Grow Mobile & Fixed Data

What we want to achieve

- Diversification of our data business
- Data product innovation
- Further penetration of data and data enabled devices
- Drive growth in Enterprise business

Access to data services puts a world of opportunity in people's hands through the power of the internet, wherever they are. Data is set to play a vital role in lifting economic growth, creating jobs and improving the quality of life in Kenya. Mobile data penetration is still relatively low and this is a huge opportunity for us and we are driving adoption of mobile data services among the Kenyan people. Data for all is a revolution that we lead with 72.6% of the mobile data market share.

INTERNET AND CONTENT

Part of the Safaricom's growth strategy revolves around non-voice revenue - particularly data revenue. Data revenues grew by 21% despite an overall tariff reduction during the year. The out of bundle rate was reduced by 50% from Kshs 8 to Kshs 4. Nevertheless, internet users have increased from 4.6 million to 7.1 million, representing a 37% penetration of base, due largely by an increase in data-enabled phones. There was a deliberate change of device strategy in which the data-enabled range of our handset offering was from 60% to 90%. To grow broadband users, Safaricom offered modems at competitive prices to reduce barriers to entry while safeguarding our investment by locking the modems at the hardware level. This in return ensured that 90% of the devices sold were attached to our network.

In addition to reducing the out of bundle data tariff, Safaricom withdrew the data unlimited product to ensure that a small number of customers do not 'abuse' the network, at the expense of majority.

The result was a more evenly distributed and efficient use of network resources thereby improving the browsing experience. A new product, **"Night Shift,"** was introduced where customers were awarded free data bundles on purchase of a limited bundle; the free bundles were only valid for use at night. This ensured better utilization of the network during off peak periods.

To make purchase of data bundles easier, data scratch cards were introduced. Using regular scratch cards, customers are able to top-up airtime or data bundles directly. Modeled on the airtime "Sambaza" technique, an internet sharing product, "Sambaza Internet", was developed. This product allows subscribers to transfer data to another Safaricom subscriber. The product is especially useful to customers with more than one Safaricom line. It also makes it easy for friends and family to share resources.

To support growth in data revenues, Safaricom embarked on delivering content to its customers in conjunction with other partners. A free Facebook campaign was launched targeting feature phone customers who had not registered on Facebook. On registration, the customer was awarded with Free Facebook access for 90 days. Further, G+ (Google Plus) was introduced in market in collaboration with Google to grow and provide a platform for user-generated content. These initiatives have resulted in growth in data customer numbers.

In the last financial year, the Retail department shifted emphasis from selling feature phones to selling smart devices. This strategy is aimed at growing data usage. The charts below indicate the achievements made:
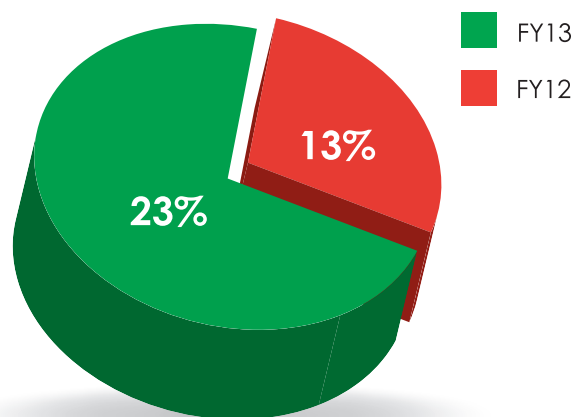
PRODUCT REVENUE CONTRIBUTION

- Smartphones 51%
- Other 12%
- Tablets 2%
- Modems 3%
- Non-Smartphone 32%
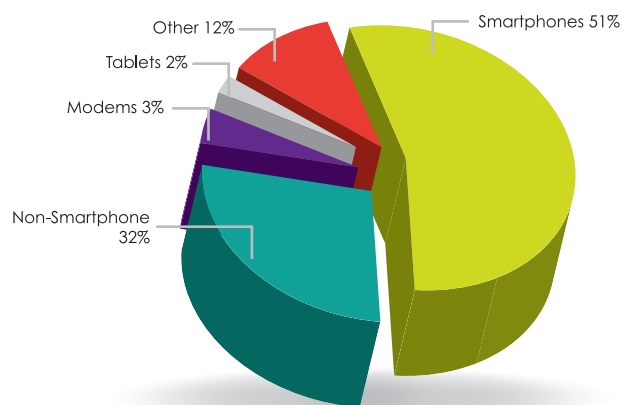
SMARTPHONE REVENUE

- FY13
- FY12
- 51%
- 41%
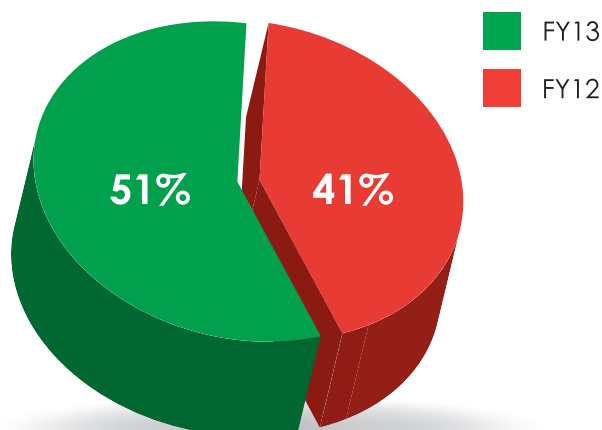
### SMARTPHONE UNITS SOLD

- FY13
- FY12
- 23%
- 13%

Our strategy has remained to bring to the market the most affordable data and smart devices. In partnership with our vendors, we provided the cheapest data enabled handset at Kshs 1,699, Smart handset at Kshs 7,999 and additionally have the most affordable tablet device at Kshs 24,999. We aim to make this even better in the coming year.

As at year end, over 10 milion subscribers had data-enabled devices. This represents an immediate opportunity in the new year - 3 million customers with data-enabled handsets but not using the data services.

In the new year, the focus in the data space will be in the following areas:

- Fiber to home – to provide a triple play solution to the home user.
- Wi-Fi for public hot spots and enhanced user experience in high traffic areas.
- Content – we will continue to partner with strategic partners (and local developers) to grow our content business and make Safaricom the one-stop shop on content innovation.

SAMBAZA INTERNET

Dial *544# & select Sambaza Internet
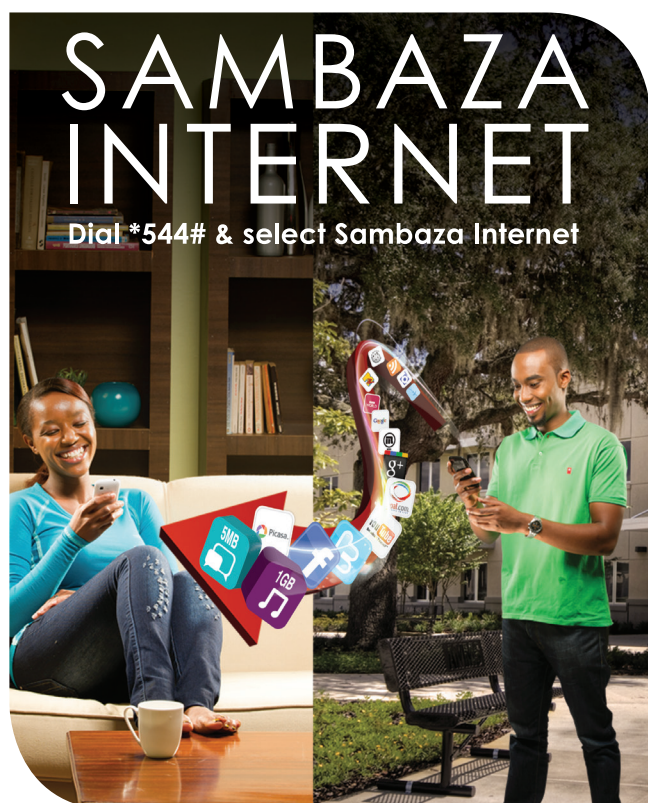
ENTERPRISE BUSINESS

In the period under review, Safaricom business has taken market leadership in the Telco Industry and evolved into an integrated service provider through delivery of converged mobile and fixed connectivity, a host of advanced IP, data, voice, video collaboration, and security solutions. This has been driven by Safaricom Business vision to become and remain the partner of choice for business by developing cost effective solutions that will boost business productivity. With this came major milestones that have strengthened our credentials in the Enterprise Market including being awarded the **CISCO Global Solution Innovation Partner of the year for Africa.**

Market overview

The Enterprise ICT Market experienced a growth of over Kshs 1 billion in the year under review driven mostly by increased ICT spend in the government, SME adaptation to ICT as well as increased m-commerce usage among the corporate entities. Banks have also revamped their m-banking service with enhanced capability to transfer money from bank account directly to M-PESA account through mobile phones and this is expected to continue in the coming financial year. The industry also experienced increased price pressure especially in fixed connectivity with internet prices dropping my more than half by March 2012.

Impressive revenue growth driven by innovation

Leveraging on our extensive network and innovation, Safaricom Business recorded impressive revenue growth. Revenues as at 31 March 2013 stood at Kshs 7.8 billion which translates to Kshs 2.2 billion growth by value or 38% growth compared to the previous financial year. With this performance, Safaricom Business now commands 37% of the Enterprise Telco market share, up from 31% as at 31 March 2012. Key to this performance was growth in enterprise data to Kshs 4.1 billion (29% growth), Business related M-PESA revenue which grew by 82% to Kshs 920 million and Voice revenue which grew by 37% to Kshs 2.6 billion.

In the year under review the SME segment, estimated at 120,000 formal businesses, was given special focus being one of the growth pillars for the business. Leveraging on **"Zidisha Biashara"** which is our flagship SME product encompassing an integrated bundled offering of voice, data, and capacity building, we have acquired more than 15,000 SME customers.

Our nationwide reach in both subscriber numbers and network, coupled with our extensive M-PESA ecosystem has made us the innovation and technology partner of choice for corporates, public sector players as well as Non - Governmental Organizations. Key innovations in the year included:

- Cash-less distribution for Corporates whose operations are driven by distributors. The solution which works on M-PESA is aimed at increasing efficiency around cash collection and payments by distributors of major Fast Moving Consumable Goods (FMCG's) as well as reducing cost and risk associated with money collections through traditional security companies. As at 31 March 2013, more than 60 EABL distributors had enrolled to the service with cash transacted at more than Kshs 1billion per month.
- Having invested in a Unified Communications Platform, and leveraging on Safaricom Unified License, Safaricom

business has launched an integrated Voice and data offering dubbed One Connect. This service is expected to transform the enterprise space by offering customers an opportunity to get all their fixed data and fixed voice needs in one pipe, thus reducing Capital and Operating expenditure.

- Safaricom Business has moved into the machine-to-machine and mobile applications space where we are now able to offer customers' value added services around areas such as workforce management, fleet management in transport industry, Stock Management through Electronic Distribution System (EDS) as well as device management riding on our Enterprise Mobility Platform.

- Working with United States Agency for International Development (USAID) and Ministry of Health Safaricom Launched the "TIBU" platform to monitor, evaluate and manage TB/Infectious Diseases funds. This platform will go a long way in creating TB awareness in the country as well as ensuring funds allocated for eradication/ treatment of TB cases is well managed. In addition, Safaricom in partnership with **Changamka** and **BRITAM** launched a micro-insurance project dubbed Linda Jamii which is aimed at providing low income earners across the country with a medical cover at affordable rates.

In the education front Safaricom, in partnership with Starehe Boys Centre, launched a pilot e-learning initiative. The success of this initiative is now being replicated in other learning institutions such as Inoorero University, private schools, public schools all the way to semi-urban and rural institutions such as the charity-funded Huruma Children's Home. This is supported through our cloud-based Learning Management Platforms, coupled with our M-PESA services and our 3G network which positions us ahead of other operators to offer the education sector and government the perfect launch pad for learning delivery solutions.

Looking into the future

We will continue to grow Safaricom Business Market Share by leveraging on unrivalled Assets in the coming years. Our focus will be pegged on the following key pillars:

- Winning in new segments; Small and Medium Enterprises.

- Innovation leadership.

- Unmatched customer experience.

- Customer retention through enhanced Customer Value Management.