

COST LEADERSHIP STRATEGY AND PERFORMANCE OF MOBILE PAYMENT SERVICES IN SAFARICOM KENYA LIMITED

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Abstract: For firms to succeed in a competitive global environment, they need good strategies. Organizations requires to have strategies that will enable them gain the competitive edge in order to outperform their competitors and be able to cope with the needs of the environment they are subjected to. The increase of telecommunication firms in Kenya has resulted to stiff competition. These firms seek to fully exploit the opportunities open to them so as to enjoy competitive advantage. The study focused on how cost leadership strategy influences the performance of mobile payment services in Kenya. This study employed a descriptive survey design. The target population was 135 respondents. A census method was used to select the respondents. The data collection tool was questionnaire. Data was quantitatively analysed using descriptive statistics. The strategy on cost leadership was found to have a positive and significant influence on the performance of mobile payment services in Kenya. The study recommends that the Safaricom Kenya limited should focus on putting their products and services at the possible lowest cost so as to utilize all means in gaining a cost advantage.

Keywords: Cost Leadership Strategy, Performance, Mobile Payment Services.

1. INTRODUCTION

Mobile payment service can be accessed using mobile phones and involves creation of accounts in which the user can deposit or withdraw money electronically (Zutt, 2010). Mobile money services can also be accessed using cards such as debit cards credit cards and it links banks services to the internet service provider in the telecommunication industry (World Bank, 2012). Services offered through mobile banking ensures security and convenience to both users with bank accounts and those who does not have provided they have a mobile phone in which they can create their accounts to deposit their cash. The services through mobile banking enable all institutions to have efficient and effective cash transactions (Omwansa, 2009). According to Mbogo (2010) these services has been accepted by many Kenyans since the year 2007 when they were introduced to the Country and their better performance can be based on their affordability and easy access to all people of different standards.

An organization's competitive strategy involves their intention and the methods the organization is willing to take in order to draw more clients, gain a competitive advantage amongst its rivals and enlarge its market share (Thompson & Strickland, 2010). The author further indicates that an organization gains a competitive advantage by outperforming its rivals by defending its products and services and at the same time attracting more of its clients. Lester (2009) argue that having strategies that are very competitive enables the organization to determine its current and future position and know it's competitors. A competitive advantage can be sustainable based on major competencies that results to either short or long term benefits of the organization. These may include amongst many having products of high quality, offering superior services to the customers and maintaining a low cost than the organizations they are competing with.

Pearce and Robinson (2007) argued that a mismatch between the environment and the organization brought about by failure to respond to changes in the environment creates a strategic problem. Ong'ong'a (2014) note that most telecommunications firms in Kenya formulate their strategies that lay a foundation for the organization to react to a number of changes coming from the organization's environment. Afande (2015) observe that Safaricom Kenya Limited have strategies which focus on reducing costs, offering superior services to the customer, maintaining products and services of high quality, better supervision of support staff, having a superior brand name, segmenting markets according to the product response and having unique products.

2. STATEMENT OF THE PROBLEM

Services offered through mobile phones have led to the increase in information access as well as providing opportunities for investments and job creation. They have also led to easier money circulation which have enabled mobile users a way of depositing and withdrawing their money at their convenient and secure place. It has also led to the reduction of costs involved in transacting businesses amongst vendors thus increasing expanding the business operations. However, mobile money services in Kenya offered primarily through M-PESA experienced rapidly and maintained adoption due to its image in terms of its value in brand, large market and the perception of its product design.

The organization's competitive strategies adopted for their daily operations differ in terms of the environment they the organization is operating in. To maintain long term existence in the market its concentrated in companies in the telecommunication industry in Kenya must have their competitive strategies so as to beat their rivals. Since the introduction of mobile money services. All the companies in the telecommunication industry have mobile payment services which have brought a lot of competition in maintaining customer loyalty and expanding their market share so as to improve their performance. Safaricom faces a number of challenges despite its success in operating mobile money services. This has been attributed to targeted population in which majority are poor, dispersed and live in remote areas with poor networks. A number of organizations in the same industry have introduced the same services which has created a stiff competition.

3. LITERATURE REVIEW

Atikiya, Mukulu and Waiganjo (2015) study examined how cost leadership strategy influences the performance of manufacturing firms in Kenya. The study utilized both questionnaires and interview schedules as data collection instruments. The population was 131 firms from 12 Key subsectors in the manufacturing industry from Nairobi and its surroundings. Both descriptive and explanatory research design were used. The study established that cost leadership strategy significantly influenced the manufacturing firms' performance and concludes that the management of manufacturing firms should use cost leadership strategy in order to increase their competitive advantage hence better performance.

According to Hyatt (2010) cost leadership strategy aims at having a competitive advantage through operating at the lowest cost possible. For the organizations to gain the lowest cost advantage possible they should acquire a low cost leadership strategy and have employees are fully committed in the execution the strategy (Malburg, 2011). These organizations must be ready to opt out of any activity that do not lead to its cost advantage and put into consideration engaging in outsourcing of activities from other organizations which can enable them gain such competitive advantage.

Chengeta (2014) study investigated how cost leadership strategy affects the performance of Multimedia Saatchi & Saatchi company. The study population comprised of 61 respondents and data was collected using questionnaires and interviews. The study used descriptive research and the study concluded that outsourcing from suppliers who have the cheapest value results to the reduction in cost. In Nigeris, Abdullahi and Muhammad (2017) did a study on the influence of cost leadership strategy and performance of hotels in Nigerian Context using quantitative survey approach was used. The study sampled all the managers of Hotels in Kano state. Analysis of data involved partial least square technique. The study established a positive and significant relationship between cost leadership strategy and the performance of Hotels in Kano estate

4. RESEARCH METHODOLOGY

This study employed a descriptive survey design. The target population for this study was 135 respondents. The study was done in Safaricom headquarters with a specific focus on the five departments. A census sampling was used to select the respondents from each department. The data collection instrument was questionnaire. This study used quantitative data which was analysed using descriptive analysis.

5. FINDINGS

The study sought to determine the influence of cost leadership strategy on the performance of mobile payment services in Safaricom Kenya Limited in Kenya. The findings are shown in Table 1.

Table 1: Cost Leadership Strategy and Performance of Mobile Payment Services

	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)	Mean	Standard Deviation
The cost leadership strategy protects Safaricom from competition by other telecommunication companies	46.7	24.6	7.4	12.3	9.0	3.88	1.358
Cost leadership strategy at Safaricom offers services in a broad market at the lowest prices	27.9	57.4	6.6	3.3	4.9	4.00	0.962
Lower cost strategy helps Safaricom gain a competitive advantage by reducing its operating costs below its competitors	37.7	53.3	4.1	3.3	1.6	4.22	0.808
Safaricom uses knowledge gained from past production to lower production costs	33.6	50.8	12.3	3.3	0.0	4.15	0.757
By charging lower prices, Safaricom increases its market share	44.3	44.3	0.0	3.3	8.2	4.13	1.142
Safaricom uses low prices for its products to remain competitive in the telecommunications industry	37.7	49.2	9.0	4.1	0.0	4.20	0.771

Source: Research Data (2017)

From the results in Table 4.4, the mean of 4.22 indicated that lower cost strategy helps Safaricom gain a competitive advantage by reducing its operating costs below its competitors to a greater extent with a significance variance of 0.808. This statement was supported by majority 53.3 percent of the respondents, 37.7 percent strongly agreed, 4.1 percent neutral, 3.3 percent disagreed and 1.6 percent strongly disagreed. The mean of 4.20 indicated that Safaricom mostly uses low prices for its products to remain competitive in the telecommunications industry with a standard deviation of 0.771. This was agreed by majority 49.2 percent of the respondents, 37.7 percent strongly disagreed, 9.0percent neutral and 4.1percent disagreed. The mean of 3.88 indicated that cost leadership strategy moderately protects Safaricom from competition by other telecommunication companies with a significance variance of 1.358. 46.7 percent of the respondents strongly agreed on this statement, 24.6 percent agreed, 12.3percent disagreed, 9.0 percent strongly disagreed and 7.4percent remained neutral.

6. CONCLUSIONS AND RECOMMENDATIONS

The strategy on cost leadership was found to have a positive and significant influence on the performance of mobile payment services in Kenya. The study concludes that cost leadership strategy has a positive and significant effect on the performance of mobile payment services. The organizations adopted important cost elements in formulation and implementation of their low cost leadership strategy. The study recommends that the Safaricom Kenya limited should focus on putting their products and services at the possible lowest cost so as to utilize all means in gaining a cost advantage. The study recommends that the organizations should set out to become the low cost producer in its industry. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average.

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