

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS
EMBU CAMPUS
**EXAMINATION FOR THE AWARD OF DEGREE OF
BACHELOR OF EDUCATION PRIMARY OPTION**
BUST 424: SALES MANAGEMENT**STREAMS: BED (P) S.B****TIME: 2 HOURS****DAY/DATE: THURSDAY 09/08/2018****11.30 AM – 1.30 PM**

INSTRUCTIONS:
SECTION A – QUESTION ONE IS COMPULSORY**SECTION B – ANSWER ANY OTHER TWO QUESTIONS****SECTION A****QUESTION ONE IS COMPULSORY (30MARKS)****Airtel hangs up on merger plan with Telkom Kenya**

Airtel has backed out of a planned merger with Telkom Kenya dealing a blow to the move that could have helped form a fairly formidable competitor to Safaricom. The two loss-making operators have been in negotiations to merge, with expectations that the consolidation would have given them slightly more muscle and better chance of grabbing some market share from market leader Safaricom. The merger, though it would have excited the market, would have also meant a further reduction in the number of players in the mobile telephony space after the exit of Yu Mobile three years ago. The collapse of the deal now leaves Airtel exposed while taking away their biggest bet in the Kenyan market yet. Also, the development has thrown shareholders of Telkom Kenya into confusion as well as unsettled senior Ministry in ICT and Treasury officials. Helios Investments Partners – which holds a 60 per cent stake in Telkom – had already started prepping the operator for sale, with the ultimate aim of hiving off certain aspects of the firm that would be run separately or sold to other firms. It is already in the process of selling over 700 towers to US firm American Tower Corporation (ATC) under a sale-and-leaseback transaction. There are plans to create a firm that will manage its huge chunks of land. The government – which has a 40 percent stake- had hoped the merger would turn around the Telkom that has been

struggling since mobile telephony took off in the early 2000s. Telkom has tried to play, but unsuccessfully, even after the 2007 sale to French firm Orange. Airtel has, however, unceremoniously walked away from the negotiations, effectively ensuring that status quo, where the two firms continue playing distant second and third to Safaricom, remains. A source familiar with the negotiations said Airtel lost interest following the commencement of the restructuring of Telkom Kenya that started with the sale of some of the latter's assets. "Airtel felt that it would end up getting into a partnership with a shell," said the insider. Early last month, Telkom Kenya announced the sale of its 723 towers to the American Tower Corporation (ATC). The sale, which is expected to be completed in coming months, is seen as part of an asset stripping by the owners. Aside from the sale of the key infrastructure, the owners are also looking at setting up a separate entity (jointly owned by Helios and the Government on a 60:40 ratio) which will manage Telkom's real estate, mostly in prime areas across the country. This would essentially leave a purely Telkom's real estate, mostly in prime areas across the country. This would essentially leave a purely Telkom Kenya mobile operator business was to merge with Airtel business on 50:50 basis between the holding company and Airtel shareholders. Another impeccable source said the deal had been sabotaged by an external forces. Additionally, Airtel has been bullish about its prospects in Kenya and the Indian owners feel that their investment in Kenya might pay off after years of loss-making. The operator has in recent past experienced growth in subscriber numbers, which it took as a sign that things could get better. Safaricom could be forced to share agents' network according to the latest statistics by the Communications authority of Kenya (CA), the company grew its subscriber base by 1.2 million new subscribers in the quarter to December 2017 when its subscriber base reached 7.3 million customers from 6.1 million three months earlier. Another source also points out a scenario where the firm may have opted out of the merger talks because it found a better suitor for its Kenyan business. The talks fell through at an early state as Telkom and Airtel were yet to lodge their merge plans with the regulatory bodies. Communications Authority of Kenya (CA) Director General Francis Wangusi said that the regulator had not received an application from Airtel and Telkom on the merger plan. "They had not officially requested us to approve a merger transaction...we heard about the merger but later also heard that Airtel had pulled out but they never came to us," Wangusi said. Competition Authority of Kenya (CAK) had earlier told Weekend Business that it had not received an application to approve the merger. 4G licence CA has been involved in a court battle with Airtel over licence renewal fees. The communications regulator had demanded sh. 2 billion to renew licences held by Yu mobile after the joint acquisition of the firm by Airtel and Safaricom. Airtel, however, objected and argued that CA had agreed to merge the licences held by Yu with those that it held, meaning it would not be subjected to pay separate renewal fees. The court ruled in favour of Airtel but CA said it would appeal but we are still following the matter and assessing the viability of the appeal, "We gave a notice of appeal but we are still following the matter and assessing the viability of the appeal." Wangusi said, and added that Airtel had paid sh. 2.5 billion for a 4G licence prior to the launch of its network."They paid sh. 2.5 million for their 4G network last month and we have already forwarded the money to Treasury." The wining of the case against CA, payment of the 4G licence fees and the roll-out of the network in May could mean Airtel's feelings towards Kenya have mellowed, despite being in a market where it has only made a string losses. Pulling out of the talks has however put in at loggerheads with senior government officials. There are reports that ICT Ministry and Treasury officials had toasted to the merger plans and had hoped that a merger with Airtel would put Telkom Kenya on a recovery path and eventually, profitability. So sour are the relations between

Airtel Kenya's management and senior Government officials that Ministry of ICT snubbed an invite to the launch of the company's 4G network. Though the last to join the 4G partly, it was a milestone for the firm as well as show of renewed interest in Kenya. It is not the only instance was the Ministry has given a cold shoulder to the firm, with another insider saying the relations are at the moment icy. It is not the first time that Airtel. Which has changed ownership several times over the last two decades, has hinted to the market that it might be exiting Kenya. Since acquisition of Zain, Bharti Airtel has in many instances talked of exiting Kenya as well as a number of other African countries where performance has been disappointing. Prior the merger talks with Telkom Kenya, the parent company had in December said it planned to sell at least 20 per cent of its stake in Airtel Kenya to local investors before a planned full exit from Kenya. Safaricom launches another Digifarm depot Bharti Airtel Chairman Sunil Mittal had told Indian media that the company planned to leave Kenya, Rwanda and Tanzania and has been in active discussions exploring a mix of intra-country sale, purchase or merger. The speculations that the firm would leave Kenya and some other African countries have been rife since the Indian company acquired Zain from the Kuwaiti mobile phone company. Before then, the mobile firm had operated as Celtel, which had acquired Kencell in 2005. More spectrum resources Telkom Kenya has 1581 base stations at the moment, some of which are leased, while Airtel has 1548. Combined, they would have been very close to Safaricom which has 4,000 base stations. It has a significant footprint in the data market, and has recently relaunched its mobile money transfer service T-Kash, to coincide with the launch of mobile interoperability, which now allows consumers to send money to any mobile network without restrictions. The biggest benefit of the joint venture would have been a spectrum enabling them to turn the tables on Safaricom, given that they would have had more spectrum resources to run their joint venture that their fiercest rival in the market. Currently, Airtel has 30MHz excluding 10MHz allocated for 4G or LTE and Telkom has 27.5MHz also excluding 10MHz for LET testing. This means, if they merge, they will have a total of 57.5MHz in spectrum. Should they pay for the 10MHz each is testing on 4G, the number will rise to 77.5 MHz. On its part, Safaricom has 47.5MHz, inclusive of 10 MHz for 4G. At this level, their merger could have matched Safaricom or even overtaken it in some aspects in what could throw a new dimension on the discussions around dominance that had pitted Safaricom against Telkom Kenya and Airtel.

Required:

- (a) You are newly recruited sales manager at Telkom, explain how you will increase sales of Telkom products and services. [10 marks]
- (b) You operate Airtel money agent, Mpesa agent, Bank agents, explain how you will attract many customers in your shop. [10 marks]
- (c) Airtel has recruited you as sales manager, discuss how you will grow Airtel business in Kenya. [10 marks]

SECTION B – ANSWER ANY OTHER TWO QUESTIONS

QUESTION TWO

- (a) Discuss the relevance of each step of personal selling process in today's competitive selling environment citing relevant examples. [10 marks]
- (b) You have been newly recruited sales manager at Kenya Commercial Bank. Discuss how you will design an effective territory to comb Kenyan market. [10 marks]

QUESTION THREE

- (a) You have been newly recruited sales manager at unileaver industries. Discuss how you will design any three sales team structures for effective management. [10 marks]
- (b) Discuss any five methods of motivating sales people in terms of their effectiveness. [10marks]

QUESTION FOUR

- (a) Explain the steps involved in sales training programme development and justify why sales training is critical in today's selling environment. [10 marks]
 - (b) You have been invited to sales conference in Embu to present on any four types of selling. Discuss what you will include in your presentation. [10 marks]
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