

NEW PRODUCTS DEVELOPMENT: A CASE STUDY

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Vodacom (T) LTD Launches M-Pesa in 2008

Vodacom Tanzania Limited is the leading cellular mobile network in Tanzania operating as a subsidiary company of Vodacom based in South Africa. Vodacom Tanzania is a joint venture in which the parent company in South African owns majority of the share portion of about 65% while the remaining portion is of Tanzanians; Caspian Construction Ltd and Planetel communications Ltd.

The company started operations in the year 1999 and by August 15, 2000 became fully operational in the country. The company has its Executive Headquarters in the capital city of Dar es salaam and wireless networks in all 25 regions all over the country. The company has active roaming agreements with many networks in the world that include but not limited to; T-Mobile, Vodafone, BPL Cellular of India. Products and services are widely distributed mainly through a number of super dealers and Vodashops. Competition in the mobile telecommunication services industry is intense as the company competes with other providers such as Tigo formally Mobitel the first mobile telecommunication provider to penetrate Tanzania market in 1994. Zain Tanzania is another serious competitor to the company, TTCL Mobile, Zantel and sasatel which is the new baby in the market. Tanzanian market for mobile telecommunication service is believed to be vibrant and volatile as service providers need to compete for a slowly growing market but attractive one.

Currently, Vodacom is believed to be the market leader with approximately 5 million

subscribers all over the country and has wider service coverage than its competitors. It is not known; however, how many of these customers are active users on company's products and services offered so far.

In view of the nature of the market the company usually competes on advertising heavily to the youths who believed to be tomorrow professionals and Directors. Both Swahili and English adverts are used by the company to persuade its customers or public to enjoy the services/products offered by the company. Some Swahili slang are used by the company to cement and marketing its products such as Vodfasta, Vodaflava and kama kawa (Kama kawaida). The company is perceived by analysts in the industry as a pioneer or rather an innovator of new features as Vodacom Tanzania was the first company to provide video call, video massaging and 3G HSDPA USB Modem.

By the end of the year 2006 the company had nearly 500 employees, majority of whom employed in a permanent basis and operating as a public company. Products and services offered by then were; Wireless 3G HSDPA Data card, 3G HSDPA USB Modem, Booster Card, VodaFasta, VodaChoice, VodaJaza, Toll-Free, Corporate Talk, People's Phone, Vodago, Tsh Vouchers, Foreign Vouchers and Vodashops.

VODAFONE M-PESA A new baby to the family

In the first quarter of the year 2008 Vodacom Tanzania Limited awarded its 4.1 active subscribers with an innovative

service that could see customers sending and receiving money through their mobile phone for free. All what is needed by the customers is to register to the M-PESA agents scattered in many areas both urban and rural. The service was originally developed and deployed in Kenya where 1.6 customers are enjoying the same in a space of not less than a year.

The registered Vodacome customer can register himself/herself from the agents who are Vodacome airtime dealers, selected petrol stations, post offices, banks or supermarkets. Both pre-paid and post-paid customers of the company will be able to open Vodacome M-PESA account at cost second from none. Before launching the service in the market heavy promotional campaigns were undertaken in most case through TV shows and programmes, popular radios in the country such as Clouds FM station-the people's Station, Radio One-Tanzania favourite's station, TBC Fm and many others.

Analysts suspected that the company invested a lot in advertising the service to its customers and public. The budget to the same is approximately to be in the region of 500m Tsh. Pre-launch cost or so. Big posters and bill boards were also involved to sensitise and educate customers and general public on how the service works. In limited occasions the company used what is known as publicity which is a free form of promoting the product. In here the company organized series of press conferences with journalists from the leading media community. Other service providers who are direct competitors to the company have also introduced services which are more or less the same as M-PESA. ZANTEL was pro-active and in the same year introduced Z-PESA which performs similar functions as M-PESA and ZAIN TANZANIA introduced ZAP which positioned by the company marketing team as pesa mkononi

in Kiswahili that means "money at your fingertips". ZAP is perceived as a serious challenger to the Vodafone M-PESA as it performs many functions than the M-PESA such as; send money from bank account to ZAP account, receive and send zap money to friends and family, perform cash in and cash out activities, send money from zap to bank account, pay utility bills such as LUKU, Airtime top up into your phone or some else and purchase goods and services using zap money, take control of the account by checking the balances and change password features.

The price for all the services is flat fee of only Tsh.150 per transaction or activity unlike Vodafone M-PESA which is free service with limited functions.

CRITICS AND SO TO THE FUTURE.....

Whether the campaign of launching the Vodafone M-PESA was successful or not is not the scope of this case study, however, by the end of the year 2009 more than one million out of the 4.8 million customers were registered and more and more are expected to enjoy the initiatives.

Despite these achievements critics are considering the service as facing many challenges among others are; limited services performed compared to its counterpart ZAIN-ZAP pesa mkononi which performs several functions at flat rate of Tsh. 150 per activity or transaction, competition from commercial banks and financial institutions who are engaging in the activity of transferring money free of charge, limited service coverage especially in the rural areas as customers need to travel a great deal to send and receive money from the agents, availability of ATMs which perform similar functions as M-PESA and ZAIN-ZAP and many others.

Questions

1. What choice criteria were important to the customer?
2. Did the salesperson understand what was important to the customers? If not, why not?
3. Did the salesperson make any other mistakes? Why do you think the salesperson chose that arrangement?
4. You are the salesperson in the second tour operator they are about to visit. Based on your knowledge of buyer behaviour, plan how you would conduct the sales interview.