

**STRATEGIES ADOPTED BY DAHABSHIL KENYA TO GAIN
COMPETITIVE ADVANTAGE IN MONEY REMITTANCE SERVICES**

BY

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DECLARATION

I declare that this research project is my original work and it has not been presented for assessment or the award of any degree in any University or other institution whatsoever.

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This project has been written under my supervision and submitted for examination with my approval as the University supervisor.

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DEDICATION

I dedicate this research project to my wife Nasteha Mohamed Osman, my children Abdirahaman and Amran, and my friend Husein Abdirahaman for their financial and moral support during the entire research period.

ABSTRACT

Money sent home by migrants constitutes the second largest financial inflow to developing countries, exceeding international aid. Those receiving remittances often experience an improvement in their economic standing, whether they are family, friends or the wider community. Remittances can also promote access to financial services for the sender and recipient. Kenya is making headlines and emerging as a globally recognized leader in financial inclusion. The envisaged targets of the financial sector under Kenya Vision 2030 include enhancing financial inclusion by decreasing the share of population without access to financial services by about 20%. 75.3% of Kenyans are now formally included up from 66.8% in 2013 while 17.4% are financially excluded. Although only 5% of Kenyans send or receive remittances internationally, 42.6% among them used international money transfer while 49.4% used mobile financial services for international remittances. As a result it has been found to enhance the economic growth in the country. Diaspora remittances have become a critical part of the Kenyan economy as the largest earner of foreign exchange. Kenya was among the highest recipients of remittances in 2015 with \$1.6 billion (Sh163 billion) in remitted from diaspora which was a 16.5% increase from 2014's Sh139 billion (\$1.5 billion). This has attracted a large number of firms in addition to the traditional remittance players like Western Union and MoneyGram which have had strong presence in Kenya. Forex bureaus grew their collective profits rapidly in 2014 to Sh357 million compared to Sh27.5 million in 2012 partly due to adoption of agency banking even as players in the industry complained of increased competition forcing thinner revenue margins. Additionally, 11 bureaus closed shop in 2014 leaving 101 outlets. This shows that the sector within which Dahabshiil operates is highly competitive in the Kenyan context. However, despite this tough competition in money remittance and Forex services, Dahabshiil has managed to weather the storm and become one of the largest international money remittance firm within the country despite having only 5 branches and 30 agents spread across the country. This study therefore sought to explore the strategies adopted by the Dahabshiil Money Remittance Company in its bid to secure a competitive advantage in the competitive Kenya financial services industry. This study adopted a case study approach and was carried out in Dahabshiil branches in Nairobi. Data was gathered through Key Informant Interviews administered to five senior management staff who were purposively sampled. Quantitative data was analysed using SPSS version 21 which involved summarizing using frequencies and percentages with results using tables, charts and graphs. Qualitative data was analysed via content and thematic analysis where emerging themes were coded and results presented as verbatim. The findings indicated that Dahabshiil offered quality and distinctive service at lower prices. The firm also sought to serve a market mainly composed of migrants that has been ignored by the mainstream RSPs in international money transfer. The study recommends that Dahabshiil needs to be more upbeat on use of technology to integrate its product to mobile money transfer and also serve as an avenue for customer engagement and feedback especially among the tech-savvy younger generation. Dahabshiil should also establish strategic alliances with other RSPs, especially local banks and mobile money transfer agents so as to leverage on their already existing infrastructure at lower costs.

ABBREVIATIONS AND ACRONYMS

AFDB:	African Development Bank
CA:	Competitive Advantage
CBK:	Central Bank of Kenya
FSD:	Financial Sector Deepening
KNBS:	Kenya National Bureau of Statistics
MTOs:	Money Transfer Operators
RSPs:	Remittance Service Providers
SCA:	Sustainable Competitive Advantage

TABLE OF CONTENTS

DECLARATION	i
ACKNOWLEDGEMENTS	ii
DEDICATION	iii
ABSTRACT	iv
ABBREVIATIONS AND ACRONYMS	v
LIST OF TABLES	viii
CHAPTER ONE: INTRODUCTION	1
1.1 Background Information	1
1.1.1 Concept of Strategy	3
1.1.2 Concept of Competitive Advantage.....	4
1.1.3 Money Remittance	5
1.1.4 Licensed Money Remittance providers in Kenya.....	7
1.1.5 Dahabshiil Kenya.....	8
1.2 Research Problem	9
1.3 Research Objectives.....	11
1.4 Value of the Study	11
CHAPTER TWO: LITERATURE REVIEW	13
2.1 Introduction	13
2.2 Theoretical Framework	13
2.2.1 Survival-Based Theory	13
2.2.2 Game Theory	14
2.3 Competitive Advantage Strategies	16
2.3.1 Cost Leadership Strategy	17
2.3.2 Differentiation Strategy.....	19
2.3.3 Focus Strategy	21
2.4 Empirical Review	22
CHAPTER THREE: RESEARCH METHODOLOGY	24
3.1 Introduction	24
3.2 Research Design	24
3.3 Data Collection.....	25
3.4 Data Analysis	25

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION	26
4.1 Introduction	26
4.2 Demographic Profile.....	26
4.2.1 Response Rate	26
4.2.2 Respondents' Position.....	27
4.2.3 Education Level of Respondents	27
4.2.4 Length of Working in Dahabshiil	27
4.3 Performance of Dahabshiil.....	28
4.4 Cost Leadership Strategy	31
4.5 Differentiation Strategy	33
4.6 Focus Strategies.....	35
4.7 Discussion	36
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND	
RECOMMENDATIONS.....	39
5.1 Introduction	39
5.2 Summary	39
5.3 Conclusions	40
5.3.1 Cost Leadership Strategies Adopted by Dahabshiil	40
5.3.2 Differentiation Strategies Adopted by Dahabshiil.....	41
5.3.3 Focus Strategies Adopted by Dahabshiil	41
5.4 Recommendations.....	42
5.5 Limitations of the Study.....	43
5.6 Suggestions for Further Research.....	44
REFERENCES	45
APPENDICES	50
Appendix 1: Letter to respondents	50
Appendix 2: Interview Guide.....	51
Appendix 3: List of Licenced Money Remittance Providers.....	52
Appendix 4: Data Collection Approval	53

LIST OF TABLES

Table 4. 1: Response rate	27
Table 4. 2: Respondents' Position.....	27
Table 4. 3: Education Level of Respondents	27
Table 4. 4: Length of Working in Dahabshiil	28

CHAPTER ONE

INTRODUCTION

1.1 Background Information

The Kenya's economy is attracting a globally recognition in financial inclusion (Gubbins, 2015). According to Mwega (2014), Kenya's Vision 2030, entails improving the financial inclusion by cutting down the share of population without access to financial services by about 20%. The initial 66.8% of citizens who were financially included in 2013 has now risen to 75.3% of the citizens while 17.4% are financially excluded (FSD Kenya, 2016). Among the 5% of Kenyans who send or receive remittances internationally, 42.6% used international money transfer while 49.4% used mobile financial services for international remittances (FSD Kenya, CBK & KNBS, 2016). In return this has enhanced the economic growth in the country (Mwangi & Mwenda, 2015). The Gross National Income is to a great extent contributed by Diaspora remittances. Following the increase in money remittance, large number of firms in addition to the traditional remittance players like Western Union and MoneyGram which have had strong presence locally have emerged.

Competitive strategy is arrived at by developing a wide technique on how business is going to attain competitive advantage, outlining its objectives and spotting what measures would be essential to meet these goals. A competitive policy is a blend of the ends (goals) which the firm is determined to achieve and the means (measures) through which it gets there. However according to Thompson, Thompson, Strickland and Gamble (2010), there are five competitive forces that determine the state of competition of a firm and they include; the bargaining power of customers, suppliers and dealers, the threat of new entrants, congruence with substitutes and competition

with prevailing players. Besides, the profit ability and competitive magnetism of a firm are driven by the depth of competition in an industry, hence strategy must be able to make clear how the organization reacts to the competitive pools in these firms or markets.

Survival theory and Game theory among others have been used to further explain this study. Survival-based theory notes that for a firm to secure the resources and capabilities required for its continuity, it has to interact with firms and individuals beyond their boundaries (Abdullah, 2010). In this way a firm has to explore ways of controlling key resources within their internal or external environment to increase its likelihood of survival. In game theory, firms are seen as rational thinkers with the prime goal of ensuring their utmost benefits from existing resources while being cognizant of constraints just as their rivals will do (Adeniran & Egwuonwu, 2015). To outsmart its rivals and optimize its market potential, as a reaction to conditions of risk and uncertainty, rational firms will most likely form competitive speculation and subjective probability estimates of its rivals' expectations and behavior. Ability of a firm to maintain a competitive advantage therefore depends on its ability to control resources as well as the quality of resources it controls. However since it is hard to have monopolistic control of resources, internal organizational resources will determine the level to which the organization controls the external resources to achieve competitive advantage (Ismail, Rose, Abdullah, & Uli, 2010).

As one of the globally recognized money transfer firms, Dahabshiil target the diaspora population to enable them send money back home, which is used to boost economic development. Kenya has various Dahabshiil agents who undertake various

transactions through agency related techniques. However the local economic sector faces challenges ranging from poverty, illiteracy and inflationary and exchange rate pressures.

1.1.1 Concept of Strategy

Strategy is referred to as an inter-woven, wide-ranging and merged plan that brings together the strategic advantages of the firm and the short comings of the environment. Strategies are intended to make certain that the fundamental goals of the enterprise are achieved through conventional implementation by the organization (Kathuni & Mugenda, 2012). A strategy is thus a tailor made medium to long term plan designed to attain an organizational goal (Thompson, et al., 2007). Strategy is distinguished from tactics or instantaneous performance by resources at hand by its nature of being extensively deliberated, and often practically readjusted. The fundamental aim behind development of a strategy is to attain a competitive edge over organizational rivals.

Strategy is all about establishing defences to counter competitive forces pressing against a firm while also searching for a unique position to which an firm can occupy within the greater industry. To maintain a strategic position within the industry a firm has to consistently search for a position where there is weaker competitive forces and occupy this position (Mwangi, 2013). According to Ogori (2010), strategy is a multidimensional concept and as such a good company strategy has to have at least four elements: the scope which identifies the company in terms of the present and pre-determined way of interacting with its environment, the competence which indicates the level and patterns of the company's capacity, the competitive advantage

which is concerned with the unique position the company occupies relative to the company's competitors which is determined by how company resources are deployed and scope decisions and finally is the synergic flow of the impacts of organizational resources in line with the organizational decisions. A feasible money transfer's strategy must be shored up by an exquisite understanding of company's capacity, its ability to inaugurate innovative new product line(s) and a robust plan for marketing the service to current and new clients (Isern, Deshpande, & van Doorn, 2005).

1.1.2 Concept of Competitive Advantage

As a firm's environment changes, it is crucial that the firm importunately acclimatize its activities and internal resources in line with the new external state of affairs. Competitive advantage is the ability of a firm to keep fundamental competences that will enable it make higher profits and provide greater value for its customers relative to its competitors (Kathuni & Mugenda, 2012). Since no firm operates solely in an environment, its designed strategies will at one time be outwitted by its competitors and therefore firms must constantly refine and adjust its competitive strategies in order to sustain the attained competitive edge (Adeniran & Egwuonwu, 2015). This competition puts pressure on organizations hence forcing it to either be proactive in reformulation of strategies to remain at par with the environment or be at risk of being driven to oblivion. A Sustainable Competitive Advantage (SCA) promotes organizational performance and enables a firm attain high productivity by espousing methods of better resource apportionment and utilization. Thus SCA has a progressive effect on wider organizational engagements as it enables the company to realize its aims and objectives (Aun, 2008).

MTOs face a challenge that is seemingly simple: how to transfer money from a sender to a receiver and make profit. The complexity of money transfer market comes from its constantly changing and growing environment as new players enter as a result of choice of partners, conveyance mechanisms, and customer interfaces entails a complex set of strategic considerations including market factors, the regulatory environment, and the institution's own internal capacity (Isern, Donges, & Smith, 2008). Therefore, offering money transfers services require essential development in all areas of business, including human resources, internal systems, customer service, and marketing, regulation, and risk management.

1.1.3 Money Remittance

Remittance Service Providers (RSPs) typically operate within a network of agents for remittances to be sent and received. A typical operational procedure would include at least two sets of agents. One RSP agent collecting the funds from the sender while another agent functioning as a disburser of the funds received. The most evident elements of the network access points typically include but not exclusively, banks, and wire transfer offices. Typical money remittance normally involves transfer of money from one country to the other and therefore involves sending money in foreign currency which is then converted to a local currency by the receiving agent (World Bank, 2007). To remit money, the sender pays a service fee and the receiving agent receives the money and then informs that agent in the place where the recipient is located to release the money to the recipient in the currency preferred by the recipient (Mwangi & Mwenda, 2015). The service fee and exchange rate therefore forms the bulk of RSP revenues (Suki, 2007). The service fee is paid by the remitter while the foreign exchange earning accrues when the transfer involves converting the sent

money to local currency from a foreign currency this currency conversion is realized when the recipient withdraws the remittance (Siriwardhane, 2007).

RSPs can be classified as either informal RSPs or formal RSPs. The formal RSPs are MTOs, international banks and large RSPs located in more than one country. These formal RSPs normally target particular migratory geographical corridors. Informal RSPs on the other hand are composed of include unregistered MTOs such as *hawala* or *hundi* dealers and hand delivery through friends or trusted relatives (Siriwardhane, 2007). The informal RSPs are less expensive compared to formal RSPs as they do not follow regulatory statutes and hence do not have to pay for compliance. Despite being unregistered, informal RSPs still commands a large share of international remittance especially in conflict prone regions, however it is characterized by major security risks relative to formal RSPs.

Globally, money remittance is one of the fastest growing sectors of the global economy. In fact it is estimated that the industry is expected to grow to be worth 600 billion US Dollars in 2017 from 580 billion US Dollars in 2014 (Begde, 2016). In Sub-Saharan Africa the remittance market grew by 3.4% in 2016 up from 35.2 billion US Dollars in 2015 to 36 billion US Dollars in 2016 (World Bank, 2016). However this growth has attracted emergence of new MTOs in addition to the existing RSPs. This further increases the competitive landscape in RSPs which has led to persistent global drop in remittance service charges from 9% in 2013 to 8% in 2015 (Begde, 2016). This shows that RSPs have to consistently innovate and design competitive strategies in order to stay upbeat. RSPs therefore have tried exploring strategic alliances for cross-selling in order to tap in to unique market niches; further more

MTOs have also explored provision of other financial services in addition to remittance to the recipients who are mostly unbanked (Jaramillo, 2008). Other strategies globally employed included home deliveries as well as use of mobile or online transfers in order to explore uncharted territories in addition to existing traditional markets (Hao, 2010).

Despite these innovative approaches to remittance, consumption of remittance services tend to be habitual purchase with tendencies for a strong customer loyalty (Jaramillo, 2008). This implies that the first provider becomes the long term RSPs the customer uses depending on first customer experience, hence providing the first and quality service is likely to guarantee a habitual purchase. Despite higher growth (3.4%) in African remittance market compared to global growth of 1%, the costs of remittance in Africa is the highest globally averaging 10% in 2015 against the global 8% (World Bank, 2016). In fact intra-African remittance costs are estimated to be as high as 20% (Scharwatt & Williamson, 2015). The slow decline in remittance charges in Africa is partly blamed on lack of sufficient competition and lack of adoption of innovative products among RSPs (World Bank, 2013; Olowa, 2014)..

1.1.4 Licensed Money Remittance providers in Kenya

In Kenya the RSPs providers include international stand-alone MTOs and international and local banks. Majority of the banking institutions have partnered with international MTOs such as Western Union and MoneyGram among others. The mobile provider, Safaricom through its mobile platform, M-Pesa also provides global mobile remittance services. In addition there has been upsurge in both global and local RSPs in the recent past with new entrants such as Taaj Service (Ngigi, 2016).

According to CBK (2016), the number of licensed Money Remittance providers in Kenya is seventeen. CBK as the chief regulator of the national banking industry gives prudential policy guidelines towards operations and management of foreign remittances into the country. The licensed firms all have their headquarters in Nairobi, and some have branches in major towns of Kenya and boarder exits. Due to lack of depository facilities the firms operate under the banking act as their licence is quite unique dealing with money transfer (CBK, 2016). However, in early 2015 a number of RSPs were accused of money laundering and funding terrorist activities which resulted to their closure.

1.1.5 Dahabshiil Kenya

Dahabshiil, an indigenous African company, was founded in 1970. It was established as a new remittance enterprise to enable migrants to send money to family and friends back in their countries of East Africa. Dahabshiil is considered more secure and more desirable alternative to informal means of money transfer during humanitarian crises and for development (Dahabshiil, 2016). In Kenya, Dahabshiil creates the network for transfers without necessarily owning any of the physical access points since it operates as a licensed remittance network (McLean, 2008).

Dahabshiil offers the messaging and settlement portions of the transfer, and relies on attracting and paying agents who have franchised the service based on standardized and contractual terms. Additionally, Dahabshiil makes available foreign exchange services to individuals and also offer specifically tailored currency exchange solutions for import or export businesses and have a requirement for foreign exchange and international payments. Dahabshiil has grown to be the largest African money transfer

business operating in 126 countries across the world, of which 40 are in Africa. Dahabshiil is accessible at more than 24,000 agent locations worldwide. In Kenya it has 5 branches of which 4 are in Nairobi and 1 in Mombasa and 30 agents spread across the country (Dahabshill, 2016).

1.2 Research Problem

The Kenyan remittance market is one of the most competitive segments of the economy which has led to reduction in revenue margins as a result of large number of competitors attracted to the ever growing diaspora remittance market to the country. In a study by Ipsos Kenya (2016), the intensified competition in remittance market, will lead to abridged costs and trifling bureaucracy as indicators to its success. This means that RSPs will have to not only cut on its costs and reduce red tape in compliance to regulations in order to emerge as market leaders. Remittance firms that are probably going to surface as market leaders are those firms that are able to reduce costs to a bare minimum as well as lower red tape, as pertaining to the law. The rising competition, according to Kungu, Desta and Ngui (2012), exerts significant pressure for RSPs and drives them towards initiating proactive measures to effectively tide the competition waves and achieve sustainable growth even in the unpredictable competitive environment.

In 2015, according to Omondi (2016), among the highest recipient countries of remittances, Kenya had \$1.6 billion (Sh163 billion) in remittance from Diaspora which was a 16.5% increase from 2014's Sh139 billion (\$1.5 billion). This has attracted a large number of firms in addition to the traditional remittance players like Western Union and MoneyGram which have had strong establishment in Kenya.

Implementation of agency banking has seen the profits forex bureaus grow rapidly from Sh27.5 million in 2012 to Sh357 million in 2014 but players in the industry complained of increased competition forcing thinner revenue margins (Ngigi, 2014). Additionally, 11 bureaus closed shop in 2014 leaving 101 outlets indicating that the sector within which Dahabshiil operates is highly competitive in the Kenyan business environment. Mukasa (2012) showed that in Kenya, Mobile Money Operators (MNOs) have outwitted the traditional MTOs driven by high penetration of mobile phones which has led to even commercial banks such as Equity Bank launching an MNO (Equitel). However these MNOs are internally focused and largely focus on local remittance. Dahabshil offers both forex services and remittance services both of which have experienced industry wide fierce competition. However, despite this tough competition in money remittance and forex services, Dahabshiil has managed to beat the competition to become the largest international money remittance firm within the country despite having only 5 branches and 30 agents spread across the country (Dahabshill, 2016).

Studies that have focused on money transfer companies in Kenya, include a study by Busienei, (2011) that explored competitive strategies adopted by Western Union in the international money transfer in Kenya locally and a study by Kavale (2007) that sought to understand the value of strategic alliances in money transfer in Kenya. Various studies in the financial sector locally have focussed on competitive advantage in the banking industry without special focus in money remittance role of these banks, for instance, competitive strategies adopted in commercial banks (Ogori, 2010), at Equity bank (Kungu, Desta, & Ngui, 2012), at Bank of Africa (Maina, 2014), at National Bank (Mwangi, 2013) and in microfinance institutions (Kaiganaine, 2015)

among others. This shows that no local study has explored the strategic management in Dahabshil. Therefore this study seeks to answer the question: what are the strategies adopted by Dahabshiil to gain competitive advantage as international money remittance firm in Nairobi?

1.3 Research Objectives

The study was guided by the following research objectives.

- i. To establish the cost of leadership strategies adopted by Dahabshiil Kenya to gain competitive advantage
- ii. To determine the product differentiation strategies adopted by Dahabshiil Kenya to gain competitive advantage
- iii. To assess the focus strategy adopted by Dahabshiil Kenya to gain competitive advantage

1.4 Value of the Study

The main value of this study contribute to the ascertainment of competitive strategies adopted by Dahabshiil in Kenya in provision of moneny remittance services as well as forex services in order to attain a sustainable competitive advantage. By highlighting this issues, the study is of paramount to the Dahabshil stakeholders as it contributes to an understing of how it is fairing on in tackling its direct and indirect competition in the industry. The study byy highlighting challenges experienced in strategy execution helps the Dahabshiil stakeholders to seek corrective measures in order to realign its strategies in order to effectively compete in the market so as to sustainably achieve its objectives in the long term.

Being one of the leading RSPs in the country, the study highlights industry wide perspective with respect to the generic Porter's competitive model. This is of significant importance to the other RSPs within the country to evaluate themselves with respect to how Dahabshiil has outwitted the industry competitive waves to achieve superior performance which thus can be emulated by the other RSPs hence leading to sustainable industry-wide growth and general economic growth of the country.

The study also provide valuable impetus to the Central Bank of Kenya and other RSPs policy makers. This study helps the CBK to understand the performance and challenges experienced by RSPs and therefore contribute to better policy formulation to guide the industry growth in line with the strategic objectives of achieving universal financial inclusion in the country.

Lastly the study contributes to the knowledge base and provide basis for other research in the industry. This is of significant importance to researchers in the RSPs sector as it contributes not only empirical evidence for sustainable competitive advantage but also contributes to the theory of competitive advantage especially with regards to strategic management in MTOs. Moreover, in the end the study suggests other areas for which further studies need to be carried out in efforts geared towards reduction in remittance charges within Africa which currently is the highest compared to other regions in the world.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter lays down the theoretical basis of the study as well as empirical review of other studies exploring the strategies adopted to gain competitive advantage. The first section addresses the theories explaining the role of strategic management in gaining competitive advantage and the second section explores similar literatures explaining the study variables.

2.2 Theoretical Framework

This study was based on the survival based theory and game theory as the foundations that explain the role of strategic management in Dahabshiil as a RSP and a forex bureau.

2.2.1 Survival-Based Theory

For an organization to survive it has to operate within precincts of the surrounding environment since organizations do not operate in a vacuum. This environment can either be internal and external and continually shapes the operations of the firm as it forms the context within which an organization exist (Hunger and Wheelen, 1995). Therefore a firm has to embraces an open system approach in analyzing its relationship from with the environment since the firm continuously intakes inputs from the surrounding environment, processes these resources in to outputs and lastly conveys these outputs to the environment. This shows that a firm has to be proactive in seeking an assurance of continued availability of inputs from the immediate environment without which processing will run in to jeopardy. This implies the firm

has to seek sustainable ways of continued withdrawal and replenishment of inputs from the environment. These resources can be raw materials or social resources through which a firm's legitimacy is maintained. The continued social legitimacy of the organization is therefore crucial to ensuring continued survival of the organization even if the competition hots up (Mkamunduli, 2005).

However, the firm does not always operate in environment devoid of competitors who are also drawing inputs from the environment (Abdullah, 2010). To outwit these competitors the firm has to constantly evaluate and analyze its environment in order to design competitive strategies to enable it survive not only in the long term but also in the short and medium term (Raduan, Jegak, Haslinda, & Alimin, 2009). The environment is also constrained by ever changing regulatory mechanism which a firm has to consistently adopt to it or be rendered non-compliant. With the increased growth of international remittances, the remittance business has attracted and will continue to attract new entrants in addition to the traditional competitors. These competitors have diverse capabilities in ensuring their survival and ensure market dominance. In addition there is the challenge of ever growing money laundering challenges of which firms in RSPs have to constantly battle within the context of defined regulations or face being rendered illegal as in the case of remittance firms that were closed down in early 2015 in Kenya.

2.2.2 Game Theory

This theory is used to describe the relationship among competitors within a similar context or environment whose individual actions affect the results of the other players within the competitive context. In this theory therefore firms within an environment

are not mutually independent but their actions are dependent on actions done by their competitor(s) (Turocy & Stengel, 2003). According to this theory each firm is viewed as being entirely focused on making the most of their environment based on the prevailing environmental conditions (Adeniran & Egwuonwu, 2015). Therefore for a firm to design a competitive strategy, it has to explicitly and thoroughly analyze actions already taken by their competitors and try to anticipate actions that the competitors might do in response to the formulated strategy. Central to this theory is the assumption that competition firms are rational decision makers who will entirely always decide on option that is likely to give the firm an upper hand relative to the anticipated actions by the competitors. As a result the competitive decision making is designed not only to win over the minds of intended customers (market positioning) while at the same time retaining the existing customers with the intent of preventing customer flight.

In the money remittance market, as the competition hots up attracting local and international RSPs, Dahabshiil in order to effectively gain and sustain a competitive edge it has to continuously anticipate actions by competitors and at the same time predict changes in the environment. These predictions enable the firm to design sound competitive strategies. However since the RSPs market is ever dynamic drawn strategies have to be continuously readjusted in line with the new realities or risk being driven to oblivion. This is specifically hard in the Kenyan context which is considered a market leader in mobile money transfer and MTOs have curved a significant market in international money remittance.

2.3 Competitive Advantage Strategies

A firm's competitive advantage edge are almost entirely dependent on its ability to reorganize its prized resources and competencies in such a manner that it would be costly for competitors to copy or emulate organizational processes (Ismail, Rose, Abdullah, & Uli, 2010). Competitive advantage is therefore dependent on three components according based in the generic Michael Porter competitive strategies including cost leadership strategies, product differentiation strategies and focus strategies (Porter, 2004). Cost leadership strategies are earned by a firm's ability to drive low its production costs resulting in lowly priced products. Product differentiation strategies are based on ability of a firm to distinguish its product relative to its competitors and make its product standout among its peers. Focus strategies on the other end is concerned with ability of a firm to carve out a market niche where its products seeks to satisfy and form significant barriers to its competitors preventing them from reaching their defined market niche. Ray et al (2003), outlines these competitive strategies can be applied individually or collectively, however evidence suggest that collectively applying these strategies increases the risk that a firm will not achieve a SCA and instead get stuck in the middle. Therefore since it is not practically plausible to implement all the inindustry defined competitive advantage strategies, it is critical for a firm to design a broad based strategic framework that defines the firms strategic direction (Porter, 2004; Maina, 2014).

Based on survival based theory, as competition hots up and firms become less autonomous basing their survival on how the other firms react, it is therefore crucial for MTOs or RSPs to establish strategic alliances that foster the survival of partners (Kavale, 2007). These strategic alliances in money remittance can be in form of cross-

selling which enables remittance firms to leverage on wider geographical coverage of fellow RSPs even in regions where it does not have physical presence. In addition cross-selling and strategic alliances enables firms within the alliance to benefit from each other's experience and knowledge base hence enabling them to gain a competitive edge together (Kibira, 2015). In Kenya, this has seen a large number of local banks partnering with traditional international RSPs like the Western Union and MoneyGram which have wider international coverage and solid reputation which enables local banks to take part in diaspora remittance (Jaramillo, 2008).

2.3.1 Cost Leadership Strategy

Cost leadership strategy primarily is designed at lowering production costs way below industry levels that results in price under cuts that outwits competitors ability to provide products and services at the realized costs (Kamau, 2013). This means that the firm will sell its products at favourable market prices hence attracting new customers and winning over customers from its competitors. Cost leadership can be realized by leveraging on technology, large scale production and using lean production strategies. The ultimate aim of cost leadership is cost cutting hence the firm can undertake restructuring and reduction of unnecessary overhead costs. This might also include utilizing of outsourcing activities that the firm considers not to be having a competitive advantage in engaging in (Maina, 2014). However reduction in production cost and pursuing cost leadership may not be sustainable in the long run as price wars reaches a minimum point where a firm cannot reduce costs any longer to maintain similar quality of products or services. In the long run cost leadership strategies can lead to unstable price wars among competitors which then threatens the stability of the industry. Utilization of research driven cost reduction strategies

however is considered sustainable as firms will be able to come up with new ways of reducing costs of production (Kaiganaine, 2015).

Cost of remittance includes charges by the receiving agent, costs of disbursing by the agent on the other end and foreign exchange rates costs if the money remitted involved foreign currency (Davis & Jenkinson, 2012). In money remittance business, cost leadership entails reduction in costs passed on to the customers (both the sender and the receiver). The costs differential in money remittance is considered moderately elastic catalysed by opaque pricing and information asymmetry hence a slight difference in costs incurred by customers' results in changes in customer numbers since the remittance industry is very sensitive to price changes (Gilmer, et al, 2009). However in the African setting, the transactions are largely small in size which makes it almost impossible to leverage on economies of scale hence changes in costs levied on customers might not be evident in changes in customer's numbers (Davis & Jenkinson, 2012). Despite small sized transactions remitted in Africa, it is considered the most expensive as compared to other regions in the world. In fact the costs of remittance in Africa are the highest globally averaging 10% in 2015 against the global 8% (World Bank, 2016). Furthermore, intra-African remittance costs are estimated to be as high as 20% (Scharwatt & Williamson, 2015).

The slow decline in remittance charges in Africa is partly blamed on lack of sufficient competition and lack of adoption of innovative products among RSPs (World Bank, 2013; Olowa, 2014). In addition international MTOs like Western Union and MoneyGram have monopolistic tendencies (Olowa, 2014). This shows that cost leadership strategies has not been aggressively pursued by RSPs and MTOs in Africa.

The high costs of remittance are the reasons behind continued thrive of informal RSPs (Suki, 2007). Large international MTOs that control two thirds of foreign remittance in Africa have been rigid to price reduction. To effectively reduce costs in line with the Sustainable Development Goals which aims to remittance costs of less than 3%, RSPs have to diversify their product portfolio and adopt cost cutting remittance platforms like mobile or online remittance platform which reduces transaction overhead costs (Maloumy-Baka & Kingombe, 2015).

For smaller MTOs, that cost leadership strategies might not make sense since they receive smaller amounts of remittances which denies these RSPs to leverage on economies of scale as compared to established systems like banks and postal corporations (Isern, Deshpande, & van Doorn, 2007). However despite banks being the largest and established RSPs, they offer the most expensive remittance services in Africa averaging 17% compared to Postal corporations (7%) and MTOs (8%) (Maloumy-Baka & Kingombe, 2015). The high costs in banks remittance is blamed in rigidity of banks to change with market changes as remittance is not their core business and is characterized by bureaucratic procedures. However globally MTO have adopted mobile remittance services to offer convenient services and reduce the time between sending and receiving hence reducing transaction costs.

2.3.2 Differentiation Strategy

Product differentiation is adopted by designing new products or redesigning existing products to give it unique features to make it stand out among its peers (Kaiganaine, 2015). These include offering value added services or blending unique product mix and offering services in a unique convenience to the customer. In line with

observations by Maina (2014), product differentiation offers a firm a protective edge against its competitors by driving customer loyalty based on the differentiated component (Hitt, Ireland, & Hoskisson, 2012). However, sustaining the differentiation component is harder since product differentiation can easily be copied hence wearing away the differentiation components. While maintain a differentiated edge, firms are able to build a larger economies of scale resulting from increased sales hence in the long run the firm can decide to switch to cost leadership as a result of accruing larger sales and realized learning curve from the differentiated product.

It is anticipated that product differentiation in money remittance will drive reduction in costs of remittance and discourage use of informal RSPs hence contributing to better economic growth (AFDB, 2011; Maloumy-Baka & Kingombe, 2015). However the remittance providers have a large number of substitutes which have largely similar substitutes. Despite emergence of new technologies, such as mobile telephony and online products such as Bitcoins adoption of these services has been low since in the end the new innovation have in one way or the other to rely on traditional MTOs hence driving the move towards product differentiation on a low adoption (Consumers International, 2012).

Furthermore some RSPs have formed strategic alliances with other MTOs or RSPs which enable them to cover wider geographical area and offer remittance services even in areas where they do not have physical presence (Gilmer, Lier, Schimpf, Riester, & Wolf, 2009). In addition RSPs and MTOs have integrated other products in to remittance products and therefore pursue cross-selling to boost revenues and further drive the financial inclusion agenda. For instance nearly all local banks in

Kenya have partnered with international MTOs like MoneyGram and Western Union to provide banking services to remittance customers in addition to the remittance services. On the other hand Safaricom through M-Pesa have strategic alliances with these international MTOs to provide foreign remittance services in the diaspora. Other RSPs have increasingly employed franchising strategy in addition to use of independent agents (Orozco, 2002).

2.3.3 Focus Strategy

Focus strategies is all about focussing all of the firms resources to a particular market niche that a firm is more likely to attain a competitive advantage and maintain it at least in the medium term. Focus strategies seeks to uniquely position a firm product in an identified in the identified niche either geographically or demographically. After establishing a market niche a firm establishes protective market barriers that are difficult to be overcome by competitors. The niche focus enables the firm to be the first entrant in to the market hence making it earn significant customer loyalty which might be difficult for the second entrant to displace. This is considered the most sustainable competitive strategy of the Porter's generic competitive strategies as the firm does not have to bear the perils of unending cost reduction (Maina, 2014). However the firm has to continuously adjust its products to the changes of the needs of customers in the established market niche or risk losing the market to the second entrant.

Because international remittance occur mostly along migratory corridors, it is plausible for RSPs to target specific migratory corridor. For example, the MTO may target a specific demography of migrants or focus on specific geographical migratory

corridor. According to Adeniran and Egwuonwu (2015), the focus strategy is a form of market positioning strategy that seeks to control the minds of the customers with reference to brand perception and brand loyalty. The focus strategy almost entirely relies on the ability of a firm to produce unique products for the identified market niche thus gaining a competitive advantage (Karadeniz, 2009; University of Massachusetts Amherst, 2015).

2.4 Empirical Review

In his study Ogori (2010) found commercial banks in Kenya were adopting cost leadership strategies involving charging lower fees relative to competing banks and production cost reduction enabling the customers to realize a higher value at a reduced costs. The banks were also found to adopt differentiation strategies which involved offering unique products not offered in the market and customization of existing products to suit the needs of various customers. Customized products enable the banks to charge premium prices for the tailor made products.

A study by Maina (2014) in Bank of Africa in Kenya found that the bank initiated unique products in the market and dropped products that had wider similarities across the banking industry in Kenya. These were done to enable the bank to stay upbeat of the banking competition in the country. As a focus strategy, the bank initiated retail banking services targeting Small and Medium Enterprises. Additionally as a cost leadership strategy, the bank reduced the costs of products offered to public servants.

A study by Hao (2010) in a MTO in Vietnam established that the MTOs relied on product differentiation by adopting efficient and speedy delivery of remittance with the help of modern technology. In Kenya, a study by Busienei (2011) found that

Western Union adopted cost leadership by reviewing downwards its service charges as well as utilization of technology to drive costs downwards and speed delivery of remittance. In addition Western Union established strategic alliances with banks and utilized agents hence reaching to wider geographical area.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with the research design which was used, a brief description of the population targeted in the study and the study sample size and sample design and also the methods of data collection, the data collection process and techniques of data analysis that were adopted by the study.

3.2 Research Design

This study adopted a case study research design. The case study research design enables the researcher to meticulously explore the how things are going on within a particular entity at a particular point in time which presents an opportunity for creating comprehensive understanding of the circumstances facing an entity (Lewis, 2013). Case studies are utilized when the researcher is interested with a specific entity rather than the larger context where an entity is located.

Case studies offers the researcher to deeply understand how an entity operates with respect to a certain situation and how the situation is affecting how an entity functions without considering how the situation affects other similar entities within the same context (George & Bennett, 2005). Case study approach presents an opportunity for the researcher to establish a causative relationship between a particular situation within which an entity operates and the reactions of the entity to the specific situation (Zainal, 2007). The study sought to describe how strategies are drawn and adopted by Dahabshiil and how these adopted strategies are contributing to Dahabshiil's competitive advantage in money remittances.

3.3 Data Collection

The study utilized both secondary and primary data. Primary data was gathered through Key Informant Interviews administered to the senior level management included operations manager, risk assessment manager, country director and credit and finance manager. Secondary data was collected from Dahabshiil documents including their strategic plans and other relevant documents.

3.4 Data Analysis

Qualitative data was analysed through content and thematic analysis where emerging themes were coded and results presented as verbatim. Content analysis adopted in this study allowed the researcher to come up themes as per the text codes from textual responses of the respondents by methodically scrutinizing the text responses. According to Duriau, Reger and Pfarrer (2007), content analysis provides an opportunity for the researcher to deeply understand how an entity operates with respect to a certain situation and how the situation is affecting how an entity functions.

The information from the qualitative data was used to triangulate the information from secondary data and quantitative. Quantitative data was analysed using SPSS version 21 which involved succinct using frequencies and percentages. The results of the quantitative data were presented using tables.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results of the data collected. The study sought to determine strategies adopted by Dahabshiil to gain competitive advantage as international money remittance firm in Nairobi. The researcher conducted key informant interviews among the senior level management at Dahabshiil Ltd in Nairobi who included operations manager, risk assessment manager, county director and credit and finance manager. Secondary data was collected from Dahabshiil documents including their strategic plans and other relevant documents.

4.2 Demographic Profile

The study sought to establish the demographic profiles of the respondents. The demographic characteristics of interest in this study included the respondents' current position in Dahabshiil, education level and length of working in Dahabshiil.

4.2.1 Response Rate

Out of the 6 respondents targeted in this study, the researcher managed to interview 4 respondents which were considered sufficient to answer the study objectives. This was due to the fact that the Dahabshiil Ltd in Kenya is a medium money remittance firm and only 5 out of the 6 members of the senior management were available at the time of the research.

Table 4. 1: Response rate

	Frequency	Percent
Response	5	83.3%
Non-response	1	16.7%
Total	6	100%

4.2.2 Respondents' Position

The respondents were drawn from the head of security agencies and county administration as shown in the following table.

Table 4. 2: Respondents' Position

Position	Frequency	Percent
Country Director	1	20%
Manager	1	20%
Marketing Manager	1	20%
Head of Compliance	1	20%
Operations Manager	1	20%
Total	5	100%

4.2.3 Education Level of Respondents

All (100%) of the respondents had attained bachelor's degree. This showed that the managers in the firm were well educated and therefore could effectively formulate competitive strategies to be adopted by Dahabshiil to gain competitive advantage as international money remittance firm in Nairobi.

Table 4. 3: Education Level of Respondents

Education level	Frequency	Percent
Bachelor's Degree	5	100%
Total	5	100%

4.2.4 Length of Working in Dahabshiil

The findings from the study indicated that majority (60%) of the respondents had been working in Dahabshiil for more than 3 years while 40% had worked for less than 2 years. The years working in Dahabshiil are relatively low because it is a young company which was recently established in Nairobi.

Table 4. 4: Length of Working in Dahabshiil

Length of Working in Dahabshiil	Frequency	Percent
≤ 3 years	2	40.0%
> 3 years	3	60.0%
Total	5	100%

4.3 Performance of Dahabshiil

According to the respondents, they highly rated the performance of Dahabshiil relative to other money remittance firms in Nairobi. This was attributed to the market niche that Dahabshiil is operating in. The respondents were of the opinion that the firm is ‘dominant’ within its market niche. The performance could be attributed to design of product, unique product features and long-time of experience in the money remittance industry. The long experience enables the firm to build a database of best-practice in the industry and also enable maturity of products offered given that Dahabshiil has been operational since 1970 in other African countries. The company has specific focus on filling the need of mostly migrants to send money to family and friends back in their countries of East Africa.

According to the respondents, Dahabshiil has had to content with competition from new entrants to the money remittance market. However, according to the country manager, this does not pose a significant threat to the firm since Dahabshiil has earned an image of being considered more secure as compared to rivals. This has led to the company being utilized by some humanitarian organization to send money to beneficiaries of their cash transfer payments (Dahabshiil, 2016). Furthermore the firm has been able to get customer loyalty driven by its dependableness and wide area coverage.

The Dahabshiil in order to outwit its competitors have also embraced use of agents currently having 30 agents spread across the country which enhances its geographical coverage in regions with large immigrants in Kenya, that is, in Nairobi, Mombasa and Northern Kenya. In addition it has set bases in regions outside Kenya with influx of refugees covering 126 countries across the world, of which 40 are in Africa which ensures that it taps in to immigrants who wish to send money back to their relatives in Kenya. The company however lags behind in local remittance, a section which has largely been dominated by mobile network operators and banking players. Additionally, Dahabshiil has integrated foreign exchange services to its remittance business to offer specifically tailored currency exchange solutions for import or export businesses and have a requirement for foreign exchange and international payments.

The competitive landscape within which Dahabshiil operates in is characterized by few major money transfer operators, banks, large number of smaller RSPs that cater to niche markets in specific geographic remittance corridors and traditional remittance players like Western Union and Money Gram which have had strong establishment in Kenya. The traditional international money remittance players play direct threat particularly to Dahabshiil since these players have partnership with nearly all local banks hence can be more reliable. There is also considerable presence of informal RSPs often considered inexpensive constitute of informal fund transfer agents, unregistered money transfer operators such as *hawala* or *hundi* dealers, trading companies and friends through hand delivery (Siriwardhane, 2007). According to the Marketing Manager this presents a significant threat to the operations and survival of Dahabshiil.

However, as evidence by its financial performance Dahabshiil has been able to overcome this threat of substitutes by creating unique products and positioned in the market as safest and reliable RSP. This competitive landscape contradicts observations by the World Bank (2013) and Olowa (2014) who observed that money remittance services in the African financial system has not been recognized as a good business hence low competitive landscape with few RSPs charging premium fees to send money. This study finding concurs with a study by Ipsos Kenya (2016) which observed that there is intensified competition in remittance market, leading to reduction in services costs and minimized bureaucracy. The rising competition according to the respondents puts pressure on Dahabshiil as well as other remittance firms to be proactive and to formulate successful strategies that facilitate proactive in response to anticipated and actual changes in the competitive environment.

According to the Country Director, there is very high prevalence of repeat purchases of Dahabshiil products. This according to him has been inspired by customer loyalty and was indicative of customer satisfaction with Dahabshiil products. Customer satisfaction with products not only ensures repeated purchase but also increases the probability of client referrals. According the marketing manager, Dahabshiil has witnessed significant growth of new clients using their products. This was similar to the assertions by Jaramillo (2008) who observed that purchase of products from a particular remittance service provider tends to be a repetitive purchase dependent on customer experience in the first use of the services hence a market largely driven by customer loyalty and trust.

Furthermore it is hard to judge a priori about services of RSPs without having carried out a transaction from the RSPs. The respondents acknowledged the steady growth of revenues and profits at Dahabshiil Kenya over the recent years in both the forex arm and the remittance arm of the firm. This demonstrated the strategic ability of the firm to outdo the competitive tides in the industry. This was contrary to the industry-wide environment in the local setting since despite the significant growth of diaspora remittance, firms in the industry have complained of reduced profit margins occasioned by increased competition and volatility of the local currency in 2014 to 2015 (Ngigi, 2014; Omondi 2016).

4.4 Cost Leadership Strategy

According to the respondents, Dahabshiil had embraced cost leadership strategies including leveraging on its IT backbone to drive integration of various branches and agents hence reduction in costs of transaction as well as enhanced time of delivery of service. The firm had also integrated use of Short Message Services to notify recipients of money remitted on a real time basis. This ensured that the customers get to pick their money from any of their branches on time which shielded the firm from risks emanating from holding international currencies usually associated with currency volatility. The currency volatility forms a significant risk to RSPs, however with timely delivery of money to recipients, this risk is greatly reduced.

As a cost cutting strategy, the respondents were of the opinion that Dahabshiil Kenya has adopted a lean structure which ensures minimum number of personnel without compromising the quality of products and services offered. This strategy had enabled the firm to reduce the costs emanating from maintaining large pool of employees and

ensures efficient and effective use of human resource capital. With an efficient workforce, Dahabshiil according the Operations Manager has lower waiting time for their customers as compared to rivals which further enhances the customer satisfaction and the resultant customer loyalty. Dahabshiil has also been cognizant of price-sensitivity of customers for remittance services, and in the process, the firm has set out on cutting costs of their services. According to the Country Director, the customers for RSPs in Kenya are very sensitive to changes in the markets and as a result Dahabshiil has ensured that it always charges lower and responsive to the changes in market charges. The firm not only charges lower fee in sending money outside Kenya but also receiving money from diaspora which has inspired customer loyalty as their customers always realize value for money.

The respondents further agreed that Dahabshiil has embraced the use of agents which ensures a wide geographical coverage. The Dahabshiil agents, according to the Country Director are under strict guidance not to charge extra fees but charges similar to the firm's branches. The adoption of agency model imply that Dahabshiil do not have to be physically present in every part of the country to serve their customers hence reduction costs of running a physical office which would have otherwise been passed on to their customers. In addition agents also increases the chances of increased volumes of sales accruing from the remittance services which enables Dahabshiil to even reduce fees charged while maintaining or increasing their profit margins due to economies of scale. This further enhances Dahabshiil's competitive advantage and ensures sustainable growth for the firm. The use of agents, however is widely utilized in banking industry in Kenya as well as local mobile network operators and traditional RSPs like MoneyGram and Western Union for sending and

receiving money, however agency services are low among money remittance involving sending to and receiving money from other countries which is a distinctive feature of Dahabshiil Kenya (Busienei, 2011; FSD Kenya, CBK & KNBS, 2016).

4.5 Differentiation Strategy

According to the Dahabshiil Manager, the firm is offering highly differentiated products whose attributes differ significantly from the offerings of rivals which forms the basis for the firm's competitive advantage. This product differentiation according to the Country Director provides some shield against rivals' strategies because customers become loyal to the brand or model and in addition it erects entry barriers in the form of customer loyalty and uniqueness that newcomers find hard to overcome, mitigates the bargaining power of large buyers since rivals' products are less attractive to them, and helps a firm fend off threats from substitutes.

According to the Operations Manager, the efficiency of the service delivery forms a back bone of service differentiation in Dahabshiil as the customers of the firm have shorter waiting time as compared to rivals. This has been occasioned by adoption of Real Time Gross Settlement (RTGS) where transactions are processed and settled continuously on transaction-by-transaction basis without bundling. A form of RTGS is internally utilized by the branches as well as the Dahabshiil agents. Furthermore the firm according to the Manager has embraced customer courtesy as a key value among the employees. This enhances customer experience hence better customer satisfaction. Dahabshiil has also made concerted efforts of regular analysis and review of customer feedbacks. The researcher during the visit to the branches observed that feedback forms were provided to every customer visiting the branches. In addition the firm has

established a dedicated line where customer queries and complains can be channelled and solved. According to the Operations Manager, the firm occasionally make phone calls to customers to inquire about their experiences with the Dahabshiil services. This ensures that the firm is always in contact with the needs or the views of customers regarding the services received.

According to the Country Director, the company adopted easily visible corporate colours which differentiated from other brands. But of special interests with regards to image differentiation, is the market positioning of the Dahabshiil brand to the mind of customers and potential customers. The respondents were of the opinion that in all the undertakings of Dahabshiil, the firm seeks to create a perception of safety and reliability of its services. The operation manager noted that the firm has also embraced the use of social media to engage its customers as well as attract the niche of the tech-savvy customers. The social media engagements enable the firm gain customer insights as well as solve any emerging issue arising from use of Dahabshiil services.

As a market differentiation strategy, Dahabshiil management has ensured that staff directly involved in serving customers understands the culture and language of the large customer base within Kenya. This according to the Operations Manager ensures that customers' wishes are better understood and served accordingly hence better customer satisfaction and subsequent referrals. The company has also carried out staff sensitization on culture of immigrants to boost customer experience. Reducing the cultural gap and language barriers ensures that the customers easily access information about the products offered by Dahabshiil.

4.6 Focus Strategies

Focus strategy involves concentrating on a particular market segment and devoting company resources in that niche that the firm considers underserved by existing products. According to the respondents, Dahabshiil has a focus on diaspora remittance especially among immigrants with connection with the volatile Somalia region. This according to the Country Director is the main reason for the location of Dahabshiil branches in Nairobi, Mombasa and North Eastern Kenya as it seeks to tap in to the migratory corridors. Dahabshiil has history of long presence in regions with humanitarian crisis due to its ability to meet the demands of the people in crisis by providing them with opportunity to access financial support from their relatives abroad. However according the Managing Director, Dahabshiil also provides money remittance services for individuals seeking to import products from African countries and Middle East among other countries. The Operations Manager observed that there has been concerted efforts to ensure that Dahabshiil overs its products to other parts of East Africa to enlarge its market segment and subsequent customers. Market segmentation enables Dahabshiil to better appreciate the needs of various categories of client. Once this needs and segments have been identified, new products can be created or adjust exiting products to meet the particular needs of the specific segments.

As part of the larger global parent company, the local arm of Dahabshiil had concentrated its efforts on growing the remittance and forex business and reduced focus on offering banking services. Furthermore according to the Marketing Manager Dahabshiil also offers customized products which fulfil special requests from customers after seeking approval from the Central Bank of Kenya. This includes

initiation of international remittance service through use of mobile phones. This enables Dahabshiil to occupy a unique market position strategy by providing products that are not produced by competitor companies but are desired by consumers and carry out a positioning strategy in this direction thus gaining a competitive advantage. The need for creating new products in Kenyan market cannot be underrated since it is considered an highly innovative market and a global leader in mobile money transfer.

4.7 Discussion

This study found that Dahabshiil has been able to overcome threat of substitutes by creating unique products and positioned in the market as safest and reliable RSP. This has led to Dahabshiil being utilized in remitting money to other conflict prone areas. Dahabshiil also has registered significant growth not only in customer numbers but also profit margins. This competitive landscape contradicts observations by the World Bank (2013) and Olowa (2014) who observed that money remittance services in the African financial system has not been recognized as a good business hence low competitive landscape with few RSPs charging premium fees to send money. This study finding concurs with a study by Ipsos Kenya (2016) which observed that there is intensified competition in remittance market, leading to reduction in services costs and minimized bureaucracy.

Dahabshiil had embraced cost leadership strategies including leveraging on its IT backbone to drive integration of various branches and agents hence reduction in costs of transaction as well as enhanced time of delivery of service. Dahabshiil was also found to adopt lean structure which ensures minimum number of personnel without compromising the quality of products and services offered while at the same time

cutting costs of remittance. Dahabshiil Kenya adopted agency services which enabled it cut on costs emanating from maintaining a physical officers. This was similar to a study among commercial banks in Kenya by Ogori (2010) and Maina (2014) which found that as a cost leadership strategy, each of the banks was charging lower fees relative to competing banks and production cost reduction enabling the customers to realize a higher value at reduced costs. Similar findings were also made in a study by Busienei (2011) among managers of Western Union Money Transfer Service found that Western Union adopted cost leadership by reviewing downwards its service charges as well as utilization of modern technology and agency services to drive costs downwards and speed delivery of remittance using latest technology.

Dahabshiil was found to be offering highly differentiated products whose attributes differ significantly from the offerings of rivals which forms the basis for the firm's competitive advantage. Efficiency of the service delivery formed a back bone of service differentiation in Dahabshiil. This findings were similar to findings made in a study among MTOs in Vietnam which Hao (2010) found that MTOs relied on product differentiation by adopting efficient and speedy delivery of remittance with the help of modern technology. Similar findings were also in a study by Maina (2014) in Bank of Africa in Kenya which found that the bank initiated unique products in the market and dropped products that had wider similarities across the banking industry in Kenya. Similarly in a study by Busienei (2011) among managers of Western Union Money Transfer Service it was found that Western Union uniquely branded its product delivery points to ensure ease of visibility.

As a focus strategy, Dahabshiil had strategically positioned its branches and agents along migratory corridors in response to local migratory patterns as migrants formed major customer segment. This finding was similar to the findings of a study among commercial banks in Kenya by Ogori (2010). According to this study, Ogori (2010) found that commercial banks proactively identified prospective customers and designed unique products for the identified market niche that were underserved by other banks.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the research approach adopted by the study and the findings derived from the study. The conclusions derived from the study findings are presented here in as well as conclusions resultant from the study findings. Recommendations made from the study conclusions are also presented in this chapter.

5.2 Summary

This study sought to explore strategies deployed by Dahabshiil in order to gain competitive advantage in international money remittance in Nairobi, Kenya. The study utilized the three generic Porter's strategies which included cost leadership, differentiation and focus strategies. The study adopted a case study research design which involved purposive sampling of senior management staff at Dahabshiil in its head office in Nairobi. Data was collected through Key Informant Interviews administered through face-to-face approach by the researcher. Data collected was analysed using content and thematic analysis with results presented in form of tables, charts and verbatim.

The study found that Dahabshiil was applying all the three generic Porter's competitive strategies with special focus shifting from cost focus to customer focus since Dahabshiil has been cognizant of the importance of customer experience during the delivery of its products and services. Specific Strategies applied by Dahabshiil included taking concerted efforts to establish bonded customer relationship and improving customer service, regular review of remittance charges in response to

market changes, adoption of lean structure for personnel, use of agents to ensure closeness to their customers, offered better quality and unique products, market segmentation and identification of underserved prospective customers, design of products to fit the identified customer segments and customization of products on special requests from clients subject to the country's regulatory policies.

5.3 Conclusions

5.3.1 Cost Leadership Strategies Adopted by Dahabshiil

The study sought to determine the cost of leadership strategies adopted by Dahabshiil Kenya to gain competitive advantage. The study findings showed that Dahabshiil had adopted cost reduction in transaction costs. Transaction costs in Dahabshiil are considerably lower compared to other RSPs occasioned by regular review of remittance charges in response to market changes and adoption of lean structure for personnel. The use of agents ensured closeness to their customers without having to incur fixed costs of operating a physical offices whose costs would have had to be passed on to the customers. This provided Dahabshiil with a cost advantage over its competitors as they are able to attract more customers owing to their low pricing strategies. Adoption of cost leadership is specifically possible in Dahabshiil due to its long time experience in the market hence better understanding of the market pricing mechanisms in response to market changes.

Dahabshiil had also adopted the use of information technology to gain competitive advantage as it enhanced internal efficiencies and promoted customer experience through the use of social media engagement to get feedback on customers and solve issues that arose from customer experience. Social media engagement provided

Dahabshiil an opportunity to gather intelligence on market trends and be responsive to these changes. With adoption of Short Message Services, the firm was able to notify customers to pick their remittances in real time which reduced the firm's risks emanating from currency volatility. In general, the use of information technology translated to better customer engagement, increased internal efficiency and better gathering of market intelligence. This in return resulted to lower transactional costs and better quality products delivery hence a competitive advantage to Dahabshiil.

5.3.2 Differentiation Strategies Adopted by Dahabshiil

The study sought whether Dahabshiil applied any differentiation strategy ranging from product, service, personnel and market differentiation strategies in order to gain competitive advantage. The study concluded that Dahabshiil in order to gain competitive advantage offered better quality products and services and distinctive products and services as compared to their competitors in terms of the efficiency of the service delivery and courtesy during delivery. This enabled them win over customers from their rivals while also retaining already existing customers. The firm had gone extra-mile in sensitizing staff on culture and language of immigrants which formed major customer segment for the firm but was largely ignored by traditional RSPs.

5.3.3 Focus Strategies Adopted by Dahabshiil

The study evaluated various focus strategies including product customization to fulfil special requests, design of products for specific market segment, market segmentation, production of unique product in comparison to the competitors and providing services/products to a particular geographical jurisdiction. The study

concluded that Dahabshiil had strategically positioned its branches and agents along migratory corridors in response to local migratory patterns as migrants formed major customer segment. In addition the branches are conveniently located in regions with international humanitarian organizations to offer financial services to those in humanitarian crisis beyond the reach of traditional RSPs. Dahabshiil had also been alive to product customization on special requests by customers subject to the local laws and regulations. These customized products were charged at premium prices as compared to local services. Furthermore, Dahabshiil had concentrated its efforts on growing the remittance and Forex business and reduced focus on offering banking services since these markets are saturated.

5.4 Recommendations

The study recommends that Dahabshiil should invest heavily in ICT to enable it better serve its clients and enhance better market intelligence gathering. In serving clients, the ICT technologies should focus on ways of integrating its Real Time Gross Settlement infrastructure with mobile money transfer services in the local market given its wider coverage across Kenya. This will enable Dahabshiil to leverage on existing agents of MTOs without having to incur expenses establishing its own network of agents. This will give it a competitive edge since its customers will be able to access remittance services from mobile money transfer agents to send or receive remittances.

Dahabshiil should also establish strategic alliances with other RSPs, especially local banks. This will enable Dahabshiil acquire new skills and technologies, diversify its product portfolio through cross-sales, abridged operational and non-operational costs

that would have resulted from establishing a physical offices, better sales resulting in economies of scale, increased coverage in new markets, reduced risks due to shared costs and minimize levels of direct competition.

Dahabshiil should enhance its customer engagement on social media this will enable it tap in to the tech-savvy younger generation and strategically position itself as market leader in this segment that is largely neglected by traditional RSPs. The younger generation in most cases are the money senders while the older generation are the receivers. In response to this dynamics, Dahabshiil should regularly carry-out regular customer feedback and satisfaction surveys through both print (for the receivers) and online (for the senders). This will enable Dahabshiil gather market intelligence from both sides of the customer segments.

5.5 Limitations of the Study

A key limitation of this study is that it applied a case study approach by evaluating competitive strategies applied by Dahabshiil. This implies that the results might not represent industry-wide competitive strategies adopted by money remittance agencies. The study also did not quantitatively measure the contribution of competitive strategies adapted to the financial underbelly of Dahabshiil but the contribution of these strategies on financial performance of Dahabshiil was based on attribution.

This study also evaluated strategies used by Dahabshiil to gain competitive advantage in money remittance in Kenya. It is not only sufficient to gain competitive advantage but sustaining the gained advantage is crucial for long-term growth, however this was not assessed in the current study.

5.6 Suggestions for Further Research

This study found out that Dahabshiil utilized the three components of the Porter's model in order to gain competitive advantage including cost leadership, differentiation and focus strategies. There is need therefore for a further study to be carried out on how these adopted strategies are contributing to the financial performance of Dahabshiil. This will enable Dahabshiil to determine if their competitive strategies are contributing to the organizational growth.

Since this study investigated competitive advantage strategies adopted by Dahabshiil in Kenya, the study recommends that similar studies should be done on the other money remittance agencies in Kenya for comparison purposes and to allow for generalization of findings on competitive advantage strategies in money remittance agencies in Kenya.

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APPENDICES

Appendix 1: Letter to respondents

Dear Respondent,

**RE: STRATEGIES ADOPTED BY DAHABSHIIL KENYA TO GAIN
COMPETITIVE ADVANTAGE IN MONEY REMITTANCE SERVICES**

I am **Mohammed Ismail Abdullahi** a MBA student in University of Nairobi. I am conducting a study on strategies adopted by Dahabshiil Kenya to gain competitive advantage in money remittance services as international money remittance firm in Nairobi. You have been purposely selected for an interview aimed at answering questions meant to answer the study objectives. Your name will not be indicated anywhere in this study and details you provide will be treated confidential and shall only be used for the purposes of this study only. You will not be subjected to whatever risk or financial costs. There will be no financial benefits emanating from participation in this study.

The findings will help me achieve the above degree and help in policy formulation and stimulate further research aimed at making remittances more affordable thus enhancing financial inclusion with subsequent economic growth. The interview is expected to last about 30 minutes It is anticipated that the research will take about a few minutes of your time.

Respondent Agreement

The research details and intentions have been explained to me and I voluntarily consent to participate to this study.

Interviewee's Signature.....

Date.....

Appendix 2: Interview Guide

Section A: Background Information

1. What is your designation in the bank?
2. What is your education level?
3. How long have you been working with Dahabshiil?
4. How would you consider the performance of your firm with respect to your competitors?
5. What are the critical threats to the future of your business in this industry?
6. Does your organization use any cost leadership strategies to be competitive?
 - a) Yes
 - b) No
7. If yes, please explain cost leadership strategies applied by your firm and the extent your organization lays emphasis on cost leadership strategies?
8. How would you rate the pricing strategy in Dahabshiil?
9. Does your organization utilize any differentiation strategies to be competitive?
 - a) Yes
 - b) No
10. If yes, what differentiation strategies are applied by your firm?
11. If yes, please the extent to which your organization lays emphasis on differentiation strategies?
12. How differentiated are services of Dahabshiil?
13. Does your organization utilize any focus strategies to be competitive?
 - a) Yes
 - b) No
14. If yes, what focus strategies have been laid by your firm?
15. If yes, please explain the extent your organization lays emphasis on focus strategies?
16. What in your opinion can the Dahabshiil do to gain and maintain competitive advantage?

Appendix 3: List of Licenced Money Remittance Providers

1. Amal Express Money Transfer Ltd
2. Amana Money Transfer Ltd
3. Bakaal Amal Express Money Transfer Ltd
4. Continental Money Transfer Ltd
5. Dahabshiil Money Transfer Company Ltd
6. Flex Money Transfer Ltd
7. Global Money Transfer Ltd
8. Hodan Global Money Remittance and Exchange Ltd
9. Iftin Express Money Transfer Ltd
10. Juba Express Money Transfer Ltd
11. Kaah Express Money Transfer Ltd
12. Kendy Money Transfer Ltd
13. Real Value Money Transfer Ltd
14. Safaricom Money Transfer Ltd
15. Tawakal Money Transfer Ltd
16. UAE Exchange Money Transfer Ltd
17. Upesi Money Transfer Ltd

Appendix 4: Data Collection Approval



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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

P.O. Box 30197
Nairobi, Kenya

DATE: 27/07/2016

TO WHOM IT MAY CONCERN

The bearer of this letter Mohamed Ismail Abdullahi

Registration No. D61/77800/2015

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

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

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

Thank you.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

