

**APPLICATION OF VALUE ADDED SERVICES (VAS) AS A
STRATEGIC TOOL BY SAFARICOM LIMITED KENYA**

BY:

OTORI NANCY ATENG'E



**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION**

**SCHOOL OF BUSINESS
UNIVERSITY OF NAIROBI**

OCTOBER, 2011

ACKNOWLEDGEMENT

I wish to express my sincere thanks to my friend Abner, my sisters Catherine and Anne as well as my mum for their encouragement and moral support in my education pursuit. Sincere gratitude also goes to Dr. John Yabs for his constructive suggestions, patience, wise guidance, and prompt feedback that contributed to the success of this study.

DEDICATION

I dedicate this research work to my entire family and all the stakeholders in the telecommunications industry.

In response to the progressively dynamic developments and turbulent business environments, business executives are increasingly being confronted by the necessity to attain the organizational capabilities for continuous innovation by involving a variety of strategic options. Companies have invested considerable time and effort in developing value added services (VASs) that seek and often consider adopting innovative management tools to address the challenges of improving service quality, increasing productivity and competitive advantage. One modern management tool adopted by a few service-oriented companies is value addition. Value addition can be based on its impact into these sustaining the current competitive marketplace by enhancing existing products or services valued by customers and those that disrupt the marketplace by fundamentally altering ways customers think about product or service performance.

Service providers invest in these strategic initiatives to be able to cross-sell additional mobile services and enlarge their share-of-wallet with the consumer. This way, the provider does not only get more revenue from its customers, but also creates a better "stick-in". However, notwithstanding the empirical discussion in the literature in respect of VAS strategies, there is both a theoretical and an empirical gap for a more in-depth understanding of the way user value is created in mobile consumer services for strategic purposes. The present study seeks to enrich the discussion on adoption of VAS as a modern management tool and contribute to the existing literature on their associations.

ABSTRACT

The business environment has changed dramatically within the last decade. Globalization and market liberalization has altered the way firms compete within and interact both with its customers and suppliers. In response to the progressively dynamic developments and turbulent business environments, business executives are increasingly being confronted by the necessity to attain the organizational capabilities for continuous innovation by looking at various strategic options. Companies have invested considerable time and effort in developing value added services (VASs) that work and often consider adopting innovative management tools to address the challenge of improving service quality, increasing productivity and competitive advantage. One modern management tool adopted by a few service-oriented companies is value addition. Value addition can be based on its impact into those sustaining the current competitive marketplace by enhancing existing products or services valued by customers and those that disrupt the marketplace by fundamentally altering ways customers think about product or service performance.

Telecom providers invest in these strategic initiatives to be able to cross-sell additional mobile services and enlarge their share-of-wallet with the consumer. This way, the provider does not only get more revenue from its customers, but also creates a better 'lock-in'. However, notwithstanding the empirical discussion in the literature in respect of VASs strategies, there is both a theoretical and an empirical gap for a more in-depth understanding of the way user value is created in mobile commerce services for strategic purposes. The present study seeks to enrich the discussion on adoption of VAS as a strategic management tool and contribute to the existing literature on their associations.

The study is specific to Safaricom Ltd, a local telecommunications company and the most successful company by financial performance. Through descriptive tools, the results of this study will be of great relevance to organizations facing strategic management challenges, as well as to the academic circles.

Chapter 1	1
Chapter 2	10

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study	1
1.1.1 Value Added Services	2
1.1.2 Types of VAS	3
1.1.3 Importance of VAS in Strategic Plan	4
1.2 Objectives of the Study	5
1.3 Research Methodology	6
1.4 Significance of the Study	8

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction	10
2.2 Concept of VAS	10
2.3 Value of VAS	11
2.4 Types of VAS	12
2.5 The Importance of VAS in Strategic Plan	14
2.6 The Role of VAS in Strategic Plan	15
2.7 The Benefits of VAS in Strategic Plan	17
2.8 The Challenges of VAS in Strategic Plan	18

TABLE OF CONTENTS

Declaration	i
Acknowledgement	ii
Dedication	iii
Abstract	iv
List of Abbreviations	viii

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study	1
1.1.1 Value Added Services.....	2
1.1.2 Concept of Strategy	3
1.1.3 Application of VAS as a Strategic Tool	4
1.1.4 Overview of Safaricom Ltd.....	5
1.2 Research Problem.....	6
1.3 Research Objectives	8
1.4 Value of the Study	8

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction.....	10
2.2 Concept of Strategy	10
2.3 Value Added Services	11
2.4 Value Added Services and Strategy	12
2.5 The Forerunners of VASs Application	12
2.6 The VAS Components as Used for Strategic Purposes	15
2.7 The Benefits of Application VASs for Strategic Purposes	17
2.8 The Challenges Affecting Application of VAS.....	19

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction 22
3.2 Research Design 22
3.2 Data Collection 22
3.3 Data Analysis 23

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction 24
4.2 General information 24
4.3 Forerunners of Application of VASs 25
4.4 Specific VAS components 27
4.5 Benefits of VASs for Strategy 31
4.6 Challenges Facing Adoption of VASs for Strategy 32

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction..... 36
5.2 Summary 36
5.3 Conclusion 37
5.4 Recommendations 38
5.5 Suggestions for future research 39

REFERENCES..... 40

APPENDIX

Interview Guide..... 46

LIST OF ABBREVIATIONS

APN	Access Point Network
BPO	Business Processing Outsourcing
CCK	Communications Commission of Kenya
CDI	Customer Delight Index
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
GPRS	General Packet for Radio Service
GSM	Global System for Mobile Communications
IVR	Interactive Voice Response
MMS	Multi-media Services
PDA	Personal Digital Assistant
SMS	Short Message Service
TKL	Telkom Kenya Limited
UMTS	Universal Mobile Telecommunications System
VAS	Value Added Service
WAP	Wireless Access Protocol
WIMAX	Worldwide Interoperability for Microwave Access

CHAPTER ONE: INTRODUCTION OF THE STUDY

1.1 Background of the Study

All organizations operate within an environment which influences their operations. Globalization and market liberalization has altered the way firms compete within and interact both with its customers and suppliers, thereby presenting a variety of challenges. There is need to find ways of solving these challenges using different strategies. In response to the progressively dynamic developments and turbulent business environments, business executives are faced with the need to attain organizational capabilities for continuous innovation by looking at various strategic options. The telecom sector in Kenya, for instance, is moving in a completely new direction away from the basic voice and messaging mobile services.

Over time, companies have invested considerable time and effort in developing value added services (VAS) that work and often consider adopting innovative strategic tools to address the challenge of improving service quality, increasing productivity and competitive advantage (Kamakura *et al.*, 2003). It is argued that bundling new products and services together with an existing service, as is often the case with mobile services, can be a beneficial strategy for service providers (Stremersch and Tellis, 2007). Value addition impacts on the current competitive market place by enhancing existing products or services valued by customers and also by fundamentally altering ways customers think about product or service performance (Charles and Fjeldstad, 1998).

1.1.1 Value Added Services (VASs)

Since the invention of the mobile phone more than a few decades ago, many things have changed in the telecom markets around the world. Due to the fact that cell phone ownership has reached its saturation levels in many countries, and the revenues from voice communication are no longer growing, telecom operators have had to find new sources of revenues. Consequently, they have continuously worked to introduce value-added services in addition to the traditional voice calls, often based on new technologies. Telecom operators invest in these new technologies to be able to cross-sell additional mobile services and increase revenue from the consumption of these services. This way, the operator does not only get more revenue from customers, but also creates a better 'lock-in' effect (Bolton, Lemon, and Verhoef, 2004).

In the recent past, telecom providers introduced mobile services that enable their customers to access the internet on their mobile devices, using technologies such as Wireless Access Protocol (WAP), General Packet for Radio Service (GPRS), and most recently, the Universal Mobile Telecommunications System (UMTS). Other value added services have included instant messaging, music and ringtone download, multi-media messaging (MMS), interactive voice response (IVR) services, business process outsourcing (BPO), mobile money transfer and generally M-Commerce.

On the global scene, the mobile industry continues to enjoy strong growth and the total number of mobile subscribers worldwide is expected to increase to approximately 3.964 billion by the end of 2011 (Liao *et al.*, 2007). To augment this growth, managing value addition for strategic purposes is both essential and critical to companies, just as loyal

customers are critical for long-term profitability; if not more so, as attracting new customers (Reichheld and Sasser, 1990). With value adding content services for strategic purposes, a large number of early adopters can be a key driver of success of new product launches, as these consumers generate a word-of-mouth effect (Rogers, 2003). Furthermore, if consumers have to incur additional bills per used unit, as is the case with most value-added mobile services, most of the revenues from these services will come from the usage levels after adoption.

1.1.2 Concept of Strategy

While Strategy is the direction and scope of an organisation over the long-term, Strategic management can be described as the identification of the purpose of the organization and the plans and actions to achieve that purpose (Lynch, 2009). The soul of strategic management revolves around trying to define what business we are in, what our basic direction for the future is, what our culture and leadership styles are and what our overall attitude to strategic change is and should be. It also looks at who our customers are, our level of competitiveness and our competitive advantage, how to be innovative and creative to improve our business processes and how and where to add value within the business (Johnson *et al.*, 2006).

In whole, a strategy to an organization is, amongst other things, a plan of how the organization can achieve its goals and objectives (Mintzberg *et al.*, 1996), i.e. a commitment of present resources to future expectations. The aim of strategic management is to decide on organizational goals, the means of achieving those goals, and

ensuring that the organization is sustainably positioned in order to pursue these goals. Furthermore, the strategies developed provide a base for managerial decision making.

1.1.3 Application of VAS as a Strategic Tool

The process of adding value and gaining competitive advantage becomes central to a firm's competitive marketing strategy (Makowski, 1980). Devlin and Ennew (1997) showed that the particular factors emphasized in the value adding mix in attempts to add value and achieve competitive advantage may be dependent on the intricacy of the service offering in question as well as the perceived knowledge and sophistication of the target market. Added value is a multidimensional construct, interpreted differently by different people. There are diverse roles that added values play. Palmer (2001) claimed that added value formed the most important part of a brand's definition and was the primary basis for distinguishing a brand from a product.

From a strategic perspective, Davis and Kay (1990) argued that the added value of a player is the value created by all the players in the Added value vertical chain less the value created by all the players except the one in question. Due to the fact that VAS on top of mobile communications presents a relatively new type of business segment for telecom operators, there is a need to investigate how this aspect has been turned around and used as a strategic management (SM) tool in the telecommunications sector. Telecom providers invest in these strategic initiatives to be able to cross-sell additional mobile services and enlarge their share-of-wallet with the consumer. Through descriptive tools, the results of this study will be of great relevance to organizations facing strategic management and value addition challenges, as well as to the academic circles.

1.1.4 Overview of Safaricom Limited

Individual organizations formulate different strategies to aid in solving problems that are unique to them. This study focused on application of Value Added Services (VAS) as a strategic tool in Safaricom Ltd, a local telecommunications company and the most successful company by financial performance, in the Horn of Africa region. Safaricom Ltd (herein referred to as "*the company*") is a dynamic telecom operator which started as a department of Kenya Posts & Telecommunications Corporation, launching its operations in 1993 based on an analogue ETACS network and was upgraded to GSM in 1996 (license awarded in 1999). Safaricom Limited was incorporated on 3 April 1997 under the Companies Act as a private limited liability company. It was converted into a public company with limited liability on 16 May 2002 (Safaricom website, 2011). By virtue of the 60% shareholding held by the Government of Kenya, Safaricom was a state corporation within the meaning of the State Corporations Act (Chapter 446) of the Laws of Kenya. Until 20 December 2007, the Government of Kenya shares were held by Telkom Kenya Limited ("TKL"), which was a state corporation under the Act. Following the Offer and sale of 25% of the issued shares in Safaricom held by the Government of Kenya to the public in March 2008, the Government of Kenya ceased to have a controlling interest in Safaricom under the State Corporations Act.

The company is a leading mobile network provider of converged communication solutions, operating on a single business driver that has a peerless understanding of voice, video and data requirements (Safaricom website, 2011). As of March 2011, Mr. Bob Collymore is the CEO, after succeeding Michael Joseph. Currently, Safaricom boasts a subscriber base of approximately 16 million widely spread across the country and a

nationwide dealership network to ensure customers across the country have access to its products and services (Safaricom website, 2011). Safaricom is the leading telecommunications company in terms of market share and subscriber number, currently at over 75%, and the remaining shared among the other operators namely: Airtel, Yu and Orange Kenya (CCK website, 2011). Safaricom products and services include post pay and prepay voice services, MPESA money transfer, internet services, corporate, advantage, corporate direct connectivity, data bundle packages, dedicated APNs, Safaricom broadband, Safaricom virtual office, WiMAX, blackberry, toll free services and fibre.

Strategic Management in the company is a function of the Strategy & New Business Development division, whose primary role is: to ensure Safaricom remains focused in the long term, for long term profitability, to aid Safaricom consistently deliver results in a constantly changing business environment and to optimise the resources available to obtain the highest value in the long term. Value Added Services (VAS) unit is a cross-functional team cutting across a number of departments including but not limited to Information Technology, Network Operations, Consumer Team, Marketing and elements of the above mentioned Strategy & New Business Development division.

1.2 Research Problem

The subject of attracting and retaining customers is of great concern to all business executives, hence the use of strategies. When it comes down to it, customer sustenance has moved away from the descriptive and reactive movement of the 1970s to an upbeat and proactive management undertaking of the 1990s (Lalonde *et al.*, 1988). Empirical evidence shows that improving the quality of value addition is crucial to achieving a

strategic advantage, realizing that a good product is necessary, but not sufficient to compete in today's competitive marketplace (Barnes, 1993). The most noteworthy strategic business initiatives for service-oriented businesses are often found through the processes of a company's value configuration (Raphael and Christoph, 2001). In the UK, mobile banking is considered to be one of the most value-added and important mobile services available (Lee et al, 1998), though the adoption rate is yet to be determined. Less work has been done on the effects of relationship characteristics, such as relationship length and depth (Bolton, Lemon, and Verhoef, 2004). Several cross-national studies show that some countries are more innovative than others, which is reflected in higher adoption rates of VAS, including telecom services (Dekimpe, Parker, and Sarvary, 1998). The different levels of innovativeness across countries are often linked to cultural values (Steenkamp, Ter Hofstede, and Wedel, 1999). However, most studies only investigate the effects of cultural values on the aggregate level, so little is known about the effects on individual adoption behavior across countries, nor for one single telecom player.

Safaricom Ltd, like many other firms, has found its own unique way of dealing with turbulence in the environment. Through the use of value addition, the firm is presently reengineering the way in which it conducts its business and markets its products and services. In this case, value addition is a strategic resource that facilitates major changes in competitive behavior, marketing and customer management. At heart, value addition enables a firm to achieve strategic advantages, since it is a resource that links the "marketing orientation" and "technology exploitation" of an organization, which clearly has to be harnessed and managed fittingly (Barnes, 1993).

Locally, few writers have written about VAS strategies to solve strategy problems. Pulver (2009) studied the Performance and Impact of VASs in Kenya. Rosenberg (2008) conducted a study on the popularity of M-Pesa in Kenya. On the other hand, Kadere (2006) examined Value addition for small-scale agro producers and processors. The researcher did not find any study on application of VASs in Safaricom Ltd, which presented a research gap that the study sought to fill. The telecommunications industry in Kenya, though young, is very competitive. It is a high capital intensive market and there are regulatory and policy measures in place. The Communications Commission of Kenya (CCK) is the industry regulator and it has come up with several measures to try and create a level playing ground for all the players. There is increased competition in the industry arising from the regulator's intervention. This has meant that pricing is no longer a competing front. There is thus a need to have sound value addition strategies to ensure Safaricom retains its market position in light of these tough regulations. This, then, led to the research question: how has Safaricom Ltd applied VASs as a strategic tool?

1.3 Research Objective

The objective of this study was to determine the application of Value Added Services (VAS) by Safaricom Ltd as a strategic tool.

1.4 Value of the Study

The study was timely, relevant and of importance to Safaricom Ltd as it came at a time when competition had become stiffer and could be threatening the company's over 75% market share. This competition is witnessed in the reduction of prices across board on calls and SMS and in the data market segment as well. Firstly, the management and the

cross-functional strategy and VAS teams of Safaricom Ltd would benefit from the study as it examined the application of VAS as a strategic management tool in the firm and ultimately affect the company's competitiveness. The study aimed to assist the management in determining strategies for effective application of VAS for strategic purposes. Further, the study would assist in highlighting the challenges to effective application of VAS for strategic reasons in the organization. In anticipation, the study results aimed to generate discussions among board members and result in implementation of relevant strategic infrastructure for VAS.

Secondly, apart from the Safaricom Company using the results of this research to improve on value addition initiatives, especially in areas where challenges were previously experienced, other organisations and business entities, especially in the telecommunications industry could also use this document as reference material in pursuit of strategically efficient value-adding content services in their organizations. Thirdly, the industry regulator (CCK) would use the study findings to implement relevant policy framework and institutional competencies to foster growth in the sector.

Other researchers could also use the information gathered to expound on areas not yet addressed in the themes of value addition and strategic management, especially in the application of VAS as a strategic tool. This document aimed to give them a guide on the subject matter and similar studies may thus be replicated in other organizations or at some other point in time, as confirmatory studies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter covered the literature and concept of application of Value Added Services (VAS). Thus, relevant literature related to the aspect of VASs and strategic management was reviewed. More specifically, research papers, theses and other studies carried out were reviewed together with other works relevant to the subject of study. Official documents and reports on the subject were also reviewed in this chapter.

2.2 Concept of Strategy

Porter (1980) defined competitive strategy as a broad formula for how a business is going to compete, what its Strategy, Strategic Planning, Strategic Thinking, Strategic goals should be, and what policies will be needed to carry out those goals. Mintzberg (1994) argued that strategy is a plan, a pattern, a position, a perspective but can also be a ploy, a maneuver intended to outwit a competitor. Bryson (1995) defined strategy as a pattern of purposes, policies, programs, actions, decisions, or resource allocations that define what an organization is, what it does, and why it does it. In whole, a strategy to an organization is, amongst other things, a plan of how the organization can achieve its goals and objectives. The aim of Strategic Management is to decide on organizational goals, the means of achieving those goals, and ensuring that the organization is sustainably positioned in order to pursue these goals.

2.3 Value Added Services

Mobile technologies and services are heralded to create a tremendous spectrum of business opportunities. With the rapid proliferation of mobile devices, including mobile phones, PDAs, and handheld computers, mobile commerce was widely considered to be a driving force for next-generation m-commerce. However, many attempted m-commerce applications have failed to meet expectations (Informa, 2005a; Informa, 2006a). Therefore, it was important to understand why promising technologies succeed or fail and the contributing factors. Moreover, the characteristics of mobile services are important for the mobile services sector. For example, mobile services, such as mobile banking, games, ringtone or adult content downloads provide different type of functionalities. Therefore, the characteristics of mobile services may determine the factors that contribute to their adoption.

Value addition impacts on the current competitive market place by enhancing existing products or services valued by customers and also by fundamentally altering ways customers think about product or service performance (Charles and Fjeldstad, 1998). In the recent past, telecom providers introduced mobile services that enable their customers to access the internet on their mobile devices, using technologies such as Wireless Access Protocol (WAP), General Packet for Radio Service (GPRS), and most recently, the Universal Mobile Telecommunications System (UMTS). Other value added services have included instant messaging, music and ringtone download, multi-media messaging (MMS), interactive voice response (IVR) services, business process outsourcing (BPO), mobile money transfer and generally M-Commerce.

2.4 Value Added Services and Strategy

Strategy is a word with many meanings and all of them are relevant and useful to those who are charged with setting strategy for their corporations, businesses, or organizations. Mintzberg (1994) argued that strategy is a plan, a pattern, a position, a perspective but can also be a ploy, a maneuver intended to outwit a competitor. On the other hand, Bryson (1995) defined strategy as a pattern of purposes, policies, programs, actions, decisions, or resource allocations that define what an organization is, what it does, and why it does it. In whole, a strategy to an organization is, amongst other things, a plan of how the organization can achieve its goals and objectives, i.e. a commitment of present resources to future expectations.

It was argued that bundling new products and services together with an existing service, as is often the case with mobile services, can be a beneficial strategy for service providers (Stremersch and Tellis, 2007). Any value-adding strategy should take the objectives of relationship marketing, establishing, maintaining and enhancing relationships with customer at a profit, so that the objectives of the parties are met into account (Gronroos, 1982). The use of “added value” had been widely advocated as a strategy for achieving competitive advantage in an increasingly hostile business environment and advice had been provided on the organizational processes involved in creating this customer value (Kumar, 1994).

2.5 The Forerunners of VASs Application

Due to the fact that Value Added Services on top of mobile communications presented a relatively new category of business for telecom operators, there was little published

research that explicitly and systematically analysed the forerunners of application of mobile VASs. As a result, investigation on the factors leading to the application of VASs would contribute to research by fulfilling that gap in the literature. These raised the questions of why some firms apply VASs and some do not and more generally, why some firms in the telecommunications engage in VASs in the true sense and why some firms were engaged in only a very limited sense. Accordingly, this effectively raised the question of what influenced the application of VASs, mostly for strategic purposes.

Mobile technologies and services were heralded to create an incredible range of business opportunities. With the rapid rise of mobile devices on the global scene, including mobile phones, personal digital assistants (PDAs), and handheld computers, mobile commerce was widely considered to be a driving force for VASs application. Furthermore, mobile operators realized that personalization of services may enable them to gain customer loyalty by increasing switching costs (Informa, 2005b), effectively leading to higher scores on Customer Delight Index (CDI). Also, both growth and adoption of personalization services was on the rise, even in the developing countries. The content that personalizes a mobile device or a user's interaction with it has also proven to be an incredibly booming class of content (Mackay and Weidlich, 2007).

Mass customization cannot be divorced from personalization services. Different people may, for example, utilize e-mail quite divergently and for different purposes. Hence, there may be identified several subscriber groups e.g. based on their age, occupation, etc, that utilize the same technical solution for different reasons (Mackay and Weidlich, 2007). Advances in internet tools and mobile phone features also allowed users to personalize ringtones, phone interface and style, screen savers, SMS alerts, address

books, picture albums and MMS services. It is noted that in the mid 90s, the market for ringtones was quickly established and had proven to be a big revenue generator for the companies involved in delivering them to market. Incidentally, this appeared to be the first category of content to take off in each geographic market (Mackay and Weidlich, 2007). Recently, truetones, mastertones or real-tones (three different terms used for MP3 quality music typically sourced from original recording artists) were commonly supported on most new handsets. Some analysts had suggested that the sale of truetones represented approximately 10% of the total revenue being generated by the music recording industry (Informa, 2006a).

According to Chae and Kim (2004), there was a strong link between the mobile devices, the underlying services and their users as the former always carry the identity of the latter. Also, the lifecycle of personalization services was generally short. That is, new personalization services may become rapidly obsolete, and were likely to be replaced by newer ones. This created a certain amount of recurring learning before subscribers could be confident and satisfied in using new services (Saaksjarvi, 2003). In addition, personalization services were used mainly to meet hedonic, experiential and identification needs, factors which while being increasingly incorporated in mobile services VASs adoption models, had not been examined with regards to personalization services (Kleijnen *et al.*, 2004). In whole, forerunners of mobile services VASs application seemed to range from revenue generation, customer loyalty and retention and brand image.

2.6 The VAS Components as Used for Strategic Purposes

Text messaging in the form of Short Message Services (SMS) was one of the most successful mobile services in the past. Currently, SMS is used either for mediating person-to-person communication or for accessing mobile end-user services. While previous studies focusing on media prosperity suggest this type of mediated communication is useful for the performance of less equivocal tasks and the exchange of formal messages (Daft and Lengel, 1986), recent studies gave more mixed predictions. For example, it was suggested that the low channel capacity of text messaging was compensated by including more affective components in the message. This also led to an adjustment of message content such as reduction of content formality, something that was typically observed in behavioral studies of text messaging use (Kaseniemi and Rautiainen, 2002). Although SMS was mainly used for purposes of utility, the inclusion of affective components and low formality in messages meant that SMS had the potential for entertainment in addition to utility. More precisely, VASs could be used for communication, transactions, entertainment and information.

For transaction purposes, mobile payment services existed in three forms. Payments using overtaxed SMS messages were most common, e.g. ringtones, logos and access to entertainment on the Internet. Secondly, payments using an electronic purse on the mobile terminal had gained in popularity and had mainly been used as a substitute for SMS -based payments. However, the mobile purse was increasingly being used to pay for products and services with a price exceeding the overtaxed SMS-based payments (Saaksjarvi, 2003), e.g. loading the subscribers' prepaid account, mobile gambling, and payments for physical services such as bus, train and tickets. A third way to link the

mobile terminal to an underlying payment infrastructure was to charge the subscribers' telephone bill. Depending upon when content providers were being paid by the operator, this solution represented a credit or invoice-based payment mechanism. At the current stage of development, mobile payment solutions represented an emerging technology that was mainly used for services where there had not yet been established and existing payment infrastructure, including vending machine payments, payments for internet content and services downloaded to the mobile phone. Furthermore, Mobile Banking was an application that makes it possible to complete bank related transactions, e.g. checking account status, transferring money and selling stocks etc, independent of the current user location.

On the other hand, mobile entertainment was an application containing services that provide the user with digital data of entertainment value on mobile devices, e.g. ringtones, music and videos; it also opened an array of interactive services, e.g. betting, gaming, dating and chatting. Mobile information services referred to mobile services that provided subscribers with content of informational character (Kaseniemi and Rautiainen, 2002). Examples of such services were news updates of any nature (finance, politics, sport etc.), travel information and Mobile Office (e-mails, appointments etc.). Mobile marketing on the other hand referred to services based on mobile communication technologies that provided firms with new, innovative instruments, e.g. to increase sale, win and retain customers, improve after-sales services, build and sustain a positive and modern image/brand and carry market research. Mobile devices served as simple and relatively inexpensive channels of interaction (Kamakura *et al.*, 2003).

Additionally, mobile shopping bundle services that allowed for mobile processing of transactions involving purchase of goods of daily use (Standing *et al.*, 2003)). The user can purchase (mostly standardized) products by choosing them from a catalogue accessible from a mobile device. The products need not be of a digital nature. Kleijnen *et al.*, 2004 posited that mobile ticketing refers to all services that must be paid for, before a lawful utilization can take place, e.g. travelling in public transport, entry to a cultural event or cinema. This application ensured that the user could purchase a right to utilization/entry (ticket) via a mobile device, replacing the conventional paper ticket. The ticket was sent in digital form to the mobile device.

Finally, although WAP (Wireless Application Protocol) had not become a huge success in Africa, many content providers were developing WAP-based games, believing that the adoption of GPRS and new billing models would launch the growth of WAP-services (Gaptime, 2001). Many online games were also available in WAP versions.

2.7 The Benefits of Application of VASs for Strategic Purposes

There were many benefits to be obtained from the creation of VASs and participation in them. Stockdale and Standing (2003) identified and collated a list of benefits from 150 articles from the business literature and categorized them according to IS (Information System) success measures of system quality, information quality, information use, user satisfaction, individual impact and organisational impact. Another useful way of categorizing these benefits was the Standing *et al.* (2003) classification according to whether the benefits produce economic, network, and community advantages.

Economic benefits of VASs were categorized according to benefits for content providers and customers. According to Euro monitor (cited in PRIME Faraday Technology Watch, 2001, p. 23), the top sources of revenues in B2B marketplaces were seller transaction fees, marketing fees, buyer transaction fees, seller subscription fees, storefronts for suppliers, buyer subscription fees, revenue from other sites and fees for market data and analysis. For buyers, benefits from VASs were from reduced costs in procurement, communication, inventory holding and search activities which lead to lower prices (Bakos, 1991, 1997). Content providers can wider markets (Porter, 2001).

Content providers could also provide network benefits in the form of new levels of innovation arising from network externalities and knowledge sharing (Braun, 2002). According to Brunn *et al.* (2002), VASs leveraged network externalities by creating alliances with technology providers, logistic or financial service providers or even complementary content provision. Service benefits from VASs included improved quality of products and customer service (Standing *et al.*, 2003). According to Standing *et al.* (2003), while the service benefits were closely aligned to the economic benefits, there was a need to differentiate between the two as improved service and quality sometimes came at a cost to content providers who chose to deliver the higher level of services despite the extra costs.

Content providers also had the community motive in mind. This was most common where community benefits that were expected to be realised were raised levels of e-business knowledge, skills and technology within the community (Zimmerman, 1998). These benefits led to the community becoming an attractive location for business and for skilled labour. Additionally, according to Standing *et al.* (2003), while community-

motivated VASs may be for the common good of the community, they may still need to be economically viable.

2.8 The Challenges Affecting Application of VAS

There were several major challenges which need to be overcome for sustained growth to be realized from VASs. First, the focus had been mainly on youth and entertainment. Usage of VAS had not spread evenly across demographic profile of customers (Lee, 1998). Currently the youth segment was driving the VAS market as was seen from the rapid growth of entertainment VAS (mass service) and not so rapid growth of transaction and information VAS (customized service). Most operators played safe and concentrated on mass services for which content was easily available and chances of failure were less. But this had hampered the growth of other services which were not getting enough time, effort and investment from the telecom players.

Secondly, there was the risk of piracy of content making operators not willing to invest in novel applications and content. This was acting as a barrier for companies investing into content development. One of the solutions to increase customer retention was by providing exclusive content to them; however this was hampered by piracy (Goldsby & Eckert, 2003). Thirdly, lack of relevant infrastructure e.g. digitized map affecting for instance location based VAS. Applications like live video-sharing have not yet arrived in the Kenyan market. Further, preference for low feature handsets was a challenge. Though the mobile subscriber base was growing, a large chunk of the market was opting for basic low feature handsets in spite of the fact that handset prices were coming down. There was a mindset to purchase the handset for basic utility service which was voice.

Transparency in revenue sharing was a major challenge faced by the entities in the Mobile VAS value chain. The market was highly unregulated and there was no transparency in terms of contact payouts and royalties. There were at least 10 entities involved between customer and Content Owner (e.g. artist) and the flow of revenue was not transparent (Wilkins, Swatman & Castleman, 2003). Other entities felt that operators take a very high share of the overall revenue; this affected the content development market with lower incentive to the developer to provide higher quality content. According to Lee (1998), the high cost to the end user was another challenge. Currently the cost of most VAS is high. A market correction in VAS cost would result in higher usage both in terms of customers and their frequency of usage.

A key challenge was also the underdeveloped WAP market. The key issues constraining the development of the WAP market were lack of WAP enabled handsets & limited incidence of active usage of WAP, speed of connectivity which prevented an enriching experience and limited customization of existing portals for WAP usage and limited content for WAP access ((Tatnall & Burgess, 2004),). Current user experience with WAP was limited to download of rich content like logos & games. More number of evolved Internet users was willing to look at accessing the Internet on mobile if appropriate content was available. However the WAP portals of most operators offer limited content and therefore cannot deliver a meaningful online experience on the mobile for the end user.

Finally, the problem of spam was a major challenge. There were high volumes of spam in the VAS market currently. Spam is an uninvited message urging the consumer to avail of some service. Example "Bid for a Laptop by messaging your bid amount to XXXX"

SPAM had a high nuisance value and discouraged users from accessing a genuine service as they felt that once they had availed of a service & their number became a part of a database, their inbox would be flooded with uninvited messages. As an industry initiative, there was a pressing need to take charge of as it went against the long term interest of the industry. Taking cognizance, some operators had already started offering a service to their subscribers where they chose not to receive any promotional SMS's.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented the research methods to be applied in conducting the study, by describing the various procedures and methodologies that would be used in gathering information, and the tools which would be used in the analysis and presentation of data collected. The chapter focused on the research design, study population, sample design and data collection and analysis methods that were applied during the entire research process.

3.2 Research Design

The research design used for this study was a case study, which is a method for examining the relationship between one thing (an independent variable, e.g. VASs) and another (a dependent or outcome variable, e.g. Strategy management) in a population, establishing the associations between variables and the causality (Hopkins, 2000). For this research, the combination involved a survey of the Safaricom VAS team, marketing department, strategic planning and analysis team, information technology unit as well as the new business development department; since their interaction constituted the application of VAS for strategic purposes. Thus, the data was qualitative in nature.

3.3 Data Collection

Data for this study was to be collected from the five heads of departments from the above named departments, by way of interview guides. The guides were developed by the researcher and were structured based on the study objective. The guide was divided into five sections. The first section collected background information about the respondents

and generally about strategy management in Safaricom Ltd. The rest of the sections dealt with the research objective. Both structured and unstructured questions were used to collect data, with the noted advantage of use of structured questions being that they are easy to analyze since they were in immediate usable form and they were easier to administer because each item was followed by alternative answers, while the advantage to use of unstructured questions is that they permit a great depth of response when a respondent wishes to give a personal view.

3.4 Data Analysis

The data collected was qualitative in nature and data analysis employed content analysis technique, including text analysis as well as document analysis. After fieldwork, there was transcription of qualitative data, after checking for completeness and consistency as well as for various omissions, incomplete or otherwise unusual responses, illegibility and other obvious inconsistencies. Data analysis involved editing, cleaning, transformation and tabulation. In analysis and interpretation of the information collected, the researcher first determined whether the information was relevant and consistent to the research objectives, before proceeding with project completion.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents primary data findings of the study. The study was done using an interview guide and probing the interviewees. The study targeted to interview 5 Heads of Department at Safaricom Ltd for the Safaricom VAS Team, Marketing Department, Strategic Planning and Analysis Department, Information Technology Unit as well as the new Business Development Department. Out of the targeted 5 HODs, 4 were interviewed which constituted 80% response rate. The study had one main objective; to determine the application of Value Added Services (VAS) by Safaricom Ltd as a strategic tool.

4.2 General information

Firstly, the respondents were asked to mention the drivers of choice of strategies that Safaricom Ltd employs. The common response with 75% repeat rate was that Safaricom Ltd's choice of strategies is driven by need for sustainable market growth, competition, regulatory environment, CSR and revenue growth. Respondents cited that Safaricom Ltd revises these strategies on an ongoing basis so that it can remain relevant in the current local tough and challenging telecom industry. Furthermore, the company consistently uses VASs for strategy because of the perceived benefits of VASs and the rate of technology adoption in the country.

Other competitive strategies have also been adopted, other than VASs. These include implementation of Total Quality Management (TQM), use of the Balanced score Card, embracing Corporate Social Responsibility, sound performance management systems, firm Supply Chain Management and product differentiation strategies. Respondents explained that Safaricom Ltd has been working on continuous product improvement with

50% of the respondents indicating that Safaricom Ltd uses VASs mainly in pursuit of efficiency, customer loyalty and enhanced revenue generation.

4.3 Forerunners of Application of VASs

Asked what consideration the company had put in place to ensure the strategies developed and implemented by Safaricom Ltd are customer centric, 75% of the respondents listed organization-wide implementation of Total Quality Management and incorporation of the Customer Delight Index (CDI) in every employee's performance appraisals as some of the initiatives, other than CSR. To ensure a fit between strategies and the external environment using VASs, all the respondents (100%) cited strategic alliances with other business partners (e.g. suppliers, content providers, corporate consumer of telecom services, and other members of the value chain, etc), Customer Delight Index, and a clear Corporate Social Responsibility policy, amongst others, as some of the programs to ensure this is met. Safaricom has also identified several (demographic) subscriber segments e.g. based on their age, occupation, etc, that utilize the same technical solution for different reasons, thus easing bundling of VASs for targeted markets.

There was 75% consensus that the appropriate technological infrastructure had been put in place to facilitate the implementation of the VASs as a strategic tool in Safaricom Ltd. This follows a realization that personalization of mobile services may enable the company gain customer loyalty by increasing switching costs, effectively leading to higher scores on Customer Delight Index (CDI). The content that personalizes a mobile device or a user's interaction with it has also proven to be an incredibly booming class of content. It is noted that mass customization cannot be divorced from personalization

services. Further, there was a 100% repeat rate that optimal revenue growth was one of the main drivers in the adoption of VASs, so as to ultimately maximize the shareholders' wealth. Other than this, the need to provide a range of business opportunities to customers and consequently augment customer loyalty significantly drives the adoption of VASs as a strategic tool.

With the rapid rise of mobile devices on the Kenyan market, including mobile phones, personal digital assistants (PDAs), and handheld computers, mobile commerce is now widely considered to be a driving force for VASs application. This is also the case with Safaricom Ltd. However, amongst all the antecedents to the adoption of VASs as a strategic tool, there is 100% repeat rate that the need to gain competitive advantage is the foremost driver for Safaricom Ltd to adopt VASs. Further, the current market dominance (over 75% as per CCK's 2011 1st quarter industry report) has largely driven the adoption of strategic VASs, together with the need to drive brand image of Safaricom Ltd. Respondents noted that advances in internet tools and mobile phone features also allow users to personalize ringtones, phone interface and style, screen savers, SMS alerts, address books, picture albums and MMS services. Specifically on ring tones market, 75% of the respondents stated that this market has proven to be an important revenue generator. Respondents also noted that lately, truetones, mastertones or real-tones (three different terms used for MP3 quality music typically sourced from original recording artists) are commonly supported on most new handsets.

4.4 Specific VAS components

Safaricom Ltd segments the market when adopting VASs as a strategic tool so as to bundle together related VASs for specific demographic profiles. 100% of the respondents demonstrated that Multi-Media Messaging (MMS) and text messaging in the form of Short Message Services (SMS) have been some of the most successful mobile services for the company, in the recent past. Further, the use of push E-mail has gained momentum, contributing immensely to the revenue stream associated with the data segment market. There was 75% repeat rate that currently, SMS is used either for mediating person-to-person communication or for accessing mobile end-user services. Further, the low channel capacity of text messaging is compensated by including more affective components in the message, leading to an adjustment of message content such as reduction of content formality, something that is typically observed in behavioral contexts. In addition, although SMS is mainly used for purposes of utility, the inclusion of affective components and low formality in messages means that SMS have the potential for entertainment in addition to utility; a phenomenon that Safaricom Ltd has utilized in the past.

More precisely, VASs can be for communication, transactions, entertainment and information. Safaricom Ltd has embraced virtually all these services, in one way or the other. For transaction purposes (or generally M-Commerce), Safaricom Ltd has three mobile payment services. Respondents cited payments using overtaxed SMS messages as one of the most common, e.g. ringtones, logos and access to entertainment on the Internet. Secondly, payments can also be linked to the mobile terminal to an underlying payment infrastructure to charge the subscribers' telephone bill. Respondents noted that

this has not been very successful in Kenya. Depending upon when content providers are being paid by the company, this solution represents a credit or invoice-based payment mechanism. However, it is the revolutionary M-Pesa mobile money transfer service that received overwhelming (100%) support for its payment solutions. Respondents also rightly noted that currently, mobile payment solutions represent an emerging technology that is mainly used for services where there have not yet been established and existing payment infrastructure, including vending machine payments, payments for Internet content and services downloaded to the mobile phone.

Presented with a statement on their views regarding social media e.g. face book, twitter, etc in the light of Strategic Management in Safaricom Ltd, 100% of the respondents noted that the company has fully embraced the concept of social media for internet enabled phones. The company has also extended its customer management concept to include online support via facebook ([facebook.com/safaricom](https://www.facebook.com/safaricom)) and twitter (@safaricom_care). Safaricom has also adopted the mobile TV concept in conjunction with DSTV Africa Group and there was a 75% repeat rate that this had contributed significantly to the revenue stream. Further, this had contributed towards the customer loyalty/retention efforts, considerably. On the other hand, mobile entertainment is an application containing services that provide the user with digital data of entertainment value on mobile devices, e.g. ring-tones, music and videos; it also opens an array of interactive services, e.g. betting, gaming, dating and chatting. In view of this, Safaricom Ltd offers services like ring tones, listening/downloading music, watching/downloading movie/video, etc as part of the company's corporate strategy. There was 100% acceptance that these value offerings are relevant, necessary and indeed strategic.

In addition, the interviewees demonstrated that the banking sector had not been spared by the invention of the mobile device, and in fact, the sector was one of the greatest beneficiaries of the technological advances in the telecom sector. For instance, Mobile Banking is an application that makes it possible to complete bank related transactions, e.g. checking account status, transferring money and selling stocks etc, independent of the current user location. This has been positively taken up by banks like Co-operative bank, Standard Chartered, Barclays, Family bank etc. also, there was 100% repeat rate regarding M-ticketing including making reservations, purchasing flights, train, bus, boat, cinema and theater tickets, etc. This application ensures that the user can purchase a right to utilization/entry (ticket) via a mobile device, replacing the conventional paper ticket. The ticket is sent in digital form to the mobile device. When asked about their impression of M-ticketing, the general response was that it was long overdue. Further, the respondents indicated that it converged well with the company's long-term plans. Additionally, mobile shopping bundle services allow for mobile processing of transactions involving purchase of goods of daily use. The user can purchase (mostly standardized) products by choosing them from a catalogue accessible from a mobile device. The products need not be of a digital nature. In this aspect, the M-Pesa mobile money transfer service has been variously applied by participating partners.

Safaricom Ltd also provides mobile information services through the codename "Get it 411". Mobile information services refer to mobile services that provide subscribers with content of informational character, e.g. news updates of any nature (finance, politics, sport etc.), travel information and weather conditions. There was 100% repeat rate that other third-party Premium Rate Service (PRS) providers offer mobile information

services to Safaricom subscribers. However, Safaricom Ltd is yet to fully embrace provision of offline services like calendar, calculator, offline games, etc, but the network supports playing/downloading of online games, all these with competitive positioning in mind. There was 75% repeat rate that Safaricom Ltd responded to internet browsing/searching information as a value added service, given Safaricom's long-term competitive strategies. Safaricom Ltd has not been able to offer location based services (e.g. position, restaurants, navigation services, etc) on mobile devices, but relevant infrastructural framework is being rolled out to be able to accommodate this and much more.

Finally, all the respondents (100%) indicated that Safaricom Ltd also utilizes mobile marketing for self and/or in conjunction with other strategic partners. Mobile marketing refers to services based on mobile communication technologies that provide firms with new, innovative instruments. Various reasons for this were noted, including increasing sales, winning and retaining customers, improving after-sales services, building and sustaining a positive and modern image/brand and carrying out market research. In this case, the mobile devices serve thereby as simple and relatively inexpensive channels of provider-customer interaction. To ensure that the company retains relevance of its VASs in a dynamic environment and in light of the renewed competition, there is continuously monitoring and evaluation of rolled out VASs, in order to revise them accordingly as need arises.

4.5 Benefits of VASs for Strategy

There are many established benefits from the creation of VASs, especially with corporate strategy in mind, e.g. economic benefits, network benefits, community benefits, etc. revenue generation received 100% repeat rate as one of the most important benefits to adoption of VASs as a strategic tool. In this regard, the mentioned sources of revenue in B2B partnerships are seller transaction fees, marketing fees, buyer transaction fees, seller subscription fees, and storefronts for suppliers, buyer subscription fees, revenue from other sites and fees for market data and analysis. By so doing, there is a noted consensus that the use of the VASs as a strategic tool had contributed to the impressive performance of the organization, and the revenue from this market segment has been growing by the day. It was further identified that economic benefits accrue to the buyers, including reduced costs in procurement, communication, inventory holding and search activities which lead to lower prices. Accordingly, 75% of the respondents agreed that content providers can widen their markets.

In addition, 75% of the respondents also stated that VASs can leverage network externalities by creating alliances with technology providers, logistic or financial service providers or even complementary content provision. Listed service benefits from VASs included improved quality of products and customer service and customer loyalty. By this, it was noted that the use of the VASs as a strategic tool enhanced customer loyalty, which then positively influenced the Customer Delight Index (CDI) rating, an industry-wide performance measure that the Safaricom Management has been pushing for higher scores. While the service benefits are closely aligned to the economic benefits, there is a need to differentiate between the two as improved service and quality may sometimes

come at a cost to various telecom stakeholders, who may choose to deliver the higher level of services despite the extra costs.

Also, 75% of the respondents demonstrated that the use of the VASs had enhanced feedback collection from the customers, especially whenever a new VAS had been released to the market. Content providers also have the community motive in mind, when developing their VASs content. Respondents noted that this is most common where community benefits that are expected to be realised are raised levels of e-business knowledge, specialised skills and technology within the community. There was 75% repeat rate that these benefits can lead to the community becoming an attractive location for business and for skilled labour.

4.6 Challenges Facing Adoption of VASs for Strategy

Regarding challenges facing the organization in strategy development and implementation process, it is clear from the transcribed responses that lack of adequate resources and lack of proper and adequate training on the importance of VASs are some of the hindrances in the application of VASs as a strategic tool. Further, the team involved in strategy development and implementation faces considerable resistance to the process, with 100% of the respondents indicating so. Managing this resistance has not been easy either, but relevant training programs, quizzes with instant prizes, amongst other programs have been adopted.

Specifically, and on the challenges Safaricom Ltd faces in the use of VASs as a strategic tool, 75% of the respondents mentioned lack of across-the-board holistic approach to strategic VASs, lack of relevant systems and institutional framework in the company and

lack of rewards and motivation for staff as some of the constraints in applying VASs as a strategic tool in the company. Lack of customer focus yielded mixed results.

On the other hand, lack of top management commitment is not a major barrier. In fact, there was a 100% repeat rate that the senior management is committed to the application of VASs for competitive positioning in the industry. This study has also found that computer culture acceptance-resistance to change and lack of a shared vision amongst the cross-functional teams are considerable constraints in the application of VASs as a strategic tool in Safaricom Ltd. Further, lack of mature VASs-IT infrastructure, inappropriate risk and change management, and complacency and lack of business process redesign on strategic VASs were also affecting application of VASs in Safaricom Ltd. However, we are indifferent on lack of customer focus as a barrier.

There are other contextual factors, though. For instance, usage of VAS has not spread evenly across demographic profile of customers. Currently, the youth segment in the country is driving the VAS market as can be seen from the rapid growth of Entertainment VAS (mass service) and not so rapid growth of M-Commerce and Info-tainment VAS (i.e. customized service). Further, the stakeholders are also playing safe and concentrating on mass services for which content is easily available and likelihood of failure is less. Respondents noted that this has hampered the growth of other services which are not getting enough time, effort and investment from the telecom providers. Another reason for operators playing safe and not investing in new applications and content is because the VASs market, being a technology-driven market, is greatly affected by piracy. 100% of the respondents demonstrated that this is acting as a barrier for companies investing into content development. Thus piracy is hurting the operators

both ways, neither can they stop customer churn by exclusive content development nor can they go in for investment in innovative applications to spread their demographic reach.

Lack of relevant supporting infrastructure, e.g. for location based VASs due to the lack of digitized maps, received 100% repeat rate as being a key challenge. Respondents generally agreed that to avail new and high end VASs, technologies like 3G/3.5G/4G need to be installed. However, these networks are not mere upgrades of 2G networks; rather, entirely new networks need to be built and frequencies need to be assigned to mobile operators. Further, although the mobile subscriber base is growing, a huge chunk of the market is opting for basic low feature handsets in spite of the fact that handset prices have come down, with a mindset to purchase the handset for basic utility service (voice). But these handsets are not in a position to support a large number of VASs. Since in many VASs like MMS, both the sender and receiver handsets need to support MMS, the scope of such VAS gets limited. This is further impeding the introduction of high end VAS for strategic purposes. There are many services which are not performing to their potential despite their usefulness and there are some which cannot even be introduced, because of this short-coming.

Costing was identified as the other challenge. The cost of most VAS is high, as demonstrated by 75% of the respondents. This is mainly because of the fact that VAS market is led by Entertainment VAS which has a high perceived value. Subscribers are paying for it as they perceive it highly but over a period of time as they get used to it, the willingness to pay high amounts come down. Thus, a market correction in VAS cost to end user should definitely result in higher usage both in terms of customers and their

frequency of usage. Again, there are those services which have a high practical value. But currently due to lack of familiarity & awareness from the end-user and lack of investment, effort and marketing from the supplier's side is resulting in very few such services being available on the Kenyan market. Such services mainly fall in the category of M-Commerce and to some extent Infotainment. Customers are also currently not comfortable with M-Commerce, but as the comfort level increases which can be brought about by encouraging government action like robust policies, laws etc, there should be growth in VAS usage.

The issue of transparency facing the entities in the Mobile VAS value chain is another challenge, with a 75% repeat rate. The market is highly unregulated and there is no transparency in terms of contact payouts and royalties. There are many intermediaries involved between customer and Content Owner (e.g. artist) and the flow of revenue is not transparent. 100% of the respondents indicated that other entities feel that mobile operators take a very high share of the overall revenue; this affects the content development market with lower incentive to the developer to provide higher quality content. Finally, there are currently high volumes of spam in the VAS market, again since it is a technology-powered market. Spam is an uninvited message urging the consumer to avail of some service. There was consensus that as an industry initiative, there is a pressing need to take charge as it goes against the long term interest of the industry.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the results of the research work. First it gives a summary, discussions and conclusion of the study, recommendations and suggestions for further research are discussed and finally recommendation for policy and practice.

5.2 Summary

This study focused on application of Value Added Services (VASs) as its premise, by establishing the use of VASs as a strategic tool in a telecom operator. The researcher managed to accomplish the objective which was to determine the application of Value Added Services (VASs) by Safaricom Ltd as a strategic tool. Respondents were drawn from Safaricom ltd senior management mainly from Safaricom VAS Team, Marketing Department, Strategic Planning and Analysis Department, Information Technology Unit as well as the new Business Development Department. To fulfill the objective of the study, 4 heads of department were interviewed with a response rate of 80%.

The study established that Safaricom Ltd's choice of strategies is driven by need for sustainable market growth, competition, customer loyalty, regulatory environment, CSR and revenue growth. Furthermore, there is great need for the company to put in place appropriate technology and infrastructure that will facilitate the implementation of VAS as a strategic tool. The study indicated that Safaricom ltd has formed strategic alliances with other business partners (e.g. suppliers, content providers, corporate consumer of

telecom services, and other members of the value chain, etc), Customer Delight Index, and a clear Corporate Social Responsibility policy, amongst others, as some of the programs to ensure successful implementation of VASs.

The study demonstrated that VAS can be for communication, transactions, entertainment and information with Multi-Media Messaging (MMS) and text messaging in the form of Short Message Services (SMS) being the most successful mobile services for the company, in the recent past. Further, the use of push E-mail has contributed immensely to the revenue stream associated with the data segment market. On the issue of transparency, the study found out that other entities feel that mobile operators take a very high share of the overall revenue; this affects the content development market with lower incentive to the developer to provide higher quality content. Cost wise, it was noted that the cost of most VAS is high and this is eventually passed onto the user which has proved to be a major challenge to the application of the service by safaricom ltd.

5.3 Conclusion

Developments in wireless technology have expanded opportunities for additional mobile services. For instance, the extent and nature of personalization of the mobile phone is now essential to individual identity, particularly among the youth. Based on the results, some tentative conclusions can be drawn. Firstly, the main push to the adoption of VASs by Safaricom Ltd is the drive to gain competitive advantage in the market place, underscoring the applicability of VASs for strategic purposes.

Secondly, mobile phone usage of specific mobile services is mainly limited to communication services which are higher compared to other mobile services like

entertainment, transactions and information. It can be assumed that for services with clearly defined market like the communication M-commerce services, a market pull strategy might be easier to pursue rather than an invention push strategy. Consumers can more easily be a source for ideas as they are available and ready to express their needs. Thirdly, the Study concludes that Safaricom's revolutionary M-Pesa mobile money transfer service is the greatest mobile payment solutions, globally.

There are many benefits associated with adoption of VASs to telecom operators and content providers, as well as other intermediaries in the value chain, ranging from economic, network and community benefits. However, in as much as there are some challenges to the application of VASs as a strategic tool, they are not major, although pricing and cost, security and privacy, etc, are significant challenges.

5.4 Recommendations

The present study gives some key implications on VASs of mobile services. Improving and extending existing mobile services is critical. Telecom operators should continue to improve the voice segment and find breakthrough to enhance high usage of supplementary, and specifically, VASs category and other mobile services. By demonstrating the linkage to other supplementary channels e.g. internet, the benefits of mobile services will be seen to be enhanced with more customers using the VASs and as mobile devices continue to evolve, the complementarity of the channels would thus be an interesting research agenda.

Considering the sum of money invested into VASs systems, it is essential to ensure that customers will actually use the services. In order to achieve this goal, and based on the

findings, this study recommends that a proactive awareness programme should be developed and implemented to educate customers on the available VASs and how this can enrich their lives, as well as business partners on the potential of VASs in enriching their revenue growth, over and above cost reduction, operational efficiency and customer base growth and retention. Further, the findings also indicate that the telecom operators make efforts in diffusing the VASs by developing the faith in usefulness, ease of use, credibility, reliability, access, and fastness among the customers.

Furthermore, the ongoing recognition and reward programmes for employees should continue to ensure that employees remain motivated so as to sustain the VASs improvement culture that has been created. Also, there is a need to develop better Strategic Management integration to improve the organization's corporate strategy by creating links with all stakeholders. Further, enhanced communication within the company's value chain is recommended. The study also recommends a proper integrated Information System in the organization in order to make the cross-functional VASs-Corporate strategy system operate better from a technological perspective, as this is convenient and efficient in managing value addition, systematically.

5.5 Suggestions for Future Research

The present study focused on the application of Value Added Services (VASs) by Safaricom Ltd as a strategic tool. The study was specific to Safaricom Ltd, as a case study. Being a case study, it is recommended that further research should test the findings of this research using a larger sample and use a more quantitative research method for the purposes of statistical generalization, and to determine if indeed the companies

implementing strategic VASs get value in their processes. Future research can extend research into different geographical areas as well. With globalization creating a village-like marketplace, research about company behavior in one continent could lead to potential consolidation of company VASs strategies providing global competitive advantage. Further, the research does not discuss in detail how VASs can be applied broadly across sectors and the sector requirements to accommodate the consequences of a strategic VASs methodology. To fill this gap, it requires further research which may form an agenda, beyond the present one. In light of this, no single study can be found to be entirely conclusive and there is always room for improvement of new ideas on the subject.

REFERENCES

- Bakos, J.Y. (1991). A strategic analysis of electronic marketplaces. *MIS Quarterly*, 15 (3), 295-310.
- Barnes, J.G. (1993), "New technologies, new markets, and changing marketing practice", *Irish Marketing Review*, Vol. 6, pp. 45-52.
- Bolton, Ruth N., Katherine N. Lemon, and Peter C. Verhoef (2004). "The Theoretical Underpinnings of Customer Asset Management: A Framework and Propositions for Future Research," *Journal of the Academy of Marketing Science*, 32 (Summer), 1–20.
- Braun, P. (2002), "Networking tourism SMEs: e-commerce and e-marketing issues in regional Australia", *Information Technology and Tourism*, Vol. 5 pp.13-23.
- Brunn, P., Jensen, M., Skovgaard, J. (2002), "e-marketplaces: crafting a winning strategy", *European Management Journal*, Vol. 20 No.3, pp.286-98.
- Bryson, John M, 1995, "Strategic Planning for Public and Non-profit Organisations" –A Guide to Strengthening and Sustaining Organisational Achievement (Revised Edition), Jossey Bass Publishers, San Francisco.
- CCK website, <www.cck.go.ke>
- Chae, M. and Kim, J. (2004), "Do size and structure matter to mobile users?" An empirical study of the effects of screen size, information structure, and task complexity on user activities with standard web phones, *Behaviour & Information Technology*, Vol. 23, No. 3, pp 165-181.
- Charles, B. and Fjeldstad, D., "Configuring Value for Competitive Advantage: On Chains, Shops, and Networks". *Strategic Management Journal* 19, 413{437 (1998).

- Cooper D.R. and Schindler P.S. (2000). *Business Research Methods* (7th ed.). New York: USA.
- Daft, R.L. and Lengel, R.H. 1986. "Organizational information requirements, media richness and structural design." *Management Science*, 32: 554-571.
- Davis, E. and Kay, J. (1990), "Assessing Corporate performance', *Business Strategy review*, 1, 9-11.
- Dekimpe M, Sarvary M, Parker P, (2003), DTEW Research Report 0322, pp. 1 - 49.
- Devlin, J., Ennew, C., T., (1997) "Understanding competitive advantage in retail financial services", *International Journal of Bank Marketing*, Vol. 15 Iss: 3, pp.73 - 82.
- Gaptime (2001), *Mobile Gaming: A Framework for Evaluating the Industry 2000 -2005*, Gaptime Century LTD.
- Goldsby, T.J. and Eckert, J.A. (2003), Electronic transportation marketplaces: A transaction cost perspective. *Industrial Marketing Management*, 32 (3), pp. 198.
- Gronroos, C., (1982), *Strategic management and marketing in Service sector*; studentlitteratur/ Chartwell-bratt, UK.
- Hopkins W.G. (2000), Quantitative Research Design. *Sportscience Journal Vol 4 Issue 1*.
- Informa (2005b), "Global Mobile Forecasts to 2010: Worldwide Market Analysis & Strategic Outlook 2005-2010", 5th ed., London: Informa Telecoms & Media.
- Informa (2006a). *Global Mobile: The International Business Newsletter of Mobile Communications Markets*, Vol. 13, No. 6.

- Johnson, G; Scholes, K; Whittington: (2006), *Exploring Corporate Strategy*. London: Prentice Hall; 7th Edition.
- Kadere T. T. (2006). Introduction to value addition: A manual for training course on Value addition for small-scale agro producers and processors. Jomo Kenyatta University of Agriculture and Technology.
- Kamakura, Wagner A., Michel Wedel, Fernando de Rosa, and Jose Afonso Mazzon (2003), "Cross-selling through database marketing: A Mixed Data Factor Analyzer for Data Augmentation and Prediction," *International Journal of Research in Marketing*, 20(1), 45–65.
- Kaseniemi, E. and Rautiainen, P. (2002). "Mobile culture of children and teenagers in Finland." In *Perpetual contact*. Eds. J. E. Katz and M. Aakhus. New York: Cambridge University Press.
- Kleijnen, M., Wetzels, M. and De Ruyter, K. (2004), *Consumer acceptance of wireless finance*, *Journal of Financial Services Marketing*, Vol. 8, No. 3, pp 206-217.
- Kumar, (1994), "The nature and consequences of marketing channel intermediary commitment; MSI Working Paper, Report No. 94-115.
- Lalonde, B, Cooper, M. and Noordewier, T. (1988), *Customer Service: A Management Perspective*, Prepared by The Ohio State University for the Council of Logistics Management, Oak Brook.
- Lee, D.S. (1998), Usage Patterns and Sources of Assistance to Personal Computer Users, *MIS Quarterly*, vol. 10, no. 4, pp. 313-325.
- Liao, Tsou and Huang. (2007), "*Factors Influencing the usage of 3G mobile Services in Taiwan*". Emerald Group publishing limited, Vol. 31, No 6, pp. 759-774.

Lynch, R. (2009), *Strategic Management*. Canada: Pearson Education; 5th Edition.

Mackay, M.M. and Weidlich, O., (2007), *Australian Mobile Phone Lifestyle Index*, 3rd Edition, Australian Interactive Media Industry Association (AIMIA), Mobile Content Industry Development Group (MCIDG)

Makowski, L., 1980, "A Characterization of Perfectly Competitive economies with Production," *Journal of Economic theory*, 22, 208-221.

Mintzberg, H. (1994). *The Rise and Fall of Strategic Planning*. Prentice Hall, Harlow, England.

Palmer, A. (2001), "Co-operation and Competition: A Darwinian Synthesis of relationship marketing", *European Journal of Marketing*, Vol 34 No. 5/6, pp. 687-704.

Porter, M.E. (1980), *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, Free Press, New York.

Porter, M. E. (2001), Strategy and the internet. *Harvard Business Review* (March): 63-78.

PRIME Faraday Technology Watch (2001), p. 23.

Pulver, Caroline, 2009. "The Performance and Impact of M-PESA". FSD Kenya.

Raphael, A., and Christoph, Z., "Value creation in E-business". *Strategic Management Journal* 22, 493-520 (2001).

Reichheld, F., and Sasser, W. (1990), "Zero defections: quality comes to services", *Harvard Business Review*, September/October, pp. 105-111.

Rogers, Everett M. (2003), *Diffusion of Innovations*, 5th ed. New York: The Free Press.

Rosenberg, Jim, 2008. "Why has M-PESA become so popular in Kenya?"

Saaksjarvi, M. (2003) Consumer adoption of technological innovations, *European Journal of Innovation Management*, Vol. 6, No. 2, pp 90-100.

Safaricom website, <www.safaricom.co.ke>

Standing, C. (2003). The characteristics of successful e-market places. *Proceedings of the Pacific Asia Conference on Information Systems*

Steenkamp, E. M., Ter Hofstede, F., Wedel, M., (1999). International Market Segmentation Based on Consumer-Product Relations. *Journal of Marketing Research*, Vol. 36, No. 1, pp. 11-17.

Stockdale, R. and Standing, C. (2004). Benefits and barriers of electronic marketplace participation: an SME perspective. *Journal of Enterprise Information Management* 17(4), 301-311.

Stremersch, Stefan, Gerard J. Tellis, Philip Hans Franses, and Jeroen L. G. Binken (2007), "Indirect Network Effects in New Product Growth," *Journal of Marketing*, 71 (July), 171-193.

Tatnall, A. and Burgess, S. (2002). Using Actor-Network Theory to Identify Factors Affecting the Adoption of E-Commerce in SMEs. *E-Business: Innovation and Change Management*. Singh, M. and Waddell, D. Hershey, PA, Idea Group Publishing: 152-169.

Wilkins, L., Swatman, P. M. C., & Castleman, T. (2003). *Electronic markets and service*

delivery: Governance and related competencies in virtual environments. Proceedings of the 11th European Conference on Information Systems, (pp. 1-13). Università di Napoli Federico II, Milano.

Zimmerman, B.J. (1998). *Developing self-fulfilling cycles of academic regulation: an analysis of exemplary instructional model.* New York: Guilford.

APPENDIX: INTERVIEW GUIDE

General information

1. What informs the choice of strategies that Safaricom Ltd employs?
.....
.....
2. How often does Safaricom Ltd formulate/revise its strategies?
.....
.....
3. Why does Safaricom Ltd use the VASs for strategy?
.....
.....
4. How consistently does Safaricom Ltd use VASs for strategy?
.....
.....
5. What other tools does the organization use apart from VASs in strategy management?
.....
.....

Forerunners of VASs Application

6. What consideration has the company put in place to ensure the strategies developed and implemented are customer centric?
.....
.....
.....
7. How does Safaricom Ltd ensure a fit between strategies and external environment using VASs?
.....
.....

8. Has the appropriate technology been put in place to facilitate the implementation of the VASs as a strategic tool?
9. Is profit maximization the main driver in the application of VASs?
10. Does the need to provide a range of business opportunities drive application of VASs?
11. Where would you place customer loyalty in the application of VASs as a strategic tool?
12. How would you say the need to gain competitive advantage has driven Safaricom Ltd to apply VASs?
13. What would you say is the role of brand image in the application of VASs?

Specific VAS components

14. Does Safaricom Ltd support MMS and e-mail on mobile devices?
15. Does Safaricom segment the market when applying VASs as a strategic tool? Why or why not?
16. How has Safaricom Ltd responded to the advent of social media e.g. face book, twitter, etc?

17. What is your view on offline services like calendar, calculator, offline games, etc?

18. Has the use of voice-based information (e.g. traffic, sports, entertainment) aided in customer loyalty?
19. How do services like ring tones, listening/downloading music, watching/downloading movie/video, etc fit into safaricom's strategies? Are they relevant/ necessary?
20. Does Safaricom network support playing/downloading online games? If yes or not, why?
21. The banking sector has not been spared by the invention of the mobile device. How has Safaricom Ltd handled m-banking e.g. balance enquiry, mini-statements, brokerage service, etc)
22. M-ticketing e.g. making reservations, purchasing flights/train/bus/boat/cinema/theater tickets, etc is a common feature nowadays. What is your impression about M-ticketing?
23. How does the organization retain its relevance of its VASs in a dynamic environment and in light of the renewed competition?

Benefits of VASs for Strategy

- 24. Has the use of the VASs as a strategic tool contributed to the impressive performance of the organization?
- 25. Does the use of VASs as a strategic tool by Safaricom Ltd accrue any benefits?.....
- 26. Has the use of the VASs as a strategic tool enhanced customer loyalty?
- 27. Has the revenue from the application of VASs as a strategic tool been growing? ...
- 28. What would you say is the impact of applying VASs as a strategic tool, on Customer Delight Index (CDI)?
- 29. Does the use of the VASs enhance feedback from the customers?

Challenges Facing Application of VASs for Strategy

- 30. What challenges does the organization face in strategy development and implementation process?
- 31. Does the team involved in strategy development and implementation face resistance to the process? How do you manage such resistance?
- 32. What are the challenges Safaricom Ltd faces in the use of VASs as a strategic tool?

-
.....
33. What is your impression of management commitment to VASs as a strategic tool?
.....
.....
34. Does piracy of content making operators present a challenge?
.....
.....
35. Do you agree that transparency in revenue sharing is a major challenge faced by the entities in the Mobile VAS value chain?
.....
36. How does Safaricom Ltd respond to the fact that the WAP market is underdeveloped?
.....
.....
37. Any other comment(s) on the use of VASs as a strategic tool in the organization?
.....
.....
.....

Thank you for your cooperation!