banking service also known as KCB Connect. This response directly deals with the reason as to why most people opt to use mobile money transfer services such as ubiquity, convenience, cost effectiveness as well as personalization. This was by far the most relevant and direct strategic response to mobile money transfer services.

5.3 Conclusion

The objective of this study was to establish what strategic responses Kenya Commercial Bank has adopted to address mobile money transfer services. The bank has been vigilant to protect its clients' interests and to make sure that they receive the best services possible based on the research done. Every organization has different clients and these clients have special needs and need special attention. However, the bank needs to be more aggressive in the marketing of its products so as to make its client aware of the services and products it offers in response to the threat of mobile money transfer services.

The all inclusive strategic response to mobile money transfer services was the adoption of mobile banking by the bank. This product is also known as KCB Connect in Kenya commercial bank. The product involves the use of one's cellular phone to get access to an account holder's information and to do several transactions. These transactions include the transfer of funds from one account to another, transfer of funds from one's account to that of a mobile money transfer service, checking of balances and many more. This product is the most important of all the strategies and should be adopted extensively so as to ensure that revenue going to mobile money operators may be reduced.

5.4 Recommendations

Based on the findings it may be recommended that Kenya Commercial Bank should not only concentrate on targeting new customers and developing extensive distribution channels in order to gain a competitive edge in the market but to also do thorough research on their client needs and preferences and not just do things based on the fact other banks are doing it. In addition, the bank may also opt to adopt riskier strategies such as diversification to ensure that it deals with the threat of mobile banking more effectively.

Based on the study findings it could also be recommended that the government ministries such as the treasury and the ministry of finance can find out the true position with regards to the belief that people are now saving using mobile money transfer service channels as opposed to the traditional way of saving in a bank account. This will enable them to come up with different policies to safeguard the citizens' funds.

5.5 Limitations of the Study

During the study a number of limitations were encountered. This include having very little time with the respondents to inquire very deeply into a number of issues because most of the respondents had allocated a few minutes of time due to their very tight time budgets. In addition, some of the respondents were hesitant to divulge all the information despite being assured of anonymity and the use of the data only for educational purposes.

The study was undertaken as a case study of Kenya Commercial Bank and may therefore not relate to the strategic responses undertaken by all banks in the country to challenges in the environment as most of the packages offered by banks are different and custom tailored to competitively meet with clients preferences as well as boost profitability and market share.

5.6 Suggestions for Further Studies

This study was in case study of only one commercial bank, Kenya Commercial Bank. For further research the banking industry can be studied as a whole where the strategic responses to mobile money transfer services of all banks are sought and compared. This would show the general responses adopted by the banks in the industry or it would help in knowing whether responses adopted by one bank are unique and specific to the internal environment.

The other area that researchers may find especially useful is the study of mobile banking in Kenya. This is because the area is relatively new and not much information is'available with regard to the topic both locally and internationally. Scholars would therefore find this topic of great importance since it has not been researched on conclusively.

Scholars may also find it useful to study the reasons as to why the use of mobile money transfer services was a great success in Kenya and a flop in the other East African countries. This information may be used by policy makers to come up with ways of ensuring success of the product in new markets.

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APPENDIX I: INTRODUCTION LETTER

Maureen A. Onyango

University of Nairobi

School of Business

P.O Box 30197- 00100,

Nairobi

September, 2011

Dear Sir/ Madam,

RE: DATA COLLECTION

I am a student undertaking a degree in Masters of Business Administration at the University of Nairobi. 1 am carrying out a research on **"strategic responses of Kenya Commercial Bank to mobile money transfer services".**

You have been selected to form part of the study respondents. This is to kindly request you to respond to the interview I will conduct. The information you provide will be used solely for academic purposes and will be treated with utmost confidence.

A copy of the final report will be availed to you upon request. Your assistance will be highly appreciated.

Yours truly,

Maureen Onyango

Researcher

Florence Muindi

Supervisor

APPENDIX lis INTERVIEW GUIDE

SECTION A: PERSONAL INFORMATION

1. Gender

   I. Male I]

   II. Female

2. Which of the following describes your highest level of education?

   I. Secondary [ ]

   II. College [ ]

   III. University

   IV. Post graduate [ ]

3. For how long have you been working for this organization?

   I. Less than a year [ ]

   II. 1 Yr to 5 Yrs [ ]

   III. 6 Yrs to 10 Yrs [ ]

   IV. >10 Yrs f]

SECTION B: MOBILE MONEY TRANSFER SERVICES

1. Kindly define what you understand by the term "mobile money transfer services"-
2. In your opinion does mobile money transfer service pose a threat to banks in Kenya? Kindly explain.
3. In your opinion, has mobile money transfer been a factor in the formulation of strategic responses in banks in Kenya? Kindly explain.
4. In your opinion is mobile money transfer service industry in Kenya an emerging, rapidly growing or high velocity market or all of the above and explain why you think so?

SECTION C: KENYA COMMERCIAL BANK

1. In your opinion does mobile money transfer service pose a threat to Kenya Commercial Bank? Kindly explain
2. In your opinion, has mobile money transfer been a factor in the formulation of strategic responses in Kenya Commercial Bank? Kindly explain
3. For each of the following generic strategic responses or grand strategies, I will give a brief explanation of the meaning of the term thereafter I would like to you to give an example (if any) that Kenya Commercial Bank has adopted.

    I. Cost leadership strategy

    II. Focus strategy

    III. Differentiation strategy

    IV. Market penetration

    V. Product development

    VI. Market development

VII. Diversification

VIII. Strategic alliances

IX. Mergers and acquisitions strategies

X. Vertical integration strategy

XI. Outsourcing strategy

Any other comment OR suggestions?

THANK YOU