

Retain and Reward our Loyal Customer Base

What we want to Achieve

- Sustained growth in our customer base
- Deliver excellent customer experience
- Grow voice further
- Build trust with our customers
- Create a culture that empowers employees to do more
- Celebrate the Safaricom Brand

SUSTAINED GROWTH IN OUR CUSTOMER BASE

Building trust and loyalty among our customers and giving them what they want is vital to our success in an increasingly competitive industry.

We need to retain our customers by offering differentiated products and services so that they recommend us to others.

Our customers want an overall better experience than they can get elsewhere. More access to mobile services and better network quality, more value for money, more convenient interactions and better customer service; all of these add up to an experience that makes our customers smile.

And that keeps them with us.

Customer numbers grew by 2% in the year to 19.4 million. In February 2013, the government announced its intention to enforce subscriber registration through a gazette notice. An adjustment of 1.4 million customers was made to the base in the last quarter. To target the 2.9 million unregistered subscribers, Safaricom ran a customer education and awareness registration campaign. Ultimately 1.5 million people were able to register their SIM cards.

We purchased a knowledge management system that organises company and product information in a manner that supports agents and customers to quickly and easily find answers to questions on our products and services.

EXCELLENT CUSTOMER EXPERIENCE

Customer experience forms the backbone of our customer engagement process. At Safaricom we understand that our customer perceptions are formed through their interactions with our various touch points. When a customer uses a Safaricom product or service and interacts with our staff, they have certain expectations, and we need to ensure that we meet or exceed these expectations. Customer experience management is the process of strategically managing our customer's entire experience with our products and services to ensure that we meet our business goals.

A favourable customer experience translates to business continuity for Safaricom, through customer retention as well as favourable 'word of mouth'. We view customer experience as a business opportunity through the creation of brand ambassadors who advocate our products and services.

Customer Management

Customer care handles calls and inquiries from both individual and corporate customers. Customer care also includes the commercial arm, which undertakes outsourced customer service functions on behalf of other organisations. In order to enhance our customer experience we have undertaken a number of actions, including:

- Ingraining the 'Customer Delight Index' (CDI) score into every staff member's Key Performance Indicators to promote customer ownership.
- Creating 'Tiger teams' which is a cross functional process to spearhead the customer experience agenda through on-going engagement, developing and monitoring agreed actions.
- Undertaking competency assessments for all managers to help build capacity.
- Defining customer segmentation processes to help in product need identification and on-going engagement processes.
- Undertaking after call surveys for rapid response and internal corrective measures.
- Creating a call routing strategy within Customer care including defining alternative channels of engagement i.e. voice/SMS/email/USSD/Interactive voice response/social media.
- Using research methodologies as a customer feedback avenue, such as the use of focus groups in our customer baseline survey which inform our internal quality compliance level framework.
- Internal quality assurance for on-going compliance checks.
- Undertaking on-going status checks using Customer operations performance centre standards for Customer care to promote increased performance.
- Using a Customer Relationship Management strategy to promote single view/reference point on all customer issues.
- Purchasing an IP-based customer care infrastructure to increase capacity within our interactive voice response system to handle call volumes.
- Using customer relationship management to deliver a satisfying customer experience at every customer touch point e.g. unified communication and superior customer services.

Safaricom Retail Shops

Safaricom now has 36 own shops across the country which principally offer services, resolve customer issues around our products and services while selling devices.

During the year, a new shop design was unveiled at the Nakumatt Junction shopping mall and currently this design has been rolled out in eight more shops in Nyali, Westgate, Sarit, I&M, Kimathi, Garissa, Machakos and Nakuru. Another 20 shops will be refurbished during the year.



Safaricom shop - I&M building, Kenyatta Avenue - Nairobi

To increase our touch points, Safaricom introduced Care Desks where all customer service requests will be handled-like Safaricom shops.

The Care Desks are manned by Safaricom staff. In the last year, we rolled out 24 care desks across the country covering such remote locations as Mpekoni and Marsabit. Another 100 care desks will be rolled out by the end of the next financial year.

To benchmark customer service, overall shop performance delivered an average score of 8.3 against a target of 8.0. This was a result of close follow up with customers, in-shop initiatives to excite customer, increased speed of service, improved shop ambience and ability to engage with customers.

BUILDING CUSTOMER TRUST

Our customers are by far our most valued assets.

We have well-developed systems and put procedures in place to protect our customers. This includes keeping their personal information confidential and preventing fraud.

Customer information is confidential and it is our responsibility to protect it. Our responsibility extends to protecting our customers and preventing fraudsters from preying on them. This is especially so in M-PESA where there has been a rise in fraudulent activity. Through continued customer sensitization and education we are able to help minimise the cases of fraud that affect our M-PESA customers. We have well developed systems and procedures in place to protect our customers on all these fronts.

To discourage the theft of mobile phones, we blacklist all Safaricom handsets reported as stolen so they cannot be used on other mobile networks.

GROW VOICE

Voice remains the heart of our business, contributing 66% of service revenue. Voice revenue grew by 13% in the year. This was primarily driven by an improved network experience, increased usage and customer growth. Our airtime availability now stands above 85% in the market with several consumer propositions carried out in the year.

In June 2012, Safaricom ran a campaign to reduce the off net tariff from Kshs 5 to Kshs 4. Due to minimal impact on revenue, the tariff was made permanent in July 2012.

Mobile Terminating Rates (MTRs) reduced from Kshs 2.21 to Kshs 1.44 effective 1 July 2012. Following the confirmation of MTRs, Safaricom opted to maintain the headline tariff. The rest of the market either held or increased its tariffs, especially the off net calling rates.

To reward our customers, a telescopic billing campaign, **"Wakenya Tuongee"**, was launched. The objective was to reward customers for speaking longer. Customers who spoke for more than three minutes were charged Kshs 1. This campaign ran successfully for two months.

The **"Wika Na 2 Bob"** voice promotion was launched in the fourth quarter of the financial year. The promotion offered a lower per minute rate of Kshs 2 for daily calls past the four-minute threshold. The objective was to grow voice usage among customers speaking for less than 2.5 minutes daily and increase the length of talk time per subscriber. Besides creating



excitement around the brand, 29% of our customers took part in the promotion and subsequently increased phone usage by 12.5 % during the campaign.

The introduction of innovative messaging services bundles drove growth in person-to-person SMS purchases. Popular packages included a 500 SMS at a daily rate of Kshs 20. (other bundles include a daily bundle of Kshs 5 for 20 SMS; daily bundle of Kshs 10 for 200 SMS). In October 2012, the SMS promotion **"Bonyeza Ushinde"** was launched and ran for two months. The objective was to reward subscribers, while at the same time driving SMS revenues with various cash prizes and the grand prize winner taking home Kshs 10 million. These campaigns contributed to maintaining our revenue market share above 80%.

Safaricom continued to offer innovative and high impact value-added products and services throughout the year. The Bonga loyalty program, **"Changa Na Bonga"**, allowed the purchase of merchandise using part cash and part bonga points.

The Ring Back tone service, **"SKIZA"**, saw the engagement of 66% of our subscribers translating into a revenue increase of 38%. This was largely driven by the USSD search mechanism that allowed subscribers to search for tunes.

Safaricom recognised and rewarded the 100 top spenders for the previous financial year. The objective was to increase retention and loyalty of high value customers by recognising and acknowledging their contribution. These top spenders (in all services except M-PESA) received a voice message from the CEO acknowledging their contribution and an appreciation card containing the CEO's signature. They also received a high-end phone of their choice.

Premium rate services delivered a 12% growth in revenue boosted by increased availability of new services. These services included purchase of ring tones, wall papers, music as well as gaming activities. These functions run by our premium rate service partners will continue to be an area of focus in the new-year.



In November, the **Contacts Back-up service** was launched - a service that allows customers to back up their contacts stored on their SIM cards or handsets. We currently have 15,000 daily SIM replacements and this service aims at assisting these customers secure and retain their contacts when they lose their handsets or SIM cards. At a minimal charge of Kshs 1 per week and Ksh 25 for retrieval we have 335,241 subscribers using the service.

Distribution Channel

The dealer network has continued to grow on the back of new data residual commissions which were introduced to reward dealers selling data products. Outlets directly managed by dealer now stand at 2,600. About 22,000 employees are directly or indirectly engaged within this channel.

There have been several initiatives rolled out to support the growth of the dealership network. These include:

- Short term credit facilities to ensure dealers are able to take advantage of holidays/events to sell more airtime
- Introduction of 8% data residue which dealers earn for data consumed on lines sold by them.
- Dealer training on data and data products.
- Dealer support on distribution tools- in the last financial year we helped dealers to acquire 300 motor bikes through partial funding.

An annual retailer promotion was launched to recognize our 250,000 retailers as part of our retailer loyalty scheme. Various prizes were awarded after the "**Changamka na Mauzo**" promotion which raised Ksh 17 billion and resulted in a 38% increase in sales. About 190,000 retailers won prizes that ranged from airtime to cash awards.

EMPOWERING EMPLOYEES TO DO MORE

Safaricom Champions

We continue to focus on developing our Human capital through various avenues. Secondment and international exposure opportunities were provided for 19 of our key talent in the financial year.

To enhance our capabilities in Data products and services offering, various certifications were achieved with 192 staff successfully completing various levels of data offering related certifications. 5 of our staff are now certified Cisco Internet Experts, having successfully passed the prestigious CCIE lab exams (CCIE). 58 staff members are certified project managers having passed the Prince 2 practitioner examination, while one staff member joined the exclusive ranks of Oracle Certified Masters which is the highest globally recognized expert certification in Oracle.

To entrench self-learning, over 1,000 staff have been certified in various professional areas through our e-learning suite which has over 3,000 Business, ICT and Management & Leadership modules.

Our managers and leaders across the business, benefited from over 20 programs focusing on strategy execution, leading innovation, corporate leadership & Governance, operational excellence, people management and coaching for performance.

Headcount Statistics

Job grade	Total Staff	No. of Women	No. of Men	Gender Ratio
1	1	0	1	0:1
2	11	4	7	1:2
3	36	15	21	1:1
4	142	41	101	1:3
5	259	67	192	1:3
6	548	210	338	1:2
7	572	249	323	1:1
8	1,095	560	535	1:1
9	2	0	2	0:1
Temps	588	364	224	1:1
Total	3,254	1,510	1,744	1:1

Developing Capabilities

To utilize internally available expertise, experiences and skills a Subject Matter Expert program was implemented with over 50 staff sharing their knowledge through training and workshops in areas of their specialization like technology, finance, team building, soft skills and curriculum development.

Functional training across the business continued to ensure exceptional customer experience at all our touch points with world class programs and certification on new technologies, professional development, consultative products and services offerings etc.

We have continued to encourage industry/academia partnership and therefore we renewed our Memorandum of Understanding (MOU) with 2 Universities namely Jomo Kenyatta University of Agriculture and Technology, and Moi University. Our relationship with the universities as well as with Strathmore University remains beneficial in promoting development and industrialization through research, training, innovation,



Signing of Moi University and JKUAT MOUs by institution CEOs

technological development and commercialization and marketing in the areas of telecommunication, ICT and other related fields. Students and staff from the partnering institutions have attachment opportunities and the institutions contribute greatly as sources for "ready-now" staff and Graduate Management Trainees.

Talent and Resourcing

Performance Management

We have reviewed and launched a new way of managing performance to include more productive and effective performance dialogues between employees and their line managers. We have also introduced performance calibration meetings that will improve the organization's performance, to fairly reward top performers, and to help improve contributions of low performers. The ultimate goal is more productive employees who perform at levels to make service, revenue, and growth goals attainable.

Talent Management

In order to develop and embed a leadership development framework that will strengthen our talent pipeline and improve rigour of talent identification and assessment, we are reviewing our talent assessment criteria and will conduct Talent reviews for Grade 4 and above as well as put in place development plans for High Potential Employees to drive international and cross functional growth and development opportunities.

Graduate Management Program

The Graduate Management Program will be re-launched in the new financial year and will provide a pipeline from which high potential new hires designated as Graduate Management Trainees will go through an elaborate program that will see them fully equipped with business and functional skills. This program has been running for the last seven (7) years, but the focus has been around building succession within the Technology function. We are expanding it to look at all functions within the business.

The Program will be a rich career and professional development opportunity for committed Kenyan graduates from both local and International Universities who wish to make a positive impact in transforming lives, while at Safaricom, in the telecommunication sector and the country at large. 25 young, ambitious and innovative graduates will go through the program.

Resourcing

We continue to ensure that we recruit the best talent from the market and promote best talent from within Safaricom through rigorous recruitment and selection processes. We have managed to recruit 100% required skills for the previous year and are currently focusing on the new requirements for the next financial year.

We have also aligned our recruitment plans to growing internal talent & identifying external talent for unavailable/rare skills and have achieved a 50:50 internal external hire ratio. In developing diversity of business talent pools on gender, physically challenged and women in leadership, we have a 1:1 male female ratio, 1.4% physically challenged employee complement and a 30% female representation in G4 and above.

We have successfully taken over 160 interns through the Safaricom internship program and have accorded over 70 employees opportunities for job rotation over the past year.

Through our participation in career fairs in several universities across the country, we have managed to create a strong "employer of choice" brand and have established a good talent pipeline for future business needs.

Reward

Sales Commission

The sales commission structure for our retail, distribution and sales staff has been reviewed to incentivize delivery of revenue targets while maintaining internal equity on remuneration.

Employee Share Option Plan

The Employee Share Option Plan ("ESOP") which was rolled out on 26 February 2010 vested on 26 February 2013. The benefit of ESOP to employees is the expectation that the value of Safaricom shares at the NSE will increase to a level higher than the grant price of Kshs 5.40. The value of the Safaricom share price this year has been steadily increasing and this presents an opportunity for staff to either own a piece of Safaricom or to benefit from the share price appreciation.

Eligible employees can choose to exercise the option anytime up to 26 February 2014.

Organization Effectiveness

People Survey

The 2013 people survey by Hay Group was launched in February 2013 and had a response rate of 88%. This survey was shaped around the Safaricom Way and was improved to give individual managers feedback to enable them to work on areas to improve engagement of their teams and their effectiveness as managers. The overall satisfaction index has improved from 62.5% to 75% and the overall engagement score improved from 71% to 82%. This is a demonstration that Safaricom is committed to providing an excellent working environment for its employees.

Job Evaluation

We have engaged Towers Watson to carry out a companywide job evaluation. We are in the process of carrying out a desk top evaluation by pilot testing the EXCO and HR roles using the GGS methodology. Preliminary results have been received and we are in the process of validating them. We will then engage the business in evaluating all the other roles in June 2013.

LEAD THE CHANGE



E-Class is recommended for business change, transformation and growth within your department and you are highly encouraged to enroll.

Enroll now and lead the change with the ITIL E-Class online resource! <http://safaricom.skillport.com>

CELEBRATING THE BRAND

In the period under review, the marketing functions across Safaricom were centralized into a single division. This consolidation saw further enhancement of the Safaricom brand stature resulting in the documentation of Safaricom Brand Guidelines and culminating in the launch of the much-acclaimed '**Naweza**' thematic campaign.

Naweza. Our story, our brand.

When Niko na Safaricom was launched in 2009, the subsequent campaign in 2010 captured a stunning glimpse of Kenya's diversity in a heartwarming way that was culturally relevant to us. This not only helped to define us through the brand, but also to define our lives with a single and powerful line said in everyday-speak, **Mimi ni Safaricom**. This was a proud statement of ownership and progress by our customers.

With time, **Niko na Safaricom** has been the single most compelling association with our brand. So what was next for this dynamic brand?

Wherever you go in Kenya, Safaricom is closely woven into our cultures, making it an essential part of every Kenyan's life. For the brand, a natural progression would flow from this insight. The direction of the brand commercial explores this mutual relationship of brand and consumer by cleverly delving into our lives.

After **Niko na Safaricom**, who was the Kenyan consumer three years later? What did it mean when anyone, regardless of their status in society could achieve their goals? It meant that through the Safaricom brand, Kenyans were now more informed, ready and empowered to direct their dreams as they pleased. We were now Limit - less.



So what brand association do we sell to our audience? We simply want Kenyans to affirm **Niko na Safaricom, Naweza**. This is why our brand journey is best told by going into the lives of empowered Kenyans represented by two young children and their parents who we see aging through the passage of time. This is framed against the backdrop of the magnificent countryside. With the new Safaricom brand commercial, this emotive story of enabling and empowerment interweaves brand essence and our Kenyan culture. Naweza is simply a brand story owned by Kenyans. It is a telling portraiture of our lives, our needs our desires and our achievements.

This brand positioning continues to explore the lives, dreams and relationships of Kenyans. It is a forward stride to our diversity and a compassionate call to keep going because with Safaricom we have the power in our hands.

Safaricom maintained its customer connection moments by running “**The Safaricom Sevens**” and “**Niko na Safaricom Live**” which provided a platform for young Kenyans to showcase their diverse sporting and musical talents plus generated Positive Local and International Brand PR. The execution of these and other Brand Assets was rooted in the Customer Segmentation process with positive shifts noted within Safaricom's Brand Equity scores which moved from 82.3 in Quarter 1 to 85.1 by the end of the period under review.

Safaricom Sevens

Safaricom took on the title sponsorship of the Safaricom Sevens (then known as Safari Sevens) in 2010 as an opportunity for the brand to connect with rugby lovers. The event, which started in 1996, is an annual rugby tournament run by the Kenya Rugby Union, and is one of the biggest seven-a-side competitions in Africa.

Safaricom's participation in the Safaricom Sevens includes the provision of a Media Center, management of hospitality services at the famous 'Safaricom Village' and more significant, Safaricom is the sole official communications provider for the event which has grown into the biggest and most anticipated sporting event in Kenya.

Niko Na Safaricom Live

In 2012, **Niko na Safaricom Live** (NNSL) was re-launched as the successor of the Safaricom Kenya Live. The country's leading music property, NNSL focuses on growing and nurturing local music talent by giving artistes and upcoming talent the opportunity to enhance their skills and perform on a world class platform. The five-month campaign enriched engagements with the youth through live concerts, campus storms, activations and roadshows. Kenyan stars that featured in this initiative included Camp Mulla, Jaguar, Jimmi Gait, Sauti Sol, Size 8 and comedy sensation Jalango.

As a truly Kenyan brand, Safaricom is committed to growing local talent and positively influencing the lives of Kenyans. NNSL delivered world class entertainment, while at the same time creating an emotional connection with the millions of youths and Kenyans across the country.

Niko na Safaricom Live took place between August and December 2012, reaching out to over 100,000 Kenyans per region and a large audience through TV concerts aired on the Kenya Television Network (KTN).

