

CASE STUDY: SAFARICOM LIMITED

INTRODUCTION

Safaricom Limited is under the Information and Communications Technology (ICT) industry in Kenya and in the Telecommunication sector. It is the leading mobile service provider with over 60% of mobile subscribers. Safaricom limited has played an important role in the growth of the economy of our country Kenya through the use of services such as M-PESA, M-Shwari, internet services, call and messaging services among others. It was a private company, a fully owned subsidiary of Telkom, at the time of its incorporation in 1997; 40% owned by Vodafone Kenya Limited but in 2002 it was made public with 60% being owned by the government whereas the rest by other private holders with shares traded at the Nairobi Securities Exchange (NSE).

THE TELECOMMUNICATION AND TECHNOLOGY INDUSTRY

This is now the fastest growing industry in Kenya. Kenya is now called a Digital Country, which was the main mission of President Uhuru's government. The key players in this industry are Safaricom and Telecom, providing mobile services and fixed line segments in that order. This industry is growing rapidly with eight (8) key companies now in 2015; Safaricom, Telekom Kenya, Deutsche Telekom AG, Bharti Airtel ,Orange SA, Verizon Communications, Nippon Telegraph and Telephone (NTT) .

The SWOT analysis for this industry comes up with various ways to analyze the performance of this industry and how it can be improved.

Strengths: The growth of this industry is being boosted by improved infrastructure in our country. Some of the factors contributing to the growth of the industry are: -

- ❖ A strong sales team
- ❖ Excellent customer service
- ❖ High-performing cable equipment
- ❖ Cutting- edge fiber optics technology
- ❖ Respected branding
- ❖ Improved standards of living

Weaknesses: These are some of the challenges the industry is facing that need to be eliminated completely if possible.

- ❖ slow service
- ❖ corroded cable lines
- ❖ very high rates that get customers switching to rival firms

Opportunities: With an expected wider customer base, new technologies and less industry rivalry, a lot of opportunities exist in this industry. Companies in this industry can take advantage of opportunities by creating new products and services that are

more efficient and affordable to their customers such as faster internet services. These opportunities will boost their already existing strengths.

Threats: these are hindrances expected to slow down or even stop the activities of companies in this industry. Interference by the government for example through Introduction of new policies & heavy taxation, slow economic growth or new technologies that cannot be afforded by the existing companies are just some of them.

LEGAL PROVISIONS AND REGULATIONS

The Communication Authority of Kenya (CA) is responsible for the formulation and implementation of strategies and policies set out for telecommunication service providers. CA works under the Kenya Information and Communications Act, 1998 and Kenya Communications Regulations of 2001. This body is responsible for licensing the telecommunication companies, ensuring they adhere with what is stipulated in their licenses and they operate in line with the provisions of the Kenyan constitution. Other roles of CA are;

Providing a competitive environment

CA allows for free entry and exit into the market. Fair but effective competition is encouraged. This promotes the provision of quality goods and services by the companies under the telecommunication sector, at affordable prices.

Consumer protection

Rates affordable to Kenyan customers are laid by the CA through different tariffs for the various types of customers.

Promoting investment

CA requires private investments into telecommunication sectors through issues such as Initial Public Offering (IPOs), within three years since incorporation.

Providing wide area coverage of the network providers

CA ensures that a network is available to all persons through the use of satellites

Other requirements of the telecommunications sector by the Kenyan Constitution are:

1. The entity should be registered in Kenya as a company, sole proprietor or partnership.
2. Have a duly registered office and permanent premises in Kenya.
3. Provide details of shareholders and directors.
4. Issue at least 20% of its shares to Kenyans on or before the end of three years after receiving a license.
5. Provide evidence of compliance with tax requirement.

PRODUCTS AND SERVICES

Safaricom, being a large company, offers a wide range of products and services to their customers across the country. It is actually right to say Kenya runs on Safaricom, due to their diversified services that help in the running of the economy. They are, but not limited to:

- **Calling services**

The lowest rates for Safaricom limited are KES4 per minute.

- **Messaging services**

An SMS costs KES1 minimum across all networks.

- **Internet services**

- I. DATA BUNDLES

The data bundles come in different packages, depending with the customer's ability and willingness to purchase, also known as demand. They come in packages of daily, weekly, monthly etc, affordable to the average citizen, for as low as KES5 to as much as KES1,000.

- II. WI-FI SERVICES

Safaricom does not offer internet services limited to data bundles only, it also provides Wi-Fi services; be it for your business or at home. one router can be used by ten people.

- **Mobile money services**

- I. MPESA

This is a mode of money transfer that made life very easy for Kenyans. It replaced the unpopular wiring of money, whereby money as low as ten shillings can be transferred from one party to another through the use of a mobile phone. The only requirements for this service are that one must

be a registered subscriber of Safaricom and must have attained the age of the majority (18 years).

Under this service, other possible transactions have been made possible such as:

- **MSHWARI**

This is the equivalent of a bank loan. Safaricom offers loan to its members upon request and is instant. However, the limit amount varies according to the credit worthiness of the borrower.

- **PAYBILL**

This is a mode of paying bills such as the water bills, electricity bills, event fees, school fees and even your rent.

- **BUY GOODS AND SERVICES**

Through a till number accorded to businesses by Safaricom, customers can choose to buy goods and services using their virtual money in their M-Pesa account. It works like a credit card, only that a card is not required but a message showing payment is sent to the both the buyer and the seller.

- **INTERNATIONAL MONEY TRANSFER**

Safaricom initially teamed up with Western Union to allow Kenyans receive money from outside countries. Over the years, it has created synergies with other money transfer companies and Kenyans on Safaricom can now receive money from 100 foreign countries.

II. MOBILE BANKING

Banks and other financial institutions have integrated their financial services with Safaricom. One can be able to operate their bank accounts using the mobile phone. You no longer have to queue to access services such as depositing money, withdrawing money, checking account balances.

○ **Credit services**

MSHWARI

This is a soft emergency loan available to MPESA users. It is different from a bank loan in the sense that no interest charges are imposed, but rather a 7.5% is charged once for facilitation and the fact that no paperwork is required. Loans go for as low as KES100 and are instant sent to your mobile money.

OKOA JAHAZI

This is a short loan to buy airtime from Safaricom. The requirements are that one must have a maximum of sh.2 as available airtime and have used the service for at least six months. It ranges from ten shillings to a thousand shillings worth of airtime, which is offered at a service fee of 10%, charged at inception. This service is convenient where one does not have access to airtime or one is unable to purchase airtime.

OKOA BUNDLES

One can now access the internet on a short loan, if one does not have airtime services.

KCB LOAN

In conjunction with KCB, Safaricom can offer loans for KCB account holders for as low as KES100 to a maximum of KES500,000, all with flexible payment periods and interest rates.

- **Accessories**

Safaricom shops all over the country are equipped with accessories affordable to customers. Phones and tablets are the main accessories sold in these shops.

- **Promotions and offers**

From time to time, Safaricom rewards its customers for being loyal by allowing them participate in promotions such as *Tetemasha* where some customers walked away with instant cash & prizes such as cars, electronic devices, mobile phones etc.

An option of redeeming *Bonga Points* is also available where one can redeem their points to acquire new handsets, free airtime, free internet, free minutes and so much more. These points are acquired through use of airtime after subscribing.

- **Customer Care services**

Any query, complaint or for any service, the hotline for Safaricom is available 24 hours by dialing 100. They recently introduced the use of social media due to traffic on the line, where customers were always disconnected.

- **Emergency services**

Emergency services such as the police and Red Cross are available to all customers by dialing 100.

- **Corporate responsibility**

Safaricom Foundation was launched in 2003 to deliver social services to Kenyans.

It has diversified its social responsibilities in the different areas:

- ❖ **ENVIRONMENT**

Safaricom works closely with environmentalists such as Kenya wildlife service in ensuring conservation of the environment. It encourages afforestation and reforestation, i.e. planting of trees and forests, preservation of wild life by fencing and preservation of game parks to discourage poaching.

- ❖ **SPORTS**

Safaricom acquired the largest stadium in Kenya, formerly known as Moi International Sports Centre, now Safaricom Stadium Kasarani. It sponsors the rugby Safaricom 7s held each year, Aqua Kenya Swimming Club, Naivasha YMCA among others.

- ❖ **EDUCATION**

Laboratory and learning equipment, infrastructure development, income generating activities, and health & hygiene programs have been

dispatched across the country. In the financial year of 2014 alone, ksh.95.7 million was used to support education.

❖ HEALTH

Without health, we cannot be fully productive to the maximum potential.

Safaricom has aided through the provision of free medical camps in conjunction with hospitals, ambulances in the Makueni County, setting up of healthcare facilities such as optical and renal units. These projects consumed a total of 73.7 million Kenya shillings.

❖ WATER PROJECTS

‘Water where there was dust’ is their slogan when launching their water projects across the country. Safaricom has played role by launching their projects. Water sources have increased in the marginalized sectors thus promoting life and food security. Such projects are Mumbuni-Katwala water supply in the Ukambani region.

❖ ECONOMIC EMPOWERMENT

Safaricom has played an elephant role in upgrading the economy of Kenya. Through job creation, food security initiatives, vocational trainings and income generating projects. Examples are Samburu Handicap Foundation funding, renovation of the Kianda School hall of training, agricultural projects.

○ **Career programs**

The youth in Kenya can testify to direct impact by Safaricom in their lives.

Safaricom offers internship programs to students in universities. It encourages more young ladies to apply the opportunities. The most common career opportunity is the engineering students in telecommunication and information engineering field.

TARGET MARGET

When Safaricom was launched in 1997, the main idea was targeting the business persons but later in the years has accommodated all age groups. It changed its perspective and strategies and reached out to all sundry.

Safaricom has quite a large share of the Kenyan market, 67.4% of mobile subscribers. It was formed to help Kenyans in their communication services across the country, through Telkom. It targets the whole economy as a whole; from low income earners to the wealthy. The customer base has increased significantly from seventeen (17) million subscribers in the year 2011 to twenty point five (20.5) million at the end of financial year 2014, which ended in March 2015.

COMPETITORS

Airtel

This is the main rival firm against Safaricom in Kenya with 22.6% share of mobile subscribers.

Yu

This mobile service provider was purchased by Safaricom in conjunction with Airtel.

Orange Wireless

Orange dominates only 10% of all mobile subscribers in Kenya.

Equitel

Despite being launched this July 2015, Equitel is already competing favorably with Safaricom, with one million subscribers already. It incorporates features that are simply attractive to the Kenyan market. Five distinct characteristics stand out with this mobile service provider.

FINANCIAL PERFORMANCE OF SAFARICOM LIMITED OVER THE YEARS

Safaricom is one of the fastest growing companies in Kenya and across the continent. It has not only creased in its customer base but also revenue and assets.

