EFFECT OF MOBILE MONEY TRANSFER ON CORPORATE BUSINESS STRATEGY IN TELECOMMUNICATION INDUSTRY IN KENYA: A CASE OF SAFARICOM LIMITED

BY

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SPRING 2017
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ________________________  Date: _____________________

Margaret W. Salome (ID 638113)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ________________________  Date: _____________________

Professor Francis W. Wambalaba

Signed: ________________________  Date: _____________________

Dean, Chandaria School of Business
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ABSTRACT

The purpose of this study was to examine the effect of mobile money transfer on corporate business strategy in the Telecommunication industry in Kenya with particular reference to Safaricom Limited. The study sought to answer the following research questions: how is mobile money transfer driving customer usage of other services and generation of new revenue streams; how is it strengthening market competitiveness; and how is it performing as a platform for service/product innovation and alliances influencing corporate business strategy telecommunication industry in Kenya. The study used explanatory research because the study was an attempt to lay the groundwork that would lead to future studies on the subject. The target population was drawn from Safaricom Limited and consisted of 7 directors, 10 management staff and 57 operational staff. The study used stratified random sampling procedure because the target population was heterogeneous. A sample size of 44 respondents was obtained. The primary data for the study was collected using the questionnaire and analyzed using descriptive and regression analysis with the aid of Statistical Package for Social Sciences (SPSS 21.0). The results of the study are presented using tables and graphs. The study findings established that the company has strategically utilised its mobile money platform to increase the usage of its other products and service thereby generating revenues via end-user transaction fees and from partner services such as banking and government services while saving on operating cost and keeping the revenue generated by promoting their services using mobile money. The study results also established that mobile money transfer has enhanced the company competitive advantage due to its innovative products and solutions which enable the company to easily transform its money-transfer platform into integrated service thus enhancing its market competitiveness. The study findings further revealed that the company has used mobile money to secure strategic alliances with financial institutions, other corporate bodies, both local and global agent network, retail businesses and technology firms for money transfers and payment services who now use mobile money. The study recommended that the mobile operators need to broaden their reach to a new segment of customers by offering new non-telco services in order to open up opportunities to cross-sell telecom services; to enhance the ease in
which customers can utilise the money transfer platform as and when required, upgrading the existing value chain and to create and enhance partnerships with international money transfer companies as well as with local companies so as to create a valuable proposition for customers.
ACKNOWLEDGEMENT

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I acknowledge the immense contribution of my supervisor, Professor Wambalaba for his patience, support and professional guidance and availability. My sincere gratitude also goes to the staff of United States International University, Kenya, and especially those in my various classes for their interactions, support and source of growth.
DEDICATION

To my family who are my pillars and sources of great inspiration.
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<tr>
<td>ATM</td>
<td>Automated Teller Machine</td>
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<td>DTM</td>
<td>Deposit-Taking Microfinance Institution</td>
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<tr>
<td>CIC</td>
<td>Cooperative Insurance Company</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>HRM</td>
<td>Human Resource Management</td>
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<td>KCB</td>
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<td>M-PESA</td>
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<td>R&amp;D</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

In the current business world, technology has a great influence on how businesses are conducted (Li, Guohui and Eppler, 2008). Firms both locally and internationally continue to upgrade their technical resources and expertise in an effort to secure a competitive advantage in the market through the development and marketing of innovative products and services (Kourdi, 2010). One of the innovative products in the industry is the mobile money transfer services and the related products (Fathallah, Toru and Pickens, 2011). Mobile money involves three elements: an electronic stored-value account (akin to a sight deposit account) linked to each user’s mobile phone; a mobile phone application that allows users to manage their accounts and transfer value to other users; and a network of cash in/cash out outlets where users can exchange cash and electronic value (deposit and withdraw money from their account). A deposit entails the customer handing over cash to the agent, in exchange for an equivalent electronic money transfer from the agent’s account to the customer’s account. The reverse applies for a withdrawal (International Finance Corporation [IFC], 2011).

Mobile money transfer products/services in the Philippines have been in existence since 2003 (Pickens, 2009). GCASH is a mobile money transfer service from Globe Telecom in the Philippines, which transforms a mobile phone into a virtual wallet for secure, fast, and convenient money transfers at the speed and cost of a text message (Mas, 2008). In Thailand, Bangkok Bank began offering mobile banking in 2009. Customers can view their account information, pay bills, transfer funds and top-up their mobile phone account (McMurray, 2009). In Cambodia, WING, launched its mobile money transfer service in early 2009 and has focused on providing money transfer services to garment workers and other rural customers who work in PhnomPenh and other urban centers. In urban centers, it has concentrated on the student population offering air time top-up and person to person transfers (IFC, 2011). Easypaisa was established in 2009 in Pakistan through a
partnership between Telenor Pakistan and Tameer Microfinance Bank. Mobile Account subscribers use their own phones for all transactions and only need to go to Easypaisa shops to deposit or withdraw cash from their Easypaisa mobile account. Services offered include bill payments, money transfers, airtime purchase, savings and insurance, retail purchase and corporate solutions. In 2012, Easypaisa conducted on average over 5 million transactions every month (Intermedia, 2013).

Mobile payment adoption is currently lower in United States, where most people have bank accounts and the mobile phone is evolving as merely another payments delivery channel augmenting existing financial products and services (Balaban, 2013). ISIS is a joint venture created by three of the largest mobile operators in the United States, ATand T Mobility, Verizon Wireless and T-Mobile. ISIS is a mobile wallet which allows consumers to access their current payment cards, loyalty cards, while being able to avail coupons and offers from partner retailers (Goldstein, 2013). Currently ATand T support 191 Isis-enabled Smartphones, Verizon supports 15 models and T-Mobile has 8 models (Covey, 2008). The “Call and Pay” service offers the capability for mobile phone users in the European Union to transfer money to Africa (Santander, 2013). Launched in 2004, NTT DoCoMo has established itself as a market leader in mobile payments, with its Osaifu Keitai (mobile wallet) proposition (Clark, 2013). The success can be attributed to DoCoMo making early investments in the proposition, establishing strategic partnerships with Sony, Japan Rail and retail vendors, and by leveraging their leadership position in the Japanese mobile market (LIRNEasia and UP-NCPAG, 2005)

In South Africa mobile money pioneer WIZZIT attracted customer because of the convenience, accessibility and affordability (Holmes, 2014). A WIZZIT account is as much as one third cheaper as an account at one of the South Africa’s big retail banks for the same basket of services. However, the very poor were not using mobile money due to expense, lack of awareness, complexities of the technology (PwC, 2011).

MTN Mobile Money available in South Africa, Uganda, and its West and Central African operations allows users to perform a range of basic financial transactions using their
handsets without the need to open or have a bank account (FinMarkTrust, 2008). European mobile provider Crandy inaugurated money transfer service in Cameroon in June 2008, with a plan to roll out in eight other countries in Africa (Santander, 2013).

Four companies provide mobile phone services in Kenya. These include Safaricom, Airtel (formally Zain), YU and Orange (formally Telkom Kenya) (Mas and Ng’weno, 2010). Safaricom was the first company to provide mobile services and Mobile Money Transfer (MMT) services in Kenya. In partnership with the Commercial Bank of Africa and a micro-finance company, Faulu Kenya, Safaricom designed and tested a micro-payment platform called M-PESA in 2004. ‘Pesa’ means ‘money’ in Kiswahili and the prefix ‘M’ refers to the use of a mobile phone to facilitate banking transactions. M-PESA began by using Safaricom’s airtime retailers (agents) to issue microloans that borrowers would repay at an interest rate reduced by eliminating the overhead conventional microloans carried. However, the skilled worker in Kenya soon began using the facility to transfer cash from working relatives in the city to their families in the rural areas. Consequently, M-PESA money transfer service was officially launched in March 2007 as a MMT service. MMT service in Kenya is almost synonymous with M-PESA (Hughes and Lonie, 2007). Meanwhile, Airtel - the second largest mobile phone company launched its MMT service called Airtel-Money (formally ZAP) in February 2009 while YU mobile phone company introduced its services named and YU-CASH in December 2009. Orange (formally Telcom and Posta) is the fourth and latest entrant to introduce its MMT service called Orange Money in November 2010 (Suri and Jack, 2011).

Recent evidence suggests that there is an increase in penetration and use of mobile money transfer services in Kenya (Mason, 2007). In early 2011, Safaricom had an M-PESA subscription base of about 16 million (more than a third of the country’s population) and about 17,000 agents (outlets) countrywide (Central Bank of Kenya, 2011). This represents substantially more points of service than the combined number of bank branches (1063) and Automated Teller Machines (ATMs) (1979) (Central Bank of Kenya, 2010). Statistics from the Central Bank of Kenya indicate that Safaricom’s M-PESA users moved more than Ksh. 728 Billion (approximately $8 Billion) in 2010 as
compared to only Ksh. 50 Million by Orange-money (Central Bank of Kenya, 2011). This amount was moved in the more than 306 Million transactions conducted in the service. The report further puts daily movement of cash to more than Ksh 2.3 Billion. Revenue from M-PESA in 2010 stood at Ksh 12 Billion, up from Ksh 8 Billion in 2009 (a conduit for a fifth of the country's GDP) (Central Bank of Kenya [CBK], 2011). M-PESA now processes more transactions domestically within Kenya than Western Union does globally and provides mobile banking facilities to more than 70 per cent of the country’s adult population.

In realization of the potential of mobile money transfer in driving telecom companies market competitiveness, telecommunication companies have been developing business strategies hinged on mobile money transfer services aimed at enhancing their market position and profitability (Vanguri and Jimenez, 2010). Strategy is frequently described as a deliberate set of actions to achieve competitive advantage, giving coherence and direction to the organization (Thompson and Strickland, 1998). Porter (1987) viewed strategy as a pattern or plan that integrates an organization’s goals and objectives with policies, programs, and action sequences into a cohesive whole.

In their study, Henderson and Venkatraman (1990) classify strategies into three broad categories: corporate strategy (concerned with interrelationship among businesses); business strategy (focusing on deploying a strategy at a unit or product level that maximizes the organization unit or product’s comparative advantage to best compete in the marketplace) and functional strategy (reflecting efficient allocation of resources allocated to the particular firms. A business strategy is an overall plan of action which defines the competitive position of a firm (Hrebiniak, 2006). Business strategy clearly articulates the direction a business will pursue and the steps it will take to achieve its goals (Johnson, Scholes and Whittington, 2006). Business strategies are undertaken with the goal of improving service delivery, increasing efficiency, expanding service and channel offering and meeting the demands of customers for quality services in a manner that is consistent with their range of financial, environmental, and social concerns (Kourdi, 2010). Business strategies are implemented through the major functional areas
in finance, production, marketing, human resource management (HRM), and research and development (R&D) and in turn each functional strategy is made up of several activities (Porter, 2000).

Safaricom business strategy is based on securing sustainable competitive advantage by using Mobile Money Transfer (MMT) as a critical part of its value-add to customers and by focusing on working with strategic partners to use data arising from MMT to improve customer acquisition, retention and development (Mas and Radcliffe, 2010). Safaricom takes advantage of MPESA’s growth to push its multi-play strategy forward. The company’s medium- to long-term goal is to remain Kenya’s mobile market leader by transforming MPESA from a mere P2P money-transfer platform to a service which is at the heart of its Value Added Strategy (VAS) (Jack and Suri, 2010). The operator aims to maintain its position as the regional market leader for innovative and competitive telecommunications products and solutions, reduce its churn rates and increase customer loyalty (Hughes and Lonie, 2009). The transformation of MPESA partly involves partnering with various financial institutions to make MPESA an integrated mobile financial service that enables customers to conduct transactions easily and conveniently (Kavale, 2007). Safaricom also hopes to increase its customer loyalty through the MPESA top-up bonus scheme that rewards customers with 10% bonus of airtime purchased through the service. By integrating MPESA with other VAS products, Safaricom also hopes to improve the overall customer experience in its operations (Michael, 2009).

With mobile phones being readily available for relatively cheap prices, mobile money has become accessible to majority of the population (Jenkins, 2008). Given this high penetration mobile payment service, telecom operators have evolved a strategy of using mobile money as a platform for launching multi-play services tailored to the needs of the market such as: depositing money, withdrawing money, transferring (sending) money, buying prepaid airtime, managing mobile money account and paying bills (Kendall, Machoka, Veniard and Maurer, 2011). According to Tiwari, Buse and Herstatt (2006) mobile money has provided some telecommunication companies with a competitive
advantage over its rivals due to their high user penetration rates and rich agent distribution network. Hence the use of mobile money has been integrated into the corporate business strategic goals aimed at achieving, positioning maintaining their positions as market leaders for innovative and competitive telecommunications products and solutions, reducing its churn rates and increasing customer loyalty (Govindarajan and Trimble, 2012).

In their study Kendall, Machoka, Veniard and Maurer (2011) found that telecommunication companies have used mobile money as a major financial service platform such as: mobile banking which involves use of a mobile phone to remotely access a bank account, primarily for account balance checkup and bill payment services. Mobile money transfer (remittance) which consists of a peer-to-peer application making use of a mobile phone to send money to family or friends, primarily across international borders. Mobile commerce (payment) involve use of a mobile phone to perform financial transactions for purchases or sales, either remotely or on-site, retrieve promotion information or coupons, and deliver gift items (Lake, 2013). Mobile telecommunication platforms are now used by other businesses to offer various services hence have become platforms for many services including banking services and other non-financial services hence most of these companies are in the race to secure strategic alliances with telecommunication firms (Njue, 2012). The mobile money services have also become key driver in growth of revenues for some of the telecommunication firms (Anon, 2011).

Mobile money transfers have increased because providers hope there is a new revenue stream from a previously unserved consumer market. The business excitement centres round the lower cost of transactions, the growth of mobile phones, their greater availability and convenience compared with bank branches and ATMs (PwC, 2011). The business model can vary from the stand alone telecommunications provider as with Globe Telecom in the Philippines and Safaricom in Kenya or a partnership of telecommunications and banking providers as with South Africa. It is likely that the partnership model will become more frequent, as mobile money transfers also move into taking deposits and the issuance of e-money (Kock, 2005).
The increasing acceptance and adoption that mobile money transfer has found among customers can be explained by using disruptive innovation model/theory. Barnett and Schumpeter (1934) define innovation as the carrying out of new combinations. Innovative activity has become the key driver of growth and it is evident that businesses that create and adopt new technologies which generate innovation grow faster than those that do not. Disruptive innovations offer new benefits like simplicity, convenience or low prices. The potential of disruptive innovation includes: providing cheaper, simpler or more convenient solutions, providing solutions and seizing new ways of doing things so as to make it easier and simpler to get business operations done, increase customer satisfaction, meet the tastes and preferences of customers and stay ahead of competition. The characteristics of disruptive innovations include: continuous product or service differentiation, continued improvements of business processes and operations, coming up with new products or services that are simple, and enhance customer satisfaction. Innovation creates new features and provides significant competitive advantage (Foster and Heeks, 2012).

1.2 Statement of the Problem

The liberalization of telecommunications market in Kenya has introduced competitive approaches and coverage increases in mobile phone services. The mobile telecommunication industry in Kenya is characterized by multiple buyers (Safaricom, Airtel, Orange and other small players) and the price is not influenced by the cost of production but by the reaction of other firms’ to each of the individual market player’s actions especially on price and output matters (Ayoola and Azeez, 2013). Use proper economic characterization of the company that warrants it to be oligopolistic. With the increased competition mobile operators have seen a decline in revenue from traditional sources such as voice and SMS and are looking to compensate by creating new sources of revenue. Hence each of the telecommunication players sought newer business opportunities in mobile money transfer services so as to differentiate their services, in various ways, largely through their platform capabilities and service structures for corporate mobile money transfer services (Remco and Tonnis, 2010).
Mobile money has been a great success since being introduced in Kenya by Safaricom as M-Pesa followed shortly later by other telecommunication service providers such as Orange Money, Airtel Money, YuCash and Tangaza which transfers money to other networks (IFC, 2011). The rapid growth of mobile money transfer in the last few years have proven that there is latent demand for such services and that there is a willingness to adopt the use of mobile money transfer services among the population. At the same time, governments, banks and microfinance institutions have realized that extending financial services to the base of the pyramid via mobile phones is less costly and profitable and this has had an effect on corporate business strategies of the telecommunication operators who are scrambling to introduce the service to the market (FSDT, 2009).

Not only do these services allow transfer of money from one phone to another, but have also been adopted by banks, financial institutions and other companies where customers can deposit or withdraw money from bank accounts, pay for their goods, bills or insurance premiums (Kirui, Okello, and Nyikal, 2012). Other organizations such as banks, financial institutions and other companies have since adopted this technology of mobile money transfer. This has enabled telecommunication companies to generate new revenue streams and to drive the usage of their other services by customers. Private and public companies, banks and other institutions have forged strategic partnerships with network providers such as Safaricom and Airtel to enable their customers deposit, withdraw, or pay for their goods or services using their mobile phones. This has enabled some operators’ to use their mobile money transfer services as platform for service/product innovation thus enhancing their competitive position in the market (Jonathan, 2009). However, some mobile operators are still struggling to implement and to integrate the mobile money transfer into their corporate strategies hence have not been able fully profit or even leverage on the popularity of the service to improve their other services hence have become uncompetitive in the marketplace.

Previous studies that focused on mobile money include: Ratan. (2008) who investigated the use of technology in delivering financial products to households that are low income earners; Tavneet and Jack (2008) study focused on the performance and impact of M-
PESA; while Sadana, Mugweru, Murithi, Cracknell and Wright (2011) analyzed financial institutions riding the M-PESA rails. Hence there are limited studies done on the effect of mobile money transfer on business strategies.

1.3 Purpose of the Study

The purpose of this study was to examine the effect of mobile money transfer on corporate business strategy in the Telecommunication Industry in Kenya. A case study of Safaricom Limited

1.4 Research Questions

1.4.1 How is mobile money transfer driving customer service usage of other services and generation of new revenue streams?
1.4.2 How is mobile money transfer strengthening market competiveness?
1.4.3 To what extent is mobile money transfer acting as a platform for service/product innovation and business alliances?

1.5 Importance of the Study

The study is of importance to the following stakeholders:

1.5.1 Safaricom Limited

The study will be of value to Safaricom Limited as it will enable the management to understand and appreciate the effect of mobile money transfer on corporate business strategy in the organization. It will also facilitate them to adopt and implement effective competitive strategies so as to enhance the performance of the mobile money transfer services

1.5.2 Other Telecommunication Firms

The findings of the study will also be of importance to other telecommunication firms such as Airtel, Orange and other telecommunication firms involved in money transfer as the study will give them insight into the effects of mobile money transfer on corporate
business strategy. Hence they will be motivated to adopt and effectively implementing competitive business strategies to strengthen their mobile money transfer business units to ensure that they become competitive and profitable

1.5.3 The Government

The study findings will be significant to the government and policy makers as they will be able to appreciate the importance of mobile money transfer to telecommunication firms and seek to enhance their performance through positive regulations and policies so as to enable them to achieve growth in the market.

1.5.4 Academicians/ Researchers

On the theoretical side the study will be of value to academician and other researchers in this field will also utilize the results of this study as part of secondary data in enhancing future studies. The study will facilitate individual Researchers to identify gaps in the current research and carry out research in those areas.

1.6 Scope of the Study

This Research study was limited to examining the effect of mobile money transfer on corporate business strategy in Telecommunication Companies in Kenya with particular reference to Safaricom Limited located in Nairobi. The study population was drawn from Safaricom Limited and consisted of seven (7) Board of Directors, ten (10) management staff and fifty seven (57) operational staff. The research study will cover a period from 2012-2014.

1.7 Definition of Terms

1.7.1 Mobile Money Transfer

This is transfer of funds from one individual to another through mobile phones. It is an umbrella term, which defines an ecosystem, which includes all types of monetary transactions executed via mobile phones (Crowe, Marc and Joanne, 2010).
1.7.2 **Mobile Banking**
Also referred to as M-banking or SMS banking – is the transfer of money from a phone to a bank account. It is also used in checking account balances, credit applications and other bank transactions (Munyange, 2012).

1.7.3 **Telecommunication**
This refers to the exchange of information through voice calls, short messages or data over significant distances through electronic means (International Telecommunication Union [ITU], 2009).

1.7.4 **Telecommunication Industry**
The industry that provide a platform in form of a network through which the exchange of information can take place, for example Safaricom, Airtel and Orange (Kariuki, 2009)

1.7.5 **Business Strategy**
This refers to the means through which a firm sets out to accomplish its set out objectives. It also referred to as long-term business planning since it usually covers three to five years (Kourdi, 2010).

Some of these concepts are not unique and thus not warrant being defined here. See who are beneficiaries of this research and see which concepts they might need to be defined for them.

1.8 **Chapter Summary**
The chapter commences by giving an overview of the telecommunication industry, which is a major determinant of technological development not only in Kenya, but also all over the world. In Kenya, the major players in this industry include Safaricom, Airtel, Yu, Orange, and Telkom Kenya. Each of these companies has a mobile money transfer that is used by the subscribers in their respective networks. Mobile money transfer is rapidly growing in Kenya since it is considered to be more secure, instant, and cost effective. This has led to telecommunication companies adding and differentiating the products that
can be accessed or conducted through mobile money transfer. This rapid growth of this service has had significant effect on business strategy of telecommunication firms. More specifically the study focuses on the effects of effects of mobile money of driving customer service usage and revenue streams, market competitiveness and platform for service/product innovation and alliances on corporate business strategy. The next chapter (2) reviews literature that is relevant to the effect of mobile money transfer on corporate business strategy in telecommunication industry.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter presents a review of literature on concept of money and previous studies on business strategies. More specifically it reviews the effect of mobile money of driving customer service usage and revenue streams, market competitiveness and platform for service/product innovation and alliances on corporate business strategy with a view to identifying any gaps from previous studies which this study intends to fill.

2.2 Driving Customer Service Usage and Revenue Streams.
Telecommunication firms use mobile money transfer services to drive the usage of the other company products and services and facilitate the generation of additional revenues for the companies

2.2.1 Driving Customer Usage of other Services
According to Pehrsson (2012) mobile money transfer services has become a gateway to usage of the other telecommunication services and products. The idea is that if a customer can comfortably top up using mobile money, then they will be more likely to start depositing money, withdrawing money, transferring(sending) money to another customer, sending money to someone who is not in the network of a particular telecommunication firm and managing account and paying bills (Njue, 2012).

Given the high penetration of mobile payment services, telecommunication operators have evolved a strategy of using mobile money as a platform for launching multi-play services tailored to the needs of the market such as: money transfers (domestic and international); payment of bills; government to person payments (social security payments, salaries, pension etc.) and banking services; and purchasing airtime. Nevertheless, in the latest couple of years, there has been an extension of mobile money services to provide better and more financial products for more official financial services and products, namely credit, savings and insurance, as well as the providers of non-
official financial services, namely the moneylenders; and the networks for personal use provided on demand, through planned expenditure, and in transfer and receipt of money. It also includes sellers of in-store goods and services, as well as distant B2C/C2B transfer and receipt of cash through wages, credit, allowances, disbursement and distribution of loans, payment of bills and through electronic trade. Governments have also started using mobile money transfer services for making payments to citizens (salaries and pensions) and to collect revenues such as taxes (Juniper Research, 2008).

In Afghanistan policemen and other officials are paid their wages using a local version of M-PAISA (Heinrich, 2013). Tanzania accepts tax payments through mobile-money services. In other countries such as India, it is being used to deliver welfare or social aid payments (Camner and Sjöblom, 2009). M-money has also facilitated emergency response. In Haiti, for example, following the 2010 earthquake, Voilà partnered with international aid agency Mercy Corps to provide virtual vouchers to victims through a cheap mobile phone loaded with an e-wallet from Indonesia’s PT Telkomsel (Jonathan, 2009).

2.2.1.1 Purchase and Payment Services

Many financial institutions have linked to mobile money’s “pay bill platform of different telecommunication firms to facilitate customer transaction. Hence mobile Money from various telecom firms have over the past years evolved from a money transfer service to a robust payment platform and driver of financial inclusion for all the citizens (Sadana, et.al 2011). For instance since the inception of M-PESA, the service has grown to incorporate over 19 million customers, of which 13 million are active on a monthly basis and supported by a nationwide agent network of 81,025 outlets. The key M-PESA services include Lipa na M-PESA, M-Shwari, Bank to M-PESA, Lipa Kodi, salary disbursements, utility payments, airtime purchase and Cashless distribution for companies such as Coca Cola, Unilever, East African Breweries Ltd, British American Tobacco, Nation Media, Standard Growth which all generate revenue for the company. (Safaricom, 2009) The service has enhanced financial inclusion for the unbanked with an estimated 20% of the GDP flowing through the Mobile money platform in 2009-2010.
and 43% of Kenya’s GDP flowed through M-PESA 2014-2015 (Safaricom, 2015). The service is competing with financial institutions as a payment platform for both goods and services with firms adopting it as mode of paying utility bills (Ratan, 2008).

Many financial institutions are linked to mobile money’s “pay bill platform of different telecommunication firms to facilitate customer payment of their bills. In addition to deposits, bank customers without easy access to a branch or Automated Teller Machine (ATM) network prefer to use mobile money agents to do so. To encourage new bank accounts for the poor and the significant percentage that live above the poverty line but remain unbanked, Kenya’s Central Bank altered their regulations for bank agents and their retail outlets, allowing them to initiate new accounts and to enable more deposits and withdrawals via mobile money (Gachiri, 2013). For deposits and withdrawals to work more seamlessly for all involved, and to encourage a wider range of commercial interactions, a growing number of banks, MFIs, and others interested in finance and m-commerce are investing in middleware solutions that will expedite exchanges with telecommunication firms mobile money products (Jenkins, 2008).

According to Praesidium (2012), financial institutions and insurance companies are also using mobile money for cash disbursement and repayment; companies, state-owned companies and NGOs use mobile money for transfer of money, acquisition of tenders, goods and services, as well as payment of salaries and wages to their employees. Mobile money is also being used by the business owners while buying goods and services because it is not only convenient, but is also cheaper and easier to use. According to a survey carried out by Kenya Bankers Association in the last quarter of 2013, 95% of Kenyans consider mobile banking cheaper, faster and more reliable than normal banking services (Centre for Research of Financial Markets and Policy, 2014).

Mobile money operators have, through their mobile money service, now set their sights on the medium and small enterprises. For instance Safaricom launched of Lipa Na M-PESA- a campaign aimed at entrenching the use of its payment services as primary tool of transactions. (Safaricom, 2015) Lipa na M-PESA is an umbrella service for the M-PESA payment services which include: Payment of salaries, utility payments,
promotional payouts, dividend payments as well as payments within the transport industry with over 32,000 active merchants and average transactions of Kshs 1,000 and above on the service, there has been a remarkable increase in the volume of transactions through Lipa Na M-PESA. The first phase of Lipa na M-PESA promotion was anchored on an aggressive countrywide recruitment exercise targeting to enroll more small and medium sized. (Safaricom, 2015).

In the United States, the telecom firms have introduced pilots that allow customers to make payments for low-value goods and services with the charges posted to the customer’s phone bill to be postpaid (Rice, 2013). Carriers are beginning to provide credit for digital goods in computer games, ring tones, and for charitable donations (Crowe, Marc and Joanne, 2010). The Haiti earthquake relief effort engaged the participation of major U.S. carriers and raised millions in donation payments, demonstrating a potential willingness on behalf of consumers and telecom firms to adopt the mobile payment method (Goldstein, 2013).

2.2.1.2 Enhancing Product Offering

Mobile money operators are also deliberately using mobile money to enhance their traditional offerings. For example, during a recent drought in Niger, a set of randomly selected households received cash transfers via mobile money (Aker et al. 2011). In comparison with physical cash, this trial found lower variable costs for senders, as well as lower costs for recipients. Over the course of the crisis, recipient households also enjoyed better diets and depleted fewer assets. Insurance, credit, and savings services are now being developed atop mature mobile money systems. Kilimo Salama is a micro-insurance product that uses M-PESA to provide payouts to smallholder farmers whose crops fail. In its second year of operation, 12,000 farmers were insured, and 10 percent of those received payouts of up to 50 percent of their insured inputs (Sen and Choudhary 2011).

Mobile money is also used in promoting and purchasing data services which come in different packages depending with the internet usage of different consumers; others are credit for messaging services via short message services and multi-media services;
telecommunication firms business is a service meant for business persons. (Suri and Jack, 2008) It is mainly a data service that provides conferencing services for entrepreneur; mobile phones, laptops and phone accessories are also provided by telecommunication firms. Majority of the telecommunication companies sell a wide range of quality phones and laptops at varying prices. Modems that are used to provide data to computers are also sold. They also service phones and laptops at their authorized dealers and firms shops located in various parts of the country (Bångens and Söderberg, 2011).

Additionally, companies are now leveraging the technology to look at other applications such as location-based advertising, commonly called “smart posters.” By tapping the advertisements or posters, users can access product information, obtain promotional items, subscribe to services, vote in contests, find directions and make reservations. The information will match the user’s location and personal profile (Remco and Tonnis, 2010).

2.2.1.3 Mobile Money Value Proposition
The organization’s mobile money usage for value proposition mainly looks at several advantages which include increased accountability and being transparent with the use of e-records; decrease and fraud of money; raising effectiveness of operations, which includes reduced paperwork; increased sovereignty and self-provision of the mobile money users (Crowe, Marc and Joanne, 2010; Gabel, 2008). Donavan (2012), notes that there has been a decrease in costs of transferring and receiving money through mobile phones by company users as compared to the alternative modern options. The advantages include there has been a decrease in employees costs, enhanced delegation and use of the employees as well as security of handling the money.

The large rural populations provide a perfect base to tap the unbanked group with no bank account but a mobile phone. The younger generations in developed markets are also a high potential segment, given their willingness to adopt new technologies. They often cannot access financial services as they are not old enough but are actively involved in
virtual gaming transactions (Mauree and Kohli, 2013). Convenience will provide a main motivation for them to try new services. Lower income workers are also likely to take up mobile money services, as they are not well served by the large banks (Mauree and Kohli, 2013). Mobile money products are largely based on an easy-to-use service with high acceptance, as well as interoperability across different operators or banks. To entice consumers, especially the low income groups, the price of Mobile money services are less expensive than banks (LIRNEasia and UP-NCPAG 2005).

According to Tavneet and Jack (2008), mobile money is evolving towards a lifestyle and convenience proposition, with applications commonly developed around transportation, retail, banks and mobile commerce. Mobile technology has recently emerged as a mechanism for micropayments (payments of small value). There is a great deal of interest in the industry about this physical mobile payment solution. Operators are hoping to turn mobile phones into payment devices for transportation systems, convenience stores and for other goods and services requiring micropayments (Mbiti and Weil 2011).

2.2.2 Growth of Organization Revenue Streams

Mobile money transfers have increased because providers hope there is a new revenue stream from a previously unserved consumer market (PwC, 2011). The business excitement centres round the lower cost of transactions, the growth of mobile phones in developing countries, their greater availability and convenience compared with bank branches and ATMs (EDC, 2009).

Prepaid recharge or top-ups have been key revenue source for many telecommunication carriers as they provided an affordable and convenient service for low-usage customer (Anon, 2011). However going into the future telecommunication firms sees mobile money service as a key revenue driver in the future amid the declining voice revenues due to price wars in the voice market. Telecommunication firms are trying to use mobile money to grow their revenue by improving the customer experience (Kourdi, 2010). By promoting airtime top-ups via mobile money, telecommunication firms have benefitted
from reduced costs related to printing and distribution of airtime recharge vouchers resulting in savings on its operating cost (Vanguri and Jimenez, 2010).

In the mobile money payment platform, telecommunication firms generate revenues via end-user transaction fees. Thus Lipa na M-PESA and prepaid recharge or top-ups largely driven by Mobile money have become a key revenue source for telecommunication firms as they provide an affordable and convenient service for low-usage customers. The existing service infrastructure currently makes the process of reloading prepaid SIMs unfriendly for the low-usage segment drives uptake for mobile money services. (Præsidium 2012).

The all-important agents that support Mobile money are, in turn, paid a commission by telecommunication firms (Maureen and Kohli, 2013). Some of the advantages to agents include: they are not charged any user-fees when depositing money, purchasing credit, during registration or when they are checking balance in their accounts. However, the agents are charged when there are bank transfers and withdrawals using ATMs which is dependent on the quantity of money that the user is transacting, which therefore means that the more the cash transacted, the more the charges incurred. There are charges imposed by all banks that support mobile banking to their customers. These charges vary from one bank to another and this is an advantage to the mobile companies who also receive a share of the charges pegged on the end-users (Pehrsson, 2012).

The Mobile money services have been a key driver in growth of revenues for most telecommunication firms. In Kenya Safaricom M-PESA, was the biggest driver of the company’s phenomenal growth in 2014-2015 revenues and the service has 13.9 million active customers served by 85,756 agents across the country (Safaricom, 2015). The M-PESA mode of payment is accepted by 50,000 merchants in various sectors of the economy, from retail outlets to hotels and petrol stations. In 2014-2015 revenue from Mobile money increased by 15 per cent from the previous financial year to hit a high of Sh32.6 billion and contributes 20 per cent of total revenue (Ibid).
For the first 6 years of 2013, Safaricom’s revenues received from mobile banking had risen to 32% and were at Ksh 10.43 billion (100ksh = 1 USD) (Kangaru, 2014). In 2013, MPESA represented 18% of the total revenue in Safaricom at Ksh 59.12 billion. This was the highest percentage as compared to mobile data which stood at 7% and SMS which stood at 8% in total. In the same year 2013, supplementary M-PESA success rates included the customers who increased from 14.87 million in the first half of 2012 to 15.23 million customers in 2013; M-PESA Average Revenue per User (ARPU) at Ksh115, compared to Ksh92 for H1 2012; Ksh80 billion in transfers transacted between customers in September 2012, equivalent 31 percent of Kenya's Gross Domestic Product (GDP) (Safaricom, 2015). Safaricom recorded a 12.8% growth in its 2011 revenues with non-voice services (M-PESA, data) representing 29% of the total revenue with M-PESA revenues increasing by 43% over the same period (Mbiti and Weil, 2011).

In Cambodia, domestic remittance products have escalated in growth since June 2011, growing at 25-30% per month. Given the continuation of these growth rates, WING Cambodia is set to process over $1 billion dollars this year, in what would be a landmark achievement for the company (IFC, 2011). Whereas the majority of mobile money companies around the world have struggled to turn a profit despite heavy investment, WING stands out as becoming profitable so soon after its founding (Maureen and Kohli, 2013).

2.3 Strengthening of Market Competiveness

According to Kendall et.al (2011), the use of mobile money is part of telecommunication firms’ strategic goals aimed at maintaining their position as the regional market leader for innovative and competitive telecommunications products and solutions reduce its churn rates and increase customer loyalty. Mobile network operators secure sustainable competitive advantage by using mobile money transfer (MMT) as a critical part of their value-add to customers and by focusing on working with financial partners to use data arising from MMT to improve customer acquisition, retention and development. Mobile money has provided telecommunication firms with a competitive advantage over their
rivals due to high user penetration rates and agent distribution network (Hughes and Lonie, 2007).

For operators such as Easypaisa WIZZIT and WING, mobile money does not usually represent an opportunity to serve a new market segment; instead, it allows them to cross-sell a new service to customers whom they already serve (their own subscribers) or compete for (the subscribers of other mobile network operators). Given the increasing competition in developing countries among operators for share of the mobile business and the increased propensity of customers to churn from one operator to another in search of a lower tariff, differentiation has become a primary strategic objective. So although the revenue opportunity that mobile money presents is huge, mobile operators are increasingly focused on mobile money’s potential to strengthen their relationship with mobile users, giving them a compelling reason not to churn away to a lower-priced operation (Berman, 2010).

In Kenya Safaricom faces competition in the mobile-money segment from Airtel, Orange Kenya and Equitel of Equity bank which also offer money transfer services. However, the competition is largely on the peer to peer money transfers, airtime top-ups and bill payments (Thiong’o, 2013). Its large market share presents it with a clear advantage over its competitors to advance its innovative nature in the mobile financial services segment and guard its market position. Safaricom has a number of strengths that work to its advantage. M-PESA greatest strength since it is the most trusted money transfer service in the country. The fact that M-PESA services are easy accessible from all parts of the country is one reason why the service has a great number of users. (Jack and Suri, 2010) 80% of Kenyans have no access to formal banking. Most relied on risky informal methods of money transfer until Safaricom launched its mobile banking platform Mobile money in 2007. It allows customers to use a mobile phone to transfer money directly to another mobile phone user without the need for a bank account (Munyange, 2012).

At present Safaricom has 14.9 million Mobile money subscribers, and has seen its contribution to group revenue climb to 16% in 2012 from zero 6 years previously (Safaricom 2015). Growth should continue apace. While competing telecoms and banks
have been unable to build any formidable competition, Safaricom has used its first mover advantage to lock a critical mass of users into a system that requires each side of the transaction to subscribe to its platform, and for the receiver to have a Safaricom SIM-card plugged into his or her mobile device at the time of the transaction. That promotes loyalty in a market in which many customers own multiple SIMs. This supports the company market competitiveness (Safaricom 2009). Despite the 29% growth in M-PESA-based airtime top-ups in 2011, Safaricom has not managed to contain increased churn that has seen its market share decline to 65.3% in 2012 from 68.2% in 2011. Increased price competition in the voice and data segments have contributed to its loss of market share to its competitors (Safaricom, 2013).

Telecommunication firms take advantage of their mobile money growth to push their multi-play strategy forward (Plyler, Haas and Nagarajan, 2010). Their medium- to long-term goal is to become competitive by transforming their mobile money from a mere peer to peer money-transfer platform to a service which is at the heart of their business strategy (Ratan, 2008). By evolving the mobile money into a mobile-money ecosystem, Pehrsson, (2012) affirms that telecommunication firms are creating a platform for other service providers to plug into the ecosystem and use the platform to provide other services.

Telecommunication providers of mobile money partnerships with financial-service and international-money-transfer providers have transformed them from a peer to peer money-transfer platform into an integrated mobile financial service that enhances the firms’ market competitiveness (Kendall, et al, 2011). Hence evolving mobile money into a multi-play service is a business strategy to ensure that the firms stay ahead of its competitors in the mobile-money segment (Remco and Tonnis, 2010).

2.3.1 Recruiting clients into the Mobile Money system of transfer

According to Mas and Morawczynski (2009), there have been new technologies designed by a mobile money operator that looks at mobile money transfer that is user friendly and easier to use and helps the users to understand the benefits of the services, helps to do
away with any challenges brought about by mobile banking and created trust in shops that are given the duty of promoting mobile banking to its customers, as well as helping in the transfer of money from one user to another.

The slogan “Send Money Home” has been used to market MPESA to its customers since its inception in Kenya and it has been well received well by distant family members and helps as a money transfer to the Kenyan community; the risks and costs associated with sending money over long distance (Mas, 2008). According to Safaricom (2015), this made MPESA a very important application to have for every Kenyan and therefore led to its rise and this has not changed, to date, though some of the messages used for marketing have changed over the years. One of the most important uses of mobile money since it was introduced, has been sending money home to Kenya for majority of the Kenyans living abroad and this has led to an increase in the number of households receiving money to 52% from 17%.

Mas and Morawczynski (2009) note that the user interface of mobile transfer that runs on individual mobile phones as an application has helped so much in making mobile money transfer easy to use. Mas and Radcliffe (2010) add that this is because the application is easily accessible and can be run from the mobile phone main menu which loads very fast and easily as it is not downloadable from the network each time one needs to use it. The application is easy as it just alerts the user to enter his details one message at a time.

According to Michael (2009), the operators of mobile money transfer made the application very easy for the customers to use and try it. It is very easy for a customer to register his/her details in any mobile money outlet which is free of charge. This is because all the work is done by the agent/clerk at the retail outlet. Plyler, Haas and Nagarajan (2010) note that it is also a good adventure because there are no minimum requirements for the customers and mobile money users because customers deposit money free of charge, but they are charged in case they transact with the money, meaning in case they withdraw the money, transfer it to mobile money users (both registered and non-registered), or buy goods and services with the money.
According to Donavan (2012), mobile money transfer clients are allowed to transfer money to non-registered customers, as long as a person has a mobile phone in Kenya and is registered to one of the mobile money transfer operators namely Airtel, Orange and Yu companies. Suri and Jack (2011) contend that the customer will receive an SMS notification notifying them that money has been debited into their account and they can withdraw it at any mobile money transfer shop. Mobile money operators have also formed partnerships with banks as their agents whereby people can walk into the banking halls and conduct their transactions (whether in banking halls or ATMS).

2.3.2 Creating trustworthiness in Mobile Money Transfer Networks

According to Camner and Sjoblom (2009), unless customers achieve a certain level of trust with the mobile money retail networks, the mobile money operators would have a difficult time achieving fast adoption of the program, so that they are able to do their transactions at any of the mobile money transfer retail shops. Mas and Morawczynski (2009) contend that in order to achieve the highest level of trust, the mobile money transfer operators joined the mobile money transfer with customers’ empathy and ensured that their brand is the strongest corporate brand in mobile money transfer operations.

According to Buku and Meredith (2013), Safaricom established itself as a trusted mobile brand in Kenya, especially with the low-income earners. This is because Safaricom is easily available and accessible countrywide, even in the remotest areas in Kenya. Stuart and Monique (2011) state that it is a requirement for Safaricom operating outlets to paint their shops in green and this builds the confidence and trust of their customers, as it also makes it very easy for the customers to know that shop is a mobile money transfer shop.

According to Newman (2012), other mobile money operators have made it their task to ensure that once the customers walk into their outlets, they will feel the same effect as in any other outlet and this has helped in building trust with the clients as well as ensuring the best service experience for them. Juniper Research (2008) notes that the operators have also ensured that the customers experience the best in the services. This is done through regular trainings and on-store supervision for the agents. Intermedia (2013)
further adds that there is a receipt of an SMS confirmation for the customers as this helps them to develop some kind of trust with the operators of mobile money transfer. The message contains details that include names of the recipient, phone number and amount transacted, as this helps the customer to confirm that the money has been sent to the right recipient.

Newman (2012) contends that all agents must record all transactions (receipts and withdrawals) from the customers at all times. They are given a free logbook by their mobile operators where they record the date of transaction, ID of the transaction the balance carried forward, the type of the transaction from the customer (whether withdrawal or deposit), amount transacted, ID of the agent, The clients names, phone number, and National ID/passport number. After these details are entered into the log book, the agent will hand the book to the customer for his/her signature as this helps reduce fraud and also helps the agents to be able to track the customers transactions in case any questions arise later. To further ensure trust and confidentiality, the transactions in the log book are entered in triplicate.

WING’s high growth and success is attributed to the quality and visibility of the network, with 900 Wing Cash Xpress locations and 7,000 top up dealers nationwide. In addition, WING’s advertising efforts have taken off. The next step for WING’s growth is NFC payments and online payments. 1,000 of Cambodia's 7,000 POS terminals are already NFC capable and retail outlets are already testing NFC payments (Perkins, 2012). In addition, WING is also developing an online payment system similar to PayPal and developed a distribution network and features meant to encourage people to trust the mobile delivery system. The network relies on microfinance institutions (MFI) and entrepreneurs to reach out to potential customers. Both of these channels seek to educate customers and promote the adoption of the new technology (PwC, 2011). WING is available for customers and non-customers, unlike most other mobile payment systems that require both the sender and receiver to be customers. This facilitates transfers to people in rural areas. The system is also operator-agnostic, working on most mobile networks in Cambodia. Both of these features of WING’s design, which set it apart from
other mobile banking platforms, were necessary in the face of low mobile phone usage in Cambodia (IFC, 2011).

2.3.3 Simple and Transparent Pricing

McKay and Pickens (2010) contend that the pricing for mobile money transfer has been made very transparent and predictable for all its customers. This is because there are no charges related to receiving SMSs regarding the transactions from the users account, but the charges are only pegged on the transactions that have occurred on the account (withdrawals, deposits, purchasing and paying for goods and services as well as transfers). The agents are not allowed to charge anything because all the charges on the customer are deducted from the customer’s account. The agents will therefore receive their commission from the mobile phone transfer operators and not from the customers. Suri and Jack (2011) further add that another advantage is that there is uniformity in the customers’ charges countrywide and therefore the customers’ are protected from abuses by the agents since the transaction fees are posted on the walls in the outlets where they are visible to all the customers. Luckily, the operators chose to display and peg their charges to fixed currency rather than having them in percentages of the transactions done by the customers which is easy for the users to understand as compared to the percentages with may appear complex to some customers. Stuart and Monique (2011) also note that this also aids in comparison of the different costs by the different operators. The mobile money operators maintained the same pricing for 3 years before they decided to change it in 2016 and later also ensured that any transactions for charges up to 100 Ksh are free to their clients.

2.3.3.1 Mobile Money Transfer Service Transfer promotions

According to EDC (2009), one of the core values of mobile money transfer is to ensure there is trust between the customers and the operators at all costs. The long term customers market the advantages of using the transfer services to the new clients who will in turn join in and start using the services. Mas (2008) notes that being a formal financial service, this deemed very hard for the operators because at first it was a new service which was unknown in Kenya whose target when it was initiated was 1 million
mobile customers from the 6 million customer base that was already using the mobile operators networks.

Mas and Morawczynski (2009), note that an advantage for the operators was that the customers appreciated it and joined in rapidly. This turned mobile money transfer into a lucrative business and led to more stores opening up to cater for the increasing number of customers. The first marketing by the operators targeted the high-income earners living in the city and urban areas. This brought the mentality that the mobile money transfer was for the wealthy and was a high value product. Over the period, the marketing now moved to the low-income earners and dwellers in urban areas.

Intermedia (2013) notes that road shows and tents also ensured that a wider and broader customer base was reached through marketing, other than just the TV and radio that was already being done by the operators. The road shows went around the country signing customers up and giving them information regarding the mobile banking money transfer, as well as showing them how to use it. This ensured there was a familiarity complex with the customers and the road shows and tents were now replaced with vigorous TV and radio marketing, since the target market was now aware of the products. This took branding of the mobile banking money transfer to another level, ensuring the emotional appeal of the customers was targeted. Besides tapping a growing mobile money market, WING has been able to promote a stronger understanding of money and savings among its user base (Crowe and Joanne, 2010).

2.3.3.2 A Scalable Distribution Channel

According to Donavan (2012), the main role of a mobile phone is to ensure there is a creation of a retail store based channel for cash-to-digital conversion, and this has been understood very well by the mobile banking money operators. Kendall et al. (2011) contends that for success in mobile money, there has to be a greater and broader outreach countrywide and this is achievable through mobile money transfer operators coming up with four elements to aid in channel management execution strategy. these include engaging intermediaries to aid them in managing the solo outlets thus minimizing the
number of direct contacts it handles; ensuring the outlets are well managed so as to market the services; ensuring the control is very tight based on clients experiences; as well as coming up with different methods to rebalance cash and electronic values for the outlets.

Maureen and Kohli (2013) state that mobile money transfer operators are very careful so as not crowded in the market by having too many retail shops as it turns out to depress the customers as they try to chose a shop to transact in. It has therefore ensured that the outlets are spread across the country depending on the number of the customer base and this ensures a committed agent base. Suri and Jack (2011) further note that the operators have noted that customers have a better experience at the outlets where they can transact bulk transactions. This enabled the operators to concentrate on training, evaluation and supervision on-site through using a single outsourcing partner. Tawneet and Jack (2008) indicate that store agents frequently have to rebalance their holdings of cash versus e-float (liquidity management). The mobile money transfer channel management structure was conceived to offer stored three methods of managing liquidity. From the three methods, two of them place the agent HO in a central role with a high anticipation that the agent HO will reuse the e-float in different sites that have net cash withdrawals and sites that have net cash deposits.

2.4 Platform for Innovation and Forging of Business Alliances

2.4.1 Service/Product Innovation Platform

Mobile money has been used as a major financial service platform and they include: mobile banking involve use of a mobile phone to remotely access a bank account, primarily for account balance checkup and bill payment services (Buku and Meredith, 2013). Mobile money transfer (remittance) which consists of a peer-to-peer application making use of a mobile phone to send money to family or friends, primarily across international borders. Mobile commerce (payment) involve use of a mobile phone to perform financial transactions for purchases or sales, either remotely or on-site, retrieve
promotion information or coupons, and deliver gift items. Telecommunication firms’ mobile money is currently being used to offer various services and could also be adopted as a multi-play strategy (Bångens and Söderberg, 2011).

In Kenya Safaricom has launched other services such M-Shwari a virtual bank service allowing individuals to save, earn interest and borrow money using their mobile phones (Gachiri, 2013). This product was developed in partnership with the Commercial Bank of Africa. Minimum savings (Ksh 1), small loans (Ksh 100), no charges for moving money to Mobile money and no paperwork, all promote financial inclusion in the BOP sector. Other innovative services built on the original Mobile money model include: ATM withdrawal (allowing individuals to withdraw cash from ATMs, not only agents as before) Mobile money cash (allowing people to move money from their bank account to Mobile money accounts using PesaPoint’s ATMs); Faini Chap Chap (payment of traffic fines through Mobile money); Retail distribution (allowing distributors of fast-moving customer goods to receive payments via Mobile money eliminating the need for cash within the supply-chain); Lipa na Mobile money (allowing merchants to accept payment for goods via Mobile money); M-shwari (a bank-linked savings account); and Lipa Karo na Mobile money (a payment service for school fees) (Njue, 2012; The Economist, 2013).

2.4.2 Forging of Strategic Partnerships/Alliances

According to Bourreau and Marianne (2010) banking partners are the foundation of the Mobile money service, and hence telecommunication firms have secured strategic alliances with all the major banks, for money transfers. In Europe Crandy telecom partnered with UBC, the depository bank, to utilize mobile phones for remittances by working with the GSMA to develop the commercial and technical specifications for services. Airtel mob cash Partnered with leading international and regional banks including Citigroup and Standard Chartered and Western Union to link its platform to both local and global agent network allowing customers to receive cash in partners or agents location (Berman, 2010).
A number of technology companies are facilitating mobile money’s connections with financial institutions, especially small financial institutions struggling to integrate with mobile money. This includes a set of tools to integrate financial systems to mobile money and allows members of SACCOs and microfinance institutions to deposit and withdraw money to and from their savings account, through the Pay Bill; mobile money transfer integration, automation and aggregation solutions that eases the process of frequent payments to and from mobile money operator by processing payments on demand. Currently, Pay Bill transactions are processed in batches at scheduled times through a manual process, thereby causing delays and resulting in errors. Other technology companies are strengthening mobile money’s ability to interoperate with online payment systems (Kavale, 2007).

Financial Organizations (FO) and Mobile Network Operators (MNO) stand to gain by working together. Partnering with MNOs should be using new combined data sets to optimise opportunities for each partner, to make operational profits, MNOs should be focusing on efficient channels for carrying mobile money and cross-selling additional telephony services to different segments of users of mobile. Avoiding key investment costs, MNOs should be leveraging FOs investment in agent development Operators stand to gain from working together. Money Transfer and Card Acquiring Operators partnering with Mobile Network Operators should focus on developing hubs or platforms that deliver a lower cost, more financially inclusive and non-network exclusive service.

In 2005, South African based MTN teamed up with Standard Bank to form MTN Banking so as to effectively offer mobile money services (Spekman, Isabella and MacAvoy, 2009). Kavale (2007) and Anon (2011) note that in Kenya telecom companies have forged strategic partnership or alliances with banking partners include: Cooperative Bank, Equity Bank, Family Bank, Kenya Commercial Bank, Family Bank, Barclays Bank, NIC Bank, Standard Chartered Bank, Post Bank, CFC Stanbic Bank and Consolidated Bank.

Safaricom (2013), notes that in Kenya, Safaricom has managed to achieve a very strong, big and motivated network of agents who support mobile money, who were about 60,000
agents in the year 2013. In order to have success in mobile money, the agents play a very critical role of changing the liquid cash into electronic money and vice versa. This helps the low-income customers living in the liquid cash economies. In addition, Telecommunication firms have also forged global alliance with other banking institutions that allows mobile money customers to receive international money transfers from other countries and territories (Donovan 2012).

Most financial institutions are succumbing to the need for a mobile money channel. Pesa Pap (Family Bank) which is deposit and loan repayment via M-PESA and Family Bank’s mobile platform and also, withdrawals, M-PESA top up, airtime top up, Pesa Pap balance enquiry, statement request, salary advance loan, PIN change request, etc. Pata Cash (Postbank) involves deposits and withdrawals via M-PESA and Postbank’s mobile platform (Sadana, Mugweru, Murithi, Cracknell and Wright, 2011). Account to account transfer and also, balance enquiry, airtime purchase, mini-statements, and alerts for all transactions. KCB Connect (Kenya Commercial Bank) which involve money transfer from KCB to KCB account; KCB account to bank account at any other bank; transfer of money from KCB account to M-PESA account ; Bill payments for KCB credit card and Nairobi Water and Kenya Power and Lighting Company (KPLC); account notifications: cleared cheque, credit and debit, loan credit, overdrawn account ; Kopa Float: KCB is the only bank providing loans to M-PESA agents specifically to help meet their liquidity requirements (Safaricom, 2015).

Cooperative bank mobile banking that consists of deposit into Cooperative Bank account using M-PESA or top-up of account from Cooperative Bank to connect, also utility bill payments, including firms post-paid accounts and KPLC bills, account balances and mini-statements (Munyange, 2012). Cooperative Insurance Company (CIC) M-Bima, a savings program focused on life and disability risks for low-income customers, CIC does not charge customers for M-Bima deposits to their CIC accounts via M-PESA, and even bears the charges of Ksh.30/US$0.32 for each transfer. M-Bima is a 12-year insurance plan so normal withdrawals are not possible. So far, use of the M-PESA channel has been limited for this savings-insurance scheme (Hughes and Lonie 2007). Other institutions
partnering with Telecommunication firms to allow deposits and withdrawals via mobile money include Faulu, a Deposit-Taking Microfinance Institution (DTM), SMEP DTM, and Zimele, a pension and investments service. Faulu and SMEP clients can repay loans and deposit into their savings accounts via mobile money. Faulu has launched a mobile money withdrawal service, while SMEP’s is still testing in various markets (Sadana et.al 2011; Mauree and Kohli, 2013).

2.5 Chapter Summary

Telecommunication firms has evolved a strategy of using mobile money as a platform for launching multi-play services tailored to the needs of the market such as: depositing money, withdrawing money, transferring (sending) money, buying telecommunication firms prepaid airtime, managing mobile money account and paying bills. The Mobile money services have been a key driver in growth of revenues for most telecom firms. Mobile money has provided telecommunication firms with a competitive advantage over its rivals due to its high user penetration rates and rich agent distribution network. The use of mobile money is part of telecommunication firms’ strategic goals aimed at achieving and maintaining their positions as market leaders for innovative and competitive telecommunications products and solutions and increase customer loyalty. Mobile money has been used as a major financial service platform and they include: mobile banking that involves use of a mobile phone to remotely access a bank account, primarily for account balance checkup and bill payment services. Mobile money transfer (remittance) which consists of a peer-to-peer application making use of a mobile phone to send money to family or friends, primarily across international borders. Mobile commerce (payment) involve use of a mobile phone to perform financial transactions for purchases or sales, either remotely or on-site, retrieve promotion information or coupons, and deliver gift items. Telecommunication firms’ mobile money is currently being used to offer various services and could also be adopted as a multi-play strategy. Banking partners are the foundation of the Mobile money service, and Telecommunication firms have secured strategic alliances with all the major banks, and other non-financial
companies. Chapter three, which is the next chapter, covers the research methodology and looks into details the research methods and designs used by the researcher.
CHAPTER THREE

3.0 METHODOLOGY

3.1 Introduction

This chapter describes the research approaches and research design choices made in the present study. Discussion on sampling procedures used, methods used for data collection, research instrument and data analysis method are presented. Further, procedures used for testing the research instrument reliability and validity are discussed. At each stage, rationale for each action is discussed explaining the reason behind those actions and making specific design choices.

3.2 Research Design

This study used explanatory research design because the research seeks to explain, the effect of mobile money transfer on corporate business strategy in the telecommunication industry in Kenya. The explanatory research design was preferred because it explains the phenomena studied in detail (Kothari, 2003).

3.3 Population and Sampling Design

3.3.1 Population

Cooper and Schindler (2003) define population as the whole set of objects or events used by the study to make inferences. Target population for this study was drawn from Safaricom Limited head office located in Nairobi and consisted of Board Directors, management, and operational staff (M-PESA business unit). The choice of Safaricom was because its money transfer (M-PESA) is the largest and well established in the country, while the choice of directors and management is informed by the fact that they are involved in the formulation and implement of business strategies, while operational staff implements the business strategies. The Target population of the study comprised of seven (7) board directors, ten (10) management staff and fifty seven (57) operational
staff drawn from M-PESA business unit as indicated in the population frame provided by Safaricom limited Human Resource (HR) department shown on table 3.1 below

Table 3.1 Target Population

<table>
<thead>
<tr>
<th>Population Category</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>f</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>7</td>
</tr>
<tr>
<td>Management staff</td>
<td>10</td>
</tr>
<tr>
<td>Operational staff (M-PESA Business Unit)</td>
<td>57</td>
</tr>
<tr>
<td>Total</td>
<td>74</td>
</tr>
</tbody>
</table>

Source: Safaricom HR Department, (2015)

3.3.2 Sampling Design

Sampling design is a design, or a working plan, that specifies the population frame, sample size, sample selection, and estimation method in detail. The objective of the sampling design is to know the characteristic of the population (Saunders, Lewis and Thornhill, 2010).

3.3.2.1 Sampling Frame

Descombe (1998) defines a sampling frame as an objective list of the target population from which the researcher will make a choice from. The sample frame for the study was drawn from Safaricom Limited consisting of seven (7) directors, ten (10) management staff and fifty seven (57) operational staff drawn from M-PESA business unit as indicated in the population frame provided by Safaricom Limited HR department.
3.3.2.2 Sampling Technique

Thereafter the study used stratified random sampling to obtain the final sample size. Stratified sampling involves subdividing into distinct categories or strata. Each stratum is then sampled as an independent sub-population of which individual elements are randomly selected (Mugenda and Mugenda, 2003). The stratified sampling procedure was considered appropriate because the target population was heterogeneous (have different characteristics) and each strata was given equal change to be selected ensuring that all the characteristics of the target population was represented in the final sample as confirmed by Creswell (2012).

3.3.2.3 Sample Size

To get representative sample from the target population of 74 respondents, the study used proportionate stratification which ensured that the sample size of each stratum was proportionate to the population size of the stratum. Hence the study randomly sampled the strata based on the proportional percentage of the target population as shown on table 3.1 above. Therefore 9.5 percent of participants were taken from board of Directors category, 13.5 percent from management staff category and 77percent from the operational staff category. This gave a representative sample of 46 respondents consisting of board of directors, management staff and operational staff as shown on table 3.2 below.

Table 3.2 Sample Size

<table>
<thead>
<tr>
<th>Population Category</th>
<th>Sample Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>7</td>
</tr>
<tr>
<td>Management staff</td>
<td>10</td>
</tr>
<tr>
<td>Operational staff (M-PESA Business Unit)</td>
<td>57</td>
</tr>
</tbody>
</table>
3.4 Data Collection Method

Data for the study was collected using a closed-ended questionnaire which is a data collection tool in which written questions are presented that is to be answered by the respondents. Questionnaire was preferred because it increases response rate and is easily coded and analyzed (Creswell, 2012). The questionnaire was split into different sections according to the research questions. The respondents were asked to rate statements on a five point likert scale rating where 1- indicated that respondents Strongly Agree, 2-Agree, 3-Neutral, Disagree and 5-Strongly Disagree about what was described in the statement.

A measure of reliability and validity was guaranteed by discussion of the instrument with the research supervisor and by ensuring high precision and minimal errors in the data entry. The researcher conducted a pilot study to find out and look into any discrepancies, queries that he/she could not understand or were irrelevant to the study, and then corrected them to fit the research. The pilot study used 4 respondents from the target population and did not include them in the final sample. The results of the pilot study were analyzed using Cronbach’s Alpha which measures the internal consistency. It is commonly used when there are multiple Likert questions in a survey questionnaire that form a scale and wish to determine if the scales are reliable. The study was benchmarked against the Alpha lower threshold value of 0.6 as recommended by Nunnaly (1978).

3.5 Data Collection Procedure

The questionnaires containing closed ended questions to the sample respondents. The questionnaires were dropped by the research assistants and personally by the researcher and later collected upon filling by the respondents. Match type of population sample with method of data collection. This method created provision for personal contacts between the researcher and the interviewees. Each respondent received the same set of questions in exactly the same way. A cover letter clarifying the purpose of the study was attached.
to the questionnaires and to assure the respondents that that they would not experience negative affects when contributing to the research.

3.6 Data Analysis Method

Data collected was edited and coded by assigning a code or numbers to each answer of the question. The study used descriptive and inferential statistics to analyze data with the aid of SPSS Version 21. Descriptive statistics was used to analyze data through various tools such as frequencies, standard deviation and the mean as is common in descriptive research design and enabled to give a picture of the data collected and used in the study. The study used correlation statistics to establish the degree of association between mobile money transfer and corporate business strategy. Regression analysis was used to find out the degree of the significance of the relationship between the dependent and independent variables. The regression model is presented in the equation below:

\[ Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + \varepsilon. \]

Where

\[ Y \] = corporate business strategy

\[ \alpha \] = constant

\[ b_{1-3} \] = Regression Coefficient

\[ X_1 \] = Driving Customer Service Usage and Revenue Streams

\[ X_2 \] = Market Competitiveness

\[ X_3 \] = Platform for Service/Product Innovation and Alliances

\[ \varepsilon \] = error term

Presentation of data was in form of tables, charts and graphs only where it provided successful interpretation of the findings

3.7 Chapter Summary
This chapter focuses on the methodology that will be used in conducting the study. The study used descriptive research design. The population, the sample frame, the sample size and the sampling technique that was used was drawn from Safaricom Limited and consisted of directors, managers and operational staff which were sampled using stratified random sampling. Data was collected using a structured questionnaire. Analysis of the data was done through SPSS using descriptive and inferential statistics and was later presented in graphs and tables. The next chapter presented research findings in relation to the research questions.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the analysis of study findings on the effect of mobile money transfer on corporate business strategy in the telecommunication companies in Kenya based on the study research question relating to the effect of mobile money on driving customer service usage and revenue streams, market competitiveness and platform for service/product innovation and alliances on corporate business strategy.

4.2 Presentation of the Findings

4.2.1 Response Rate

The study analysis shown on figure 4.1 indicate the response rate of respondent based on the forty six (46) questionnaires that were distributed to the field.

![Figure 4.1: Response Rate](image)

Figure 4.1 above shows that out of the 46 issued questionnaires, 43 questionnaires representing 96.5% of the total questionnaires distributed were returned fully completed, while 3 questionnaires were not returned representing 6.5% of the total questions.
distributed to the respondents. It can be inferred that the response rate was good. According to Mugenda and Mugenda (2003) a response rate of 70% and over is excellent for analysis and reporting on the opinion of the entire population.

4.2.2 Demographic Characteristics

The study below shows the demographic characteristics of the respondents.

Table 4.2 Demographic Characteristics

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Scale</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>f</td>
</tr>
<tr>
<td>Age</td>
<td>Age</td>
<td></td>
</tr>
<tr>
<td></td>
<td>20-30</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>31-40</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>41-50</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>50 and above</td>
<td>9</td>
</tr>
<tr>
<td>Level of Education</td>
<td>Diploma level</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Degree level</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Master’s Degree level</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Doctorate Degree</td>
<td>7</td>
</tr>
<tr>
<td>Years of Service</td>
<td>0-4 Years</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>5-9 Years</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>10-19 Years</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>20+ Years</td>
<td>8</td>
</tr>
<tr>
<td>Position in the Organization</td>
<td>Number</td>
<td>Percentage</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>--------</td>
<td>------------</td>
</tr>
<tr>
<td>Director</td>
<td>12</td>
<td>27.9%</td>
</tr>
<tr>
<td>Management staff</td>
<td>7</td>
<td>16.3%</td>
</tr>
<tr>
<td>Operational staff</td>
<td>24</td>
<td>55.8%</td>
</tr>
</tbody>
</table>

Based on the study majority of the respondents (34.9%), and (32.6%) indicated respectively that they were between the age of 31-40 with at least an undergraduate level of education. (27.9%), and (55.8%) indicated that they had worked in the organization for a period 5-9 years and are in the operational staff designation respectively.

4.2.3 Purchase of Multimedia Services

Based on the rating scale of 1-5, where 1- Strongly Agree (SA), 2- Agree (A), 3 Disagree (D), 4- Strongly Disagree (SD) and 5 – Not Applicable (N/A) the study sought to establish the extent to which money transfer drive the usage of other telecommunication services because literature (Suri and Jack, 2008) has shown that mobile money is used to drive other services

![Figure 4.2 Purchases of Multimedia Services](image-url)
The findings of the study revealed that customers utilize mobile money: to buy or pay for airtime for voice call (27.9%); to buy or pay for messaging services via short message services (37.2%), and to buy data (41.9%) as shown on figure 4.3 above.

4.2.4 Advertising and Promotion

The study asked respondents about the extent to which the company use mobile money to advertise and promote other services because available literature (Remco and Tonnis, 2010) indicate that companies are now leveraging mobile money to utilize other applications such as location-based advertising, and that tapping the advertisements or posters, users can access product information, obtain promotional items, subscribe to services, vote in contests, find directions and make reservations.

Table 4.3 Advertising and Promotion

<table>
<thead>
<tr>
<th>Advertising and Promotion</th>
<th>SA (%)</th>
<th>A (%)</th>
<th>D (%)</th>
<th>SD (%)</th>
<th>N/A (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising other services using mobile money transfer platform</td>
<td>14.0</td>
<td>48.8</td>
<td>16.3</td>
<td>14.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Promotion of other services via mobile money resulting in savings</td>
<td>38.6</td>
<td>34.9</td>
<td>9.3</td>
<td>10.9</td>
<td>6.3</td>
</tr>
</tbody>
</table>
The results show that mobile money operators promote their services (38.6%) and advertise other services using mobile money transfer platform (48.8%) resulting in savings on operating cost as shown on table 4.3 above.

4.2.5 Money Transfer and Savings

The study sought to establish the extent to which money transfer enhance customer savings and in the process influence corporate business strategy because literature (Crowe and Joanne, 2010) has shown that besides tapping a growing mobile money market, telecom companies have been able to promote a stronger understanding of money and savings among its user base.

![Money Transfer and Savings](image)

**Figure 4.3 Money Transfer and Savings**

The findings of the study established that that customers’ utilize mobile money to save money on their phone for contingencies (46.5%), for their pension (44.2%), holiday and
for Schools fees (41.2%) and other social services (43.9%) as indicated on figure 4.3 above.

4.2.6 Banking Services

The study below was used to investigate the impact of mobile money transfer on the provision of banking services as Jenkins (2008) pointed out that to encourage a wider range of commercial interactions, a growing number of banks, MFIs, and others interested in finance and m-commerce are investing in middleware solutions that will expedite exchanges with telecommunication firms mobile money products.

Table 4.4 Banking Services

<table>
<thead>
<tr>
<th>Banking Services</th>
<th>1 (%)</th>
<th>2 (%)</th>
<th>3 (%)</th>
<th>4 (%)</th>
<th>5 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>For depositing money into bank</td>
<td>34.3</td>
<td>37.9</td>
<td>16.3</td>
<td>8.3</td>
<td>3.3</td>
</tr>
<tr>
<td>For offering of bank credit facilities</td>
<td>38.6</td>
<td>41.5</td>
<td>11.6</td>
<td>5.9</td>
<td>2.3</td>
</tr>
<tr>
<td>For withdrawing money from bank</td>
<td>40.9</td>
<td>36.4</td>
<td>10.6</td>
<td>8.3</td>
<td>3.9</td>
</tr>
<tr>
<td>For payment of bank services</td>
<td>35.9</td>
<td>30.3</td>
<td>13.6</td>
<td>6.3</td>
<td>4.0</td>
</tr>
<tr>
<td>For ATM cash withdrawals</td>
<td>32.9</td>
<td>36.3</td>
<td>14.7</td>
<td>13.5</td>
<td>2.7</td>
</tr>
</tbody>
</table>

Based on the study analysis on table 4.4 above, majority of the respondents agreed that Customers utilize mobile money: for payment of bank services (35.9%); to pay for bank
loans and to offer credit facilities (41.5%), for withdrawing money from their accounts (40.9%), for depositing money into their bank accounts (37.9%), for ATM cash withdrawals (36.3%).

4.2.7 Payment Services

This study was used to identify how mobile money has affected payment services since evidence of this effect was highlighted by Gachiri (2013) who observed that many financial institutions have been linked to mobile money’s “pay bill” platform of different telecommunication firms in order to facilitate customer payment of their bills.

![Figure 4.4 Payment Services](image)

Based on the study analysis on figure 4.4 above, majority of the respondents agreed that Customers utilise mobile money: to purchase mobile phones, tablets, laptops and phone accessories (37.2%). Corporate customers use mobile money to pay salaries (34.9%); to
pay for utilities in retail outlets (37.2%), and to pay shareholders’ dividends (39.5%); also, to purchase airline and event tickets (48.8%).

4.2.8 Generation of Revenues

In the study below the researcher sought to establish how mobile money generates revenue for the company in line with the report from PriceWaterHouse Coopers (PwC 2011) which showed that mobile money transfers have increased because providers hope there is a new revenue stream from a previously unserved consumer market.

**Figure 4.5 Generation of Revenue**

Based on the study analysis on figure 4.5 above, majority of the respondents agreed that Mobile money used to purchase prepaid mobile cards generates revenue for the company (44.2%); Revenue is generated from mobile money payment platform (41.9%); Mobile money operators generates revenues via end-user transaction fees (30.2%); Mobile money operators derive revenues from banking services supported by Mobile money
(48.8%); and lastly, Mobile money operators generate revenues through advertising services (34.9%).

4.2.9 Market Competiveness

The study below considers the extent to which mobile money transfer affects market competitiveness based on literature by Kendal et al. (2011) in which they state that the use of mobile money is part of telecommunication firms’ strategic goals aimed at maintaining their position as the regional market leader for innovative and competitive telecommunications products and solutions reduce its churn rates and increase customer loyalty.

Table 4.5 Influence of Mobile Money Transfer on Market Competitiveness

<table>
<thead>
<tr>
<th>Market Competitiveness</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile money transfer enhances operators as market leaders</td>
<td>25.6</td>
<td>27.9</td>
<td>2.3</td>
<td>4.3</td>
<td>20.9</td>
</tr>
<tr>
<td>Mobile money has provided operators with a competitive advantage due to user penetration rates</td>
<td>27.9</td>
<td>39.5</td>
<td>9.3</td>
<td>20.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Mobile money has provided operators with a competitive advantage due to agent distribution network</td>
<td>20.9</td>
<td>32.6</td>
<td>14.0</td>
<td>20.9</td>
<td>11.6</td>
</tr>
<tr>
<td>Mobile money transfer has enabled</td>
<td>23.3</td>
<td>48.8</td>
<td>4.7</td>
<td>14.0</td>
<td>9.3</td>
</tr>
</tbody>
</table>
operators to embrace the diversification strategy to increase their market share

<table>
<thead>
<tr>
<th>Mobile money transfer operators have cultivated trusts among customers</th>
<th>16.3</th>
<th>39.5</th>
<th>20.9</th>
<th>9.3</th>
<th>14.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile money transfer services are easily accessible</td>
<td>27.9</td>
<td>30.2</td>
<td>7.0</td>
<td>23.3</td>
<td>11.6</td>
</tr>
<tr>
<td>Mobile money operators have locked a critical mass of users into their system</td>
<td>20.9</td>
<td>34.9</td>
<td>9.3</td>
<td>23.3</td>
<td>11.6</td>
</tr>
<tr>
<td>Mobile money transfer have transformed their money-transfer platform</td>
<td>16.3</td>
<td>41.9</td>
<td>4.7</td>
<td>23.3</td>
<td>14.0</td>
</tr>
</tbody>
</table>

The findings of the study shown on table 4.4 above indicate that majority of the respondents acknowledged that Mobile money transfer: Enhances operators as market leaders for innovative products and solutions (27.9%); Provides operators with a competitive advantage due to user penetration rates (39.5%); Provides operators with a competitive advantage due to agent distribution network (32.6%); Enables operators to embrace the diversification strategy to increase their market share (48.8%); Mobile money transfer operators have cultivated trusts among customers of their money transfer service (39.5%); Mobile money transfer services are easily accessible and this gives the operators a competitive advantage(30.2%); Mobile money operators have locked a critical mass of users into their system giving them advantage(34.9%); and finally Mobile money transfer has transformed their money-transfer platform into integrated mobile financial service, enhancing market competitiveness(41.9%).

4.2.10 Product Innovation

The data analysis shown below was used to provide evidence on whether mobile money transfer influences product innovation. The same train of thought can be inferred from the
work of Aker et al. (2011) who showed that mobile money operators are deliberately using mobile money to enhance their traditional offerings.

Figure 4.6 Product Innovation

According to the study analysis figure 4.6 above, majority of the respondents indicated that: mobile money has enabled bank customers to access their bank accounts (34.9%); as well as to send money across international borders (32.6%); mobile money has facilitated buyers and sellers to perform purchase and sales transactions (30.2%); offers domestic money remittances (32.6%); has evolved to offering money service for ATM cash withdrawals (34.9%), and offers money service for savings accounts (32.6%). Mobile money has also evolved to a payment platform of: insurance services (44.2%); credit facilities (37.2%), retail services (34.9%); traffic fines (30.2%); school fees (27.9%). Corporate organizations can use Mobile money to make bulk B2C payment and to receive funds and bill payments from individual Mobile money users (44.2%) Mobile
money has eliminated the need for cash within the supply-chain (32.6%); Mobile money has facilitated the operators to secure strategic alliances with banks (32.6%), Mobile operators have linked their money platform to both local and global agent network (34.9%); and lastly, Mobile operators have forged global alliance with financial, retail and technology firms for money transfers and payment services (44.2%).

**4.2.11 Strategic Alliance**

The study sought to establish whether mobile money transfer influences the company’s strategic alliance, in tandem with a research done by Juniper Research (2008) which showed that given the high penetration of mobile payment services, telecommunication operators have evolved a strategy of using mobile money as a platform for launching multi-play services tailored to the needs of the market.

<table>
<thead>
<tr>
<th>Strategic Alliance</th>
<th>SA (%)</th>
<th>A (%)</th>
<th>D (%)</th>
<th>SD (%)</th>
<th>N/A (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forged strategic alliances with banks for mobile banking services</td>
<td>35.6</td>
<td>44.2</td>
<td>9.1</td>
<td>7.2</td>
<td>3.7</td>
</tr>
<tr>
<td>Linked local money platform to global agent networks</td>
<td>35.6</td>
<td>37.6</td>
<td>13.3</td>
<td>7.5</td>
<td>6.1</td>
</tr>
<tr>
<td>Global alliance with financial, retail and technology firms for transfers, receipt and payment for services</td>
<td>40.6</td>
<td>34.6</td>
<td>10.3</td>
<td>8.9</td>
<td>5.6</td>
</tr>
<tr>
<td>Strategic alliance with both public and private sectors organizations for receipt and payment services</td>
<td>42.9</td>
<td>38.2</td>
<td>9.9</td>
<td>4.7</td>
<td>4.3</td>
</tr>
</tbody>
</table>
Strategic alliance with utility firms for payment of services  
33.3  46.2  9.2  8.3  3.1

Strategic alliance with the government for receipt and payment of services  
40.6  45.6  7.1  4.3  2.5

Strategic alliances with agents network to support mobile money transfer services  
43.6  41.6  5.3  5.9  2.6

Based to the study analysis 4.6 above, majority of the respondents indicated that: Mobile money has facilitated the operators to secure strategic alliances with banks (44.2%); Mobile operators have linked their money platform to both local and global agent network (37.6%); Mobile operators have forged global alliance with financial, retail and technology firms for money transfers and payment services (40.6%), Mobile operators have secured strategic alliance with both public and private sectors organizations (42.9%); Mobile operators have forged strategic alliance with utility firms (46.2%); Mobile operators have secured strategic alliance with the government (45.6%) and lastly, Mobile operators have secured strategic alliances with agents network to support mobile money transfer services (43.6%).

4.2.12 Test of Significance

The study analysis in Table 4.7 below seeks to establish whether the coefficient of determination explains the extent to which changes in the (dependent variable) can be explained by the change in customer service usage, revenue streams, market competitiveness, platform for service/product innovation and alliances (independent variables or the percentage of variation in the corporate business strategy (dependent variable) that is explained by customer service usage, revenue streams, market competitiveness, platform for service/product innovation and alliances using the following regression model:

\[ Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + \varepsilon \]
Where

\[ Y = \text{corporate business strategy} \]

\[ \alpha = \text{constant} \]

\[ b_{1-3} = \text{Régession Coefficient} \]

\[ X_1 = \text{Driving Customer Service Usage and Revenue Streams} \]

\[ X_2 = \text{Market Competitiveness} \]

\[ X_3 = \text{Platform for Service/Product Innovation and Alliances} \]

\[ \varepsilon = \text{error term} \]

Table 4.7 Model summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Sig</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.782&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.612</td>
<td>.578</td>
<td>3</td>
<td>.000</td>
</tr>
</tbody>
</table>

Dependent Variable: Corporate Business Strategy in Telecommunication Companies

The findings on table 4.7 above established a positive correlation coefficient (r), = 0.782, coefficient of determination (r<sup>2</sup>) = 0.612 and adjusted r squared = 0.578. The (r<sup>2</sup>) indicated that the variations in driving customer service usage and revenue streams, market competitiveness and platform for service/product innovation and alliances explain 61.2% percent of the variation in corporate business strategy in Safaricom. On the other hand, the Adjusted R-square shows that .578% (Adj R-square=.578) of the variance in on corporate business strategy in the Safaricom Limited can be explained by the variations in driving customer service usage and revenue streams, market competitiveness and platform for service/product innovation and alliances. The three independent variables that were studied, explain only 61.2% of corporate business strategy in the Safaricom Limited as represented by the r<sup>2</sup>. This therefore means that other effects of mobile money
not studied in this research contribute 38.8% of corporate business strategy in the Safaricom Limited. Therefore, further research should be conducted to investigate the other effects (38.8%) of mobile money transfer on corporate business strategy in the Safaricom Limited.

The data analysis on table 4.9 below shows the effect of Driving Customer Service Usage and Revenue Streams (CUR), Market Competitiveness (MC) and Platform for Service/Product Innovation and Alliances (PIA) on the Corporate Business Strategy (CBS) based on the following regression model:

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon, \quad (CBS = \beta_0 + \beta_1\text{CUR} + \beta_2\text{MC} + \beta_3\text{PIA} + \epsilon) \]

**Table: 4.8 Coefficients**

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>Standard Error</th>
<th>Beta</th>
<th>T</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>2.085</td>
<td>.530</td>
<td></td>
<td>3.933</td>
<td>.000</td>
</tr>
<tr>
<td>Driving Customer Service Usage and Revenue Streams</td>
<td>.327</td>
<td>.163</td>
<td>.152</td>
<td>2.006</td>
<td>.001</td>
</tr>
<tr>
<td>Market Competitiveness</td>
<td>.305</td>
<td>.148</td>
<td>.129</td>
<td>2.061</td>
<td>.004</td>
</tr>
<tr>
<td>Platform for Innovation and Alliances</td>
<td>.331</td>
<td>.162</td>
<td>.157</td>
<td>2.043</td>
<td>.003</td>
</tr>
</tbody>
</table>

Dependent Variable: Corporate Business Strategy

The results shown on table 4.9 above indicate that taking driving customer service usage and revenue streams, market competitiveness and platform for service/product innovation and alliances constant at zero (0) corporate business strategy in Safaricom Limited will be at 2.085. Hence a unit increase in driving customer service usage and revenue streams will lead to 0.327 (32.7%) on corporate business strategy in the Safaricom Limited; a unit
increase in market competitiveness will lead to 0.305 (30.5%) in corporate business strategy in the Safaricom Limited, and a unit increase in market competitiveness will lead to 0.331 (33.1%) in corporate business strategy in the Safaricom Limited

Hence: $CBS = 2.085 + 0.327\text{CUR} + 0.305\text{MC} + 0.331\text{PIA} + \xi$

On the significance of the relationship between driving customer service usage and revenue streams, market competitiveness and platform for service/product innovation and alliances and corporate business strategy in the Safaricom Limited, results indicate that the p-values are smaller than the significance level of 0.05 or 1.96. This then indicate that there is a significant relationship between driving customer service usage and revenue streams, market competitiveness and platform for service/product innovation and alliances and corporate business strategy in the Safaricom Limited.

4.3 Summary of the Chapter

Data analysis was done by editing and coding with the goal of highlighting useful information, suggesting conclusions, and supporting interpretations. It involved breaking down factors identified through the data collected into simpler coherent parts in line with the objectives of the study in order to derive meanings. The tabulated data was analyzed quantitatively by calculating various percentages, while descriptive data was analyzed qualitatively by organizing collected data into meaningful notes. The presentation of the results of quantitative analysis was in form of frequency tables so as to highlight the results and to make it more illustrative and easier to understand and interpret, while the results of qualitatively analysis was provided in form of explanatory notes. The data analysis established the existence of a relationship between customer service usage, revenue streams, market competitiveness, platform for service/product innovation and alliances affect the corporate business strategy in the Safaricom Limited.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
The purpose of this chapter was to discuss and draw conclusions and recommendations on the findings of the main objective of the study which was to examine the effect of mobile money transfer on corporate business strategy in the Safaricom Limited in Kenya with particular reference to Safaricom Limited. The study sought the answers to research questionnaires pertaining to the effects of mobile money of driving customer service usage and revenue streams, market competitiveness and platform for service/product innovation and alliances on corporate business strategy with particular reference to Safaricom Limited.

5.2 Summary of the Study
The purpose of the study was to determine the effect of mobile money transfer on corporate business strategy in the Safaricom Limited in Kenya with particular reference to Safaricom Limited located in Nairobi. Specifically the study sought to determine the effects of mobile money of driving customer service usage and revenue streams, market competitiveness and platform for service/product innovation and alliances on corporate business strategy of Safaricom Limited.

The study used explanatory research design because explains the, effects of mobile money on corporate business strategy of Safaricom Limited, based on the following research question: how is mobile money transfer driving of customer service usage of other services and generation of new revenue streams, strengthening of market competitiveness acting as a platform for service/product innovation and business alliances? The target population drawn from Safaricom Limited and consisted of seven (7) Board of Directors, ten (10) management staff and fifty seven (57) operational staff who were sampled using stratified random sampling. Data was collected using a structured
questionnaire; analyzed using descriptive and inferential statistics with the aid of SPSS and presented using tables and figure.

The study findings established that the company has strategically utilised its mobile money platform to increase the usage of its other products and service hence customers are increasingly using mobile money to buy or pay for airtime for voice call, to buy or pay for messaging services via short message services, buy or paying data, to pay loans, save money on the phone, withdrawing money from the bank, purchase mobile phones, tablets, laptops and phone accessories. The study also found out that corporate customers use mobile money to pay salaries, pay for utilities in retail outlets and to pay shareholders’ dividends which has widened its revenue generation opportunities. The company generates revenues via end-user transaction fees and from partner services such as banking and government services supported by Mobile money platform or infrastructure. In addition the study found out that the company promotes their services via mobile money resulting in savings on operating cost hence retaining generated revenues.

The study results established that mobile money transfer has enhanced the company competitive advantage as a market leader for innovative products and solutions due to its mobile money transfer user penetration level, easier access, agent distribution network and the capacity to lock a critical mass of users into its system. The study findings also revealed that the mobile money transfer operator has cultivated trusts and loyalty among the customers of its money transfer service and this has enabled the company to easily transform its money-transfer platform into integrated service thus enhancing its market competitiveness.

The study findings established that mobile money has become a platform for service/product innovation and this has enabled its own customers and those of partner organizations to access their bank accounts, send money across international borders, increase domestic money remittances, ATM cash withdrawals, savings accounts, payment platform for: uptake and payment of insurance services, credit facilities, retail services, traffic fines and school fees. The study findings further revealed that the
company has used mobile money to secure strategic alliances with financial institutions, other corporate bodies, both local and global agent network, retail businesses and technology firms for money transfers and payment services who now use mobile money to make bulk payment and to receive funds and pay bills by the partner companies and their customers.

5.3 Discussion

5.3.1 Customer Service Usage and Revenue

The study sought to establish how mobile money transfer is driving customer service usage of other services and generation of new revenue streams. Hence the study findings established that the company has strategically utilised its mobile money transfer platform to increase the usage of its other products and services hence customers are increasingly using mobile money to buy or pay for airtime for voice call, to buy or pay for messaging services via short message services, buy or pay for multi-media services, buying data, to pay loans, save money on the phone, withdrawing money from the bank, purchase mobile phones, tablets, laptops and phone accessories. These findings concurs with the findings of Pehrsson (2012) who established that mobile money transfer services has become a gateway to usage of the other telecommunication services and products.

The basis of this strategy of using mobile money transfer to drive usage is based on the fact that it is more convenient and at times cost effective to use the money transfer platform to undertake other related services. This is supported by the views of Njue (2012) who asserted that if customers can comfortably top up using mobile money, they will be more likely to start depositing money, withdrawing money, transferring (sending) money to another customer, sending money to someone who is not in the network of a particular telecommunication firm and managing account and paying bills. The study also confirms the results of a survey carried out by Kenya Bankers Association in the last quarter of 2013, which established that 95% of Kenyans consider mobile banking is cheaper, faster and more reliable than normal banking services.
The study also found out that corporate customers use mobile money to pay salaries, pay for utilities in retail outlets and to pay shareholders’ dividends which has widened its revenue generation opportunities. These findings concurs with those of Aker et al. (2011) and Præsidium (2012) who established that mobile money operators are also deliberately using mobile money to enhance their traditional offerings and that private institutions/companies are now using mobile money for cash disbursement and repayment, while government and non-governmental organizations are using it for cash transfers, procurement and salary payments. In fact the study enriches the views of Crowe, Marc and Joanne (2010) who observed that the value proposition for use of mobile money by organizations focuses on a number of benefits, including reduction of cash leakage; increased operating efficiencies, including less paperwork; better transparency and accountability via the electronic records, and more independence and self-sufficiency for users.

The study revealed that the increased usage of mobile transfer services and other related services such as a payment platform for payment of the company products and services driven by it has had the effect of generating increased revenue for the company generate revenues through end-user transaction fees. These study findings enrich the views of Sadana, et.al (2011) who observed that many financial institutions have linked to mobile money’s payment platforms of different operators to facilitate customer transaction. The study also reveals that mobile money transfer services have reduced the operating cost and increased savings for the company. The study findings enriches the findings of Vanguri and Jimenez (2010) who established that by promoting airtime top-ups via mobile money, telecommunication firms have benefitted from reduced costs related to printing and distribution of airtime recharge vouchers resulting in savings on its operating cost.

The study also found out that that the company derives revenues from banking services, retail, utility and social services, supported by mobile money platform or infrastructure. The study findings adds to the findings of the study by PwC (2011) that established that mobile money transfers have increased revenues from the new revenue stream from a previously unserved consumer market. The study also reaffirms the observations of
Safaricom (2015) that The M-PESA mode of payment is accepted by 50,000 merchants in various sectors of the economy, from retail outlets to hotels and petrol stations.

In addition the study found out that the company promotes their services via mobile money resulting in savings on operating cost hence retaining generated revenues. The findings are in line with the views of Vanguri and Jimenez, (2010) that the telecommunication firms market and promote their other services and other companies’ products and services on mobile money transfer platform.

5.3.2 Market Competiveness

The study sought to establish how mobile money transfer is strengthening the company’s market competitiveness. The study results established that the telecommunication company has used mobile money transfer services to enhance its competitive advantage as a market leader for telecommunication products and services. These findings are in line with Hughes and Lonie, (2007) who observed that mobile network operators secure sustainable competitive advantage by using mobile money transfer as a critical part of their value-add to customers and by focusing on working with financial partners to use data arising from mobile money transfer to improve customer acquisition, retention and development. Along the same line the findings also confirms the views of Ratan, (2008) that the company’ medium- to long-term goal is to become competitive by transforming their mobile money from a mere peer to peer money-transfer platform to a service which is at the heart of their business strategy. The finding also reinforces the views of Berman, (2010) that mobile operators are increasingly focused on mobile money’s potential to strengthen their relationship with their customers and to enhance customer acquisition and retention as mobile money is evolving towards a lifestyle and convenience proposition, with applications commonly developed around transportation, retail, banks and mobile commerce and mechanism for micropayments (payments of small value).

The study results established that mobile money transfer has enhanced the company competitive advantage due to its user penetration rates, easier access, agent distribution network and the capacity to lock a critical mass of users into their system. This supports
the views of Kendall et.al (2011) who observed that the use of mobile money is part of telecommunication firms’ strategic goals aimed at maintaining their position as the regional market leader for innovative and competitive telecommunications products and solutions reduce its churn rates and increase customer loyalty. The study also confirms the report of Safaricom (2015) that while competing telecoms and banks have been unable to build any formidable competition, Safaricom has used its first mover advantage to lock a critical mass of users into a system that requires each side of the transaction to subscribe to its platform, and for the receiver to have a Safaricom SIM-card plugged into his or her mobile device at the time of the transaction. That promotes loyalty in a market in which many customers own multiple SIMs. This supports the company market competitiveness.

The study findings found that mobile money transfer has enabled the company to embrace the diversification strategy to increase their market share. The findings are in line with those of Berman, (2010) mobile money allows them to cross-sell a new service to customers whom they already serve (their own subscribers) or compete for (the subscribers of other mobile network operators). The study confirms the reason why Safaricom is dominant in the Kenyan market and the views of Thiong'o, (2013) on the same as he observed that safaricom large market share presents it with a clear advantage over its competitors to advance its innovative nature in the mobile financial services segment and guard its market position. The study further enriches the observations of Kendall, et al, (2011) that telecommunication providers of mobile money partnerships with financial-service and international-money-transfer providers have enhanced the firms’ market competitiveness through additional services and products.

The study findings revealed that mobile money transfer operators have cultivated trusts among customers of their money transfer service and this has enabled the company to easily transform its money-transfer platform into integrated mobile financial service thus enhancing its market competitiveness. The study enriches the findings of Mas and Morawczynski, (2009) and Remco and Tonnis (2010) who established that mobile money transfer operators closely linked the mobile money transfer brand to customers’ affinity
with and trust in mobile money transfer operator’s strong corporate brand and then evolving mobile money into a multi-play service to ensure that their firms stay ahead of competitors in the market. The study findings adds to the findings of Tiwari, Buse and Herstatt (2006) that mobile money has provided some telecommunication companies with a competitive advantage over their rivals due to high user penetration rates and rich agent distribution network which has enabled them to not only offer varied services such as such as: depositing money, withdrawing money, transferring (sending) money, buying prepaid airtime, managing mobile money account and paying bills but also serve a larger number of consumers efficiently in a profitable manner.

5.3.3 A Platform for Service/Product Innovation and Alliance

The sought to examine to what extent mobile money transfer acts as a platform for service/product innovation and business alliances. The study findings established that mobile money has become a platform for service/product innovation and this has enabled bank customers to access their bank accounts, customers to send money across international borders, facilitated buyers and sellers to perform purchase and sales transactions. These findings concurs with the views of Bångens and Söderberg (2011) that mobile part from remittance mobile money transfer services have widened and now include mobile commerce (payment), product promotion, information sharing among other services. Mobile banking which involve the use of a mobile phone to remotely access a bank account, primarily for account balance checkup and bill payment services.

The study results revealed that mobile money has become a basis of product and service innovation as evidenced by use of the mobile money platform to offer and increase domestic money remittances, money service for ATM cash withdrawals, money service for savings accounts, payment platform for uptake and payment of insurance services, a payment of credit facilities, retail services, traffic fines and school fees. The study findings add to the observation of Kendall et al (2011) that mobile money gradually, started with foundation services that included domestic remittances, bill payments, airtime top-ups, and international remittances however the mobile money has
subsequently evolved to become a fully-fledged mobile money service for both the banked and unbanked.

The study findings have revealed that the company has used mobile money to secure strategic alliances with financial institutions, both local and global agent network, and retail and technology firms for money transfers and payment services. The findings add to the views of Njue, (2012) and Pehrsson, (2012) who affirmed that mobile telecommunication platforms are now used by other businesses to offer various services hence have become platforms for many services including banking services and other non-financial services. That by evolving the mobile money into a mobile-money ecosystem, telecommunication firms are creating a platform for other service providers to plug into the ecosystem and use the platform to provide other services. The study findings reinforces the views of Bourreau and Marianne (2010) that banking and technology firms are the foundation of the Mobile money service, and hence telecommunication firms have secured strategic alliances with major firms in the banking and technology sectors.

The study found out that the mobile money has become a platform for forging alliance with other corporate organizations that now use mobile money to make bulk payment and to receive funds and pay bills, to promote their products and services, pay salaries, to enhance their own and partners customers’ experience with efficient access to products and services. These study findings are part in line with the observations of Donovan (2012) who noted that telecommunication firms have also forged global alliance with other banking institutions that allows mobile money customers to receive international money transfers from other countries and territories The study findings are also concurs with those of Kavale (2007) that technology companies are facilitating mobile money’s connections with financial institutions, especially small financial institutions struggling to integrate with mobile money. This includes set of tools to integrate financial systems to mobile money that allows members of SACCOs and microfinance institutions to deposit and withdraw money to and from their savings account, through the Pay Bill; mobile money transfer integration, automation and aggregation solutions that eases the process
of frequent payments to and from mobile money operator by processing payments on demand. Currently, Pay Bill transactions are processed in batches at scheduled times through a manual process, thereby causing delays and resulting in errors. Other technology companies are strengthening mobile money’s ability to interoperate with online payment systems.

5.4. Conclusion

5.4.1 Customer Service Usage and Revenue

The company has used mobile money transfer to increase the usage of its other products and services as the company customers are increasingly using the mobile money to buy or pay for airtime for voice calls, messaging services via short message services, multimedia services, data bundles for internet, pay loans, save money on the phone, withdrawing money from the bank and to purchase mobile phones, tablets, laptops and phone accessories among other uses. In addition corporate customers use mobile money to pay salaries, pay for utilities in retail outlets and to pay shareholders’ dividends. These increased usages of other company services have had the implication of widening its revenue generation opportunities.

The company mobile money has over the past years evolved from a money transfer service to a robust payment platform for payment of the company products and services enabling the company to generate revenues via end-user transaction fees. The company also derives revenues from banking services supported by Mobile money platform or infrastructure, while at the same time promotes its services via mobile money platform resulting in savings on operating cost hence retaining generated revenues.

5.4.2 Market Competiveness

The company mobile money transfer has enhanced the company competitive advantage as a market leader for innovative products and solutions which has been enhanced by its user penetration rates, easier access, agent distribution network and the capacity to lock a critical mass of users into their system. The mobile money operator has also cultivated trusts and loyalty among customers of its money transfer service and this has enabled the
company to easily transform its money-transfer platform into integrated mobile financial service thus enhancing its market competitiveness.

5.4.3 A Platform for Service/Product Innovation and Alliance

The mobile money operator has become a platform for its service / product innovation as the money transfer platform is supporting its customers to access their bank accounts, customers to send money across international borders, facilitated buyers and sellers to perform purchase and sales transactions. The mobile money transfer platform has become a basis of product and service innovation as evidenced by use of the mobile money platform to offer and increase domestic money remittances, money service for ATM cash withdrawals, money service for savings accounts, payment platform for uptake and payment of insurance services, a payment of credit facilities, retail services, traffic fines and school fees.

The money transfer operator has used mobile money to secure strategic alliances with other corporate organizations, financial institutions, both local and global agent network, retail businesses and technology firms for money transfers and payment services, making bulk B2C payment; receipt of funds and payment of bills by the partner companies and their customers hence eliminating the need for cash within the supply-chain.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Customer Service Usage and Revenue

There is need for mobile operators to promote mobile money services so as to increase the share of wallet of the customer and to broaden their reach to a new segment of customers by offering new non-telco services which will result in increased market share. The increased market share from the new customer segments will in turn also open up opportunities to cross-sell telecom services, thereby spurring revenue growth.

5.5.1.2 Market Competitiveness
There is need for the mobile operator to further enhance their market competitiveness by enhancing the ease in which customers can utilise the money transfer platform as and when required and upgrading the existing value chain. This requires a distribution network that reflects the customer locations, leveraging existing retail channels used for airtime top-ups by customers to allow quick expansion of the number of agents. There is need for operators to balance the desire to monetise the growing m-commerce market, with creating a proposition compelling for retailers to use. This means there is a need to reduce the percentage requested as revenue share as revenue which can be made if additional value is created by providing customer insights.

5.5.1.3 A Platform for Service/Product Innovation and Alliance

Mobile money operators need to create and enhance partnerships with international money transfer companies as well as with local companies so as to create a valuable proposition for customers and to strengthen the ecosystem. Furthermore there is need for operators to not only have partnerships with content stores such as Google Play but with other critical retail chains as this is especially valuable as it will enable the mobile operators to access large geographic reach.

5.5.2 Recommendation for Further Research

The study did not examine all the mobile money operators in Kenya and the effect of mobile money transfer on their business strategies due to time limit and financial constraints posing a comparison challenge. It is therefore important to undertake further comprehensive study on the effect of mobile money transfer on the business strategies of other mobile money transfer operators apart from Safaricom Limited that this study was unable to establish.
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APPENDICES

APPENDIX I: RESEARCH QUESTIONNAIRE

This questionnaire is divided into four parts. Part A will be used to obtain general information about the respondent. Part B will be used to obtain information on driving of customer service usage and revenue streams. Part C will be used to generate information on strengthening of market competiveness. Part 3 has statements on mobile money transfer as a platform for service/product innovation. NB: The information obtained will be strictly treated in confidence. Your assistance in completing this questionnaire will be highly appreciated.

Please answer all the questions as best as you can.

Please Tick as appropriate

PART 1: Demographic Information

Name: ____________________________________________ Optional

1. Age bracket of the respondent
   (a) 20 – 30  [  ]  (b) 31-40  [  ]  (c) 41-50  [  ]  (d) 51 and above [  ]

2. Respondents level of Education
   a) Diploma level  [  ]  (b) Degree level  [  ]
   c) Masters degree level  [  ]  (d) Doctorate degree level  [  ]
   e) Other professional qualifications (specify if applicable) …………………

5. Years of service in the organization
   a) 0-4 yrs  [  ]
   b) 5-9 yrs  [  ]
   c) 10-19 yrs  [  ]
   d) 20 +yrs  [  ]
6. What is your position in the organization?

Director [ ] Management staff [ ] Operational Staff

**PART 2: Mobile Money Transfer Customer Usage**

7. Based on the rating scale of 1-5, where 1- strongly agree 2- Agree 3. Disagree, 4. Strongly disagree and 5 – Not Applicable, rate the following statements on mobile money transfer driving of customer service usage

<table>
<thead>
<tr>
<th></th>
<th>Purchase of Multimedia Services</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Customers utilise mobile money to buy or pay for airtime for voice call.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Customers utilise mobile money to buy or pay for messaging services via short message services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Customers utilise mobile money to buy data</td>
<td></td>
<td></td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>Advertising and Promotion</th>
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<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Operators promote their services via mobile money resulting in savings on operating cost.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Operators advertise their other services using mobile money transfer platform</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Money Transfer and Savings</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Customers’ utilize mobile money to save money on the phone for contingencies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Customers utilize mobile money to save for their pension</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Banking Services</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
</table>
1. Customers utilise mobile money for payment of bank services such as insurance services and charges such interest

2. Customers utilise mobile money for depositing money into their bank accounts

3. Customers utilise mobile money for withdrawing money from their accounts

4. Customers and banks utilise mobile money to pay for bank loans and to offer credit facilities

5. Customers use mobile money for ATM cash withdrawals

E Payment Services

1. Customers use mobile money to purchase mobile phones, tablets, laptops and phone accessories

2. Customers use mobile money to pay for utilities in retail outlets

3. Corporate customers use mobile money to pay salaries

4. Corporate customers use mobile money to pay shareholders’ dividends

5. Customers use mobile money to purchase airline and event tickets

8. Based on the rating scale of 1-5, where 1- strongly agree 2- Agree 3. Disagree, 4. Strongly disagree and 5 – Not Applicable, rate the following statements on mobile money transfer driving of revenue streams
Generation of Revenues

<table>
<thead>
<tr>
<th></th>
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<th>1</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Mobile money used to purchase prepaid mobile cards generates revenue for the company.</td>
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<td>2</td>
<td>Revenue is generated from mobile money payment platform</td>
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<td>3</td>
<td>Mobile money operators generate revenues via end-user transaction fees</td>
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<tr>
<td>4</td>
<td>Mobile money operators derive revenues from banking services supported by Mobile money</td>
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<td>5</td>
<td>Mobile money operators generate revenues through advertising services</td>
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</tbody>
</table>

9. Based on the rating scale of 1-5, where 1- strongly agree 2- Agree 3. Disagree, 4. Strongly disagree and 5 – Not Applicable, rate the following statements on mobile money transfer as strengthening of market competitiveness

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<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Mobile money transfer enhances operators as market leaders for innovative products and solutions</td>
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<td>2</td>
<td>Mobile money has provided operators with a competitive advantage due to user penetration rates</td>
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<td>3</td>
<td>Mobile money has provided operators with a competitive advantage due to agent distribution network</td>
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<td>4</td>
<td>Mobile money transfer has enabled operators to embrace the diversification strategy to increase their market share</td>
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</tbody>
</table>
Mobile money transfer operators have cultivated trusts among customers of their money transfer service

Mobile money transfer services are easily accessible and this gives the operators a competitive advantage

Mobile money operators have locked a critical mass of users into their system giving them advantage

Mobile money transfer have transformed their money-transfer platform into integrated mobile financial service, enhancing market competitiveness

10 Based on the rating scale of 1-5, where 1- strongly agree 2- Agree 3. Disagree, 4. Strongly disagree and 5 – Not Applicable, rate the following statements on mobile money transfer as a platform for service/product innovation

<table>
<thead>
<tr>
<th>PART 4- Product Innovation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Mobile money has enabled bank customers to access their bank accounts</td>
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<td>2 Mobile money transfer has enabled customers to send money from within and across international borders</td>
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<tr>
<td>3 Mobile money has facilitated buyers and sellers to perform purchase and sales transactions</td>
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<td>4 Mobile money offers domestic money remittances</td>
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<td>5 Mobile money has evolved to offering money service for ATM cash withdrawals</td>
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<td></td>
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<tr>
<td>6</td>
<td>Mobile money has evolved to offer money service for savings accounts.</td>
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<td>7</td>
<td>Mobile money has evolved to payment platform for insurance services.</td>
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<tr>
<td>8</td>
<td>Mobile money has evolved as a payment of credit facilities.</td>
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<tr>
<td>9</td>
<td>Mobile money has evolved to a payment platform for payment of retail services.</td>
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<tr>
<td>10</td>
<td>Mobile money has evolved to a payment platform for payment of school fees.</td>
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<td>11</td>
<td>Corporate organizations can use Mobile money to make bulk payment and to receive funds and bill payments from individual Mobile money users.</td>
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</tbody>
</table>

11 Based on the rating scale of 1-5, where 1- strongly agree 2- Agree 3. Disagree, 4. Strongly disagree and 5 – Not Applicable, rate the following statements on mobile money transfer as a platform for Strategic Alliance

<table>
<thead>
<tr>
<th>PART 4- Strategic Alliance</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>1 Mobile money has facilitated the operators to secure strategic alliances with banks for mobile banking services resulting in significant savings in capital and operational expenditure</td>
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<td></td>
<td>Mobile operators have linked their money platform to both local and global agent network to facilitate remittances increasing their market share/penetration</td>
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<tr>
<td>3</td>
<td>Mobile operators have forged global alliance with financial, retail and technology firms for money transfers and payment services minimizing cost and enhancing their service delivery</td>
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<tr>
<td>4</td>
<td>Mobile operators have secured strategic alliance with public and private sectors organizations for payment of salaries, pension, share dividends, premiums, loans and other services thus accessing unexplored market</td>
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<tr>
<td>5</td>
<td>Mobile operators have forged strategic alliance with utility firms for payment of services</td>
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<tr>
<td>6</td>
<td>Mobile operators have secured strategic alliance with the government for payment of the various services</td>
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<tr>
<td>7</td>
<td>Mobile operators have secured strategic alliances with agents network to support mobile money transfer services resulting in service efficiency and risk reduction</td>
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</tbody>
</table>

THANK YOU FOR YOUR COOPERATION