Coping with institutional constraints with evidence from micro enterprises in Tanzania:

- What strategies taxi entrepreneurs use to increase sales in Moshi

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ABSTRACT 4

INTRODUCTION 5

BUSINESS CONSTRAINTS 5

PROBLEM DISCUSSION 8

RESEARCH PROBLEM 10

OBJECTIVE 10

RESEARCH DEMARCATION 10

DEFINITION OF WORDS 10

FRAMEWORK OF REFERENCE 11

INSTITUTIONAL THEORY WITH FOCUS ON TRANSACTION COST 11

WHAT ARE INSTITUTIONS? 11

WHY DO FIRMS EXIST? 12

TRANSACTIONS COST 12

ASYMMETRIC INFORMATION 13

SERVICE MANAGEMENT 14

ENTREPRENEURS’ RESPONSE TO INSECURITY AND UNCERTAINTY 17

SERVICE MANAGEMENT – A NECESSITY FOR MICRO COMPANIES TO GAIN PROFIT IN TANZANIA 17

MICRO BUSINESS STRATEGIES FOR INCREASED PROFIT IN MOSHI 20

METHODOLOGY 21

CHOICE OF RESEARCH TOPIC 21

RESEARCH DESIGN APPROACH 22

DEDUCTION, INDUCTION & ANALYTIC INDUCTION 22

RESEARCH METHODOLOGY 23

COMBINATION OF QUALITATIVE AND QUANTITATIVE RESEARCH APPROACH 23

UNSTRUCTURED OBSERVATIONS 23

DEPTH INTERVIEWS 24

QUESTIONNAIRE 25

TELEPHONE INTERVIEWS 25

SAMPLING 25

ASSSESSMENT OF RESEARCH DESIGN 26

TRUSTWORTHINESS & AUTHENTICENCY 26

VALIDITY 28

LIMITATIONS & CONSTRAINTS 28

CHOICE OF LITERATURE & SOURCE CRITICISM 29

PRIMARY SOURCES 29

SECONDARY SOURCES 29
Abstract

The emerging countries experience constraints for economic development and the institutional environment often appear burdensome for micro- and small enterprises (MSE). A favourable institutional environment reduces transaction costs, creates incentives for development and sustainability of enterprises. This paper studies the taxi industry in Moshi, Tanzania. Taxi driver A, Y and R are the focus in the study, and all use differentiating strategies due to institutional constraints affecting MSE’s. In terms of the taxi industry in Moshi, tinged with uncertainty and weak institutional framework it becomes difficult for operators to differentiate themselves, which is why well thought-out marketing strategies becomes important in a competitive industry. Institutional theory with focus on transaction costs and service management are two theoretical disciplines, which together with an entrepreneurial theory creates an interesting combination and acts as the fundamental building blocks in this study.

This study’s research questions are what differentiation strategies could help MSE’s and what strategies lower transaction costs for increased profit in developing countries. This study’s objective is to understand how Taxi drivers in Moshi will benefit from a combination of transaction costs, service and relationship marketing and an entrepreneurial mindset to create a comprehensive marketing strategy for how success and profit with their business is created in terms of increased customer base, higher customer satisfaction and stronger customer relationships. This study’s objective is not to identify, explain and analyse what exact institutional constraints are present in Moshi as that is a very complex area of research.

This study is characterized by a triangulation methodology involving a combination of depth interviews, observations and a questionnaire survey. The authors have conducted an exploratory study aiming to create a deeper understanding of the taxi business’ social context. A combination of the both induction and deduction approach was used; analytic induction; when inductive empirical results is combined with deduced theories to get deeper understanding.

The results of this study provide implications for the overall differentiating strategies for taxi drivers in Moshi. The results implicates that efficient work to lower transaction costs, asymmetric information and relationship building increases opportunities for taxi drivers to ensure sustainable profit.

The study concludes with general recommendations and suggestions for future research.

Keywords: institutions, transaction cost, service management, Moshi, Tanzania, Taxi business, entrepreneur, MSE
Introduction

In this chapter the authors are highlighting factors that make changes in the climate for micro and small enterprises in Tanzania. Followed by a discussion of the identified problem and last the author’s objective and research topic.

Business constraints

A key factor for economic development and industrialization is micro- and small enterprises (MSE) in emerging countries such as Tanzania. Hence, fostering an environment favourable to MSEs has become a governmental priority in development strategies (Fjeldstad, O-H., Kolstad, I., Nygaard, K., 2006). Opportunities for MSEs in emerging countries are often strongly related to contextual factors and macroeconomic issues are important for the growth of MSEs. The overall state of the economy directly influences profitable business opportunities. These implicating that MSEs tend to grow quicker during periods of economic growth (Nichter & Goldmark, 2009).

The institutional and regulatory environments in emerging countries are difficult and can act hindering to MSEs. Institutional and regulatory challenges, which in some cases create uncertainty and unpredictable, might discourage the entrepreneur from making investments and in the long run prevents growth in emerging markets (Nichter & Goldmark, 2009). As seen below, market constraints arising from insufficient demand or competition is constraints seen by the entrepreneur as severe, and is agreed upon by 79, 4 per cent of MSEs in total. There is literature indicating that profits decrease with the number of competitors. The table below indicates that high taxes and uncertainty about tax policies are perceived to be greater problem in smaller locations than in larger ones. Regulations (licences, permits) are found to matter more in larger cities. The perception of high tax rates as a constraint on MSEs in small locations might be due to a greater taxburden as public goods are financed by fewer people as well as tax administration might easily target firms in smaller locations, compared to crowded cities (Fjeldstad, O-H., Kolstad, I., Nygaard, K., 2006).
As described, focus is often on conditions unfavourable for MSEs and a general consensus on what a negative business environment consists of exists. But, not as much emphasis’ on what a positive environment is. A few generally agreed upon characteristics has been raised:

1. Stable macroeconomic environment
2. A mechanism for contract enforcement and argument resolution
3. Consistency for the entrepreneur to know what to expect and therefore can assess risk
4. An unrestrained financial flow for investment
5. Access to information
6. Investments in education and technology

The liaison between institutions and the cost for a transaction between two parties reflects the overall complex economic of formal and informal institutions of an economy.
Developing countries often lack an effective formal institutional structure and enforcement, which is needed for an enabling and efficient environment for the entrepreneur. Hence, the cost for a transaction between two parties is higher in developing economics compared to developed economies.

In Tanzania institutional framework was not favourable to MSEs before economic reforms initiated in 1986 that contributed to the development of a beneficial informal- and underground economy. Private entrepreneurship in Tanzania is growing (albeit it is characteristically small) due to the economic liberalization in 1986. This is illustrated in the increasing percentage share of the private sector, looking at total monetary fixed capital formation. The share of the private sector almost doubled from 1971 to 1991 (Nkya, 2002).

Institutions design the environment and incentives for the entrepreneur. Entrepreneurial activities are dependent on human exchange in social, economic and political arenas. Entrepreneurial behaviour depends on the reward structure in the economy, which is arranged by an institutional framework with its particular “rule and norm structure” according to Bull and Willard (1995) (Nkya, 2002).

“Institutional quality may cause poor countries and poor people to stay poor”

Pande and Udry, 2005

The poorer a country is the influence of institutional quality on economic growth gets stronger. A study that examined the effects of institutions and social capital on economic growth showed that the marginal effect of social capital decreases with institutional strength. In African countries in general, the joint effect of social capital and institutions has a positive effect on income and is statistically significant and is profitably used as complements (Baliamoune-Lutz, M., 2009). There are significant indications that regulations, related to institutional quality, may be extremely inflexible in developing countries. For example starting a business can be time-consuming, to get required permits can be cumbersome and take months (Fjeldstad, O-H., Kolstad, I., Nygaard, K. 2006)
Problem discussion

The environment for micro business looks very different around the world. In European countries institutions often act encouraging for micro businesses. One example is developed credit and financial systems, which provides these businesses with possible resources to grow, such as investment banks or credits. In developing countries the lack of such institutions or existing institutions that are being corrupt, can act hindering for micro businesses. The lack of these formal institutions and the big number of actors on the market makes it hard for micro businesses to distinguish themselves unique and to make profit. Adverse institutions also make it hard for the consumers to seek information about what business or firm would suit the consumers best. This creates extra cost and can be very time consuming, which sets a very high total price for a service or a product. The lack of various formal institutions or the act of adverse formal institutions makes it difficult for the consumer to trust the seller. There can also be informal institutions such as trust and cultural behaviour operating as a reason for why it is difficult for the consumer to find a seller or why they pay a higher risk in developing countries. In the figure below the authors have tried to describe how adverse institutions create low profit for the seller and a high total cost for the consumer according to the previous discussion.

### Figure 1:1

<table>
<thead>
<tr>
<th>Adverse Institutions</th>
<th>Possible consequences of adverse institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal institutions, such as financial markets</td>
<td>Difficult to be unique on the market</td>
</tr>
<tr>
<td>Informal institutions, such as trust and cultural factors</td>
<td>Time consuming and high risk for the consumer</td>
</tr>
<tr>
<td>Difficult to generate profit</td>
<td>Difficult for the consumer to find a seller that can deliver a product or service that meets his or her needs</td>
</tr>
</tbody>
</table>

Figure 1:1 is presented to show how adverse formal institutions can have negative commerce consequences such as difficulties to be unique on the market. For micro businesses in a developing country the access of financial resources are limited. One consequence of this can be that these businesses have problems to differentiate themselves through marketing activities. If these businesses will not be able to reach out to their costumers the consequence can be a low or non-existing profit.
A business with a low profit will not be able to take on new employees or develop. Adverse informal institutions such as trust, this refers to the consumers trust to the micro business, can have consequences such as high total cost for a product or service. It can be very time consuming for a customer to seek information about a possible seller. Therefore the buyer or consumer has to spend more of their time to find the right seller. This can also be a consequence of the seller’s problem to communicate with the consumers. As a result it is difficult for the buyer to find a service or product with a low total cost.

What the authors experienced and discovered was that Tanzanian micro entrepreneurs did not rely on opportunities due to formal institutional help such as loans and credit. A system without constraints for businesses could create an environment where businesses could grow and not be hindered by difficulties to enter and differentiate on the market.

In Moshi, a town different to many other Tanzanian towns due to the high tourism and high educational level, there is potential and opportunities for micro entrepreneurs to create a greater profit then their competitors through differentiation. Moshi have a high demand for products and services but also a great amount of micro entrepreneurs. One example is the large taxi industry, which exists of many micro taxi businesses where the owners have one taxi and in few cases one employee. These micro businesses do not use traditional marketing activities to communicate with their customers and therefore they have to use alternative ways to communicate and gain profit. The constraints on the market do not only have consequences for the entrepreneurs, but also for the consumer as figure 1:1 shows. The various difficulties can be that it’s time consuming and can leave the customer with a high risk. The seller or in this case the taxi driver could charge the consumer too much money, have a broken car or even rob the customer.

As regular taxi customers in Moshi the authors felt that safety could never be guaranteed and rumours of unpleasant incidents were told. Factors as being strangers, opportunism and a different set of norms and values all contribute to the raised uncertainty. The authors want to find out whether there is a causal relationship between reliable formal and informal institutions and growth. As figure 1:1 indicates the authors have tried to explain what adverse institutions do to micro businesses; Creates difficulties to generate profit, in this case the taxi drivers and creates difficulties for the consumer to find a seller that can deliver a service or product that meet consumer needs. Therefore the authors seek to answer the following questions:
**Research problem**

1. What differentiation strategies could help micro businesses for increased profit in developing countries?
2. What strategies do micro business entrepreneurs implement to lower transaction costs for increased profit in developing countries?

**Objective**

The objective with this research is to create an understanding in how micro entrepreneurs in Moshi, Tanzania, manage the business constraints embedded with weak formal and informal institutions to increase sustainable profit. The authors seek to find knowledge in how taxi entrepreneurs overcome the consequential obstacles and identify the drivers’ strategies in Moshi during current conditions.

This study’s objective is not to identify, explain and analyse what exact institutional constraints are present in Moshi as that is a very complex area of research. The authors have conducted the research deriving knowledge about weak formal and informal institutions in Tanzania and other developing countries from articles and previous studies concerning the institutional situation.

**Research demarcation**

This research focuses only on taxi entrepreneurs as study object for the micro business sector and is being conducted exclusively in Moshi town, Tanzania.

**Definition of words**

Entrepreneur – The authors have chosen to use one of Joseph Schumpeter’s definitions of an entrepreneur as a person who is combining what already exists in a new way. Economic growth lays in the flexibility and adaption of new entrepreneurs to generate new combinations of old businesses.

Consumer – In this research the authors have chosen to use the word consumer for the person who is using the service from the seller. The reason for this is that not all customers are the ones who are consuming the service. Therefore we use the term consumer for both the person who consume the service but also the person who bought the service.
Micro- and small enterprises – A microenterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

Framework of reference

This chapter aims to give the reader an understanding of the foundation of the study's theoretical framework regarding institutions, transaction cost, asymmetric information, service management and entrepreneurship. As a conclusion a model (Figure 2:4), to show the linkages of the study's theoretical framework in this study’s context, is presented.

Institutional theory with focus on transaction cost

What are institutions?

Institutions are the rules in a society that shape human interactions and help reduce uncertainty by creating structure in human life. Institutions vary in different countries and the consequences of a transaction in one society differ from another. From an economical perspective this means that the institutions in a society limit the choices an individual have to choose from (North, 1990).

There are both formal and informal institutions in a society where formal ones are written rules created by humans and informal unwritten such as norms or conventions. Formal institutions can change overnight but informal institutions permeate a whole society and takes time to change (North, 1990). Institutions and economical limitations in a society are the framework for how and what type of opportunities exists. Organisations and firms are created to exploit these opportunities and will be different depending on the society. Formal and informal institutions create a framework where organisations and firms are created in need for transactions based on the incentives in these frameworks. That is also why the profit of these organisations and firms are dependent on the incentives in their framework (North, 1990).

Institutions can both lead to an increase and decrease in productivity. The entrepreneur is trying to create changes in the institutions so that he or she will have a bigger profit. By doing so, small institutional changes can occur but in some cases, such as in developing countries, these changes seldom occur. In developing countries the cost of a
transaction is often so high that the market participants do not make choices that are the most sufficient (North, 1990).

**Why do Firms exist?**

Ronald Coase (1937) was one of the first to study why firms arise and what their function was on the market. He concluded that when there are transactions between different actors on the market, transaction costs arises, a cost that could be compared with the cost for information (Coase, 1937). Transaction costs can range from cost to find a counterpart to the cost of monitoring a contract. According to North (1990) costs can be kept low with the help from good institutions and effective exchange can take place on the market. Different types of transaction costs arising on the market are the source of economic, social and political institutions (North, 1990). Coase argued that when resources offered on the market are dependent on a buyer; firms are formed to facilitate the exchange between different actors. Long-term contracts are more cost-effective and reduce uncertainty in contrast to shorter contracts (Coase, 1937).

**Transactions cost**

People’s ability to process information is limited. According to neoclassic theory, market actors are always trying to maximise their profit. Therefore they are looking for an exchange with the lowest total cost. According to North (1990) can the total cost for an exchange be explained as following:

\[
\text{Total cost} = \text{production cost} + \text{transaction cost}
\]

The transaction cost is, as explained earlier, the cost for information. A buyer on the market has to measure if the quality of a product or a service is “good” or “bad” and the harder it is for the buyer to do so the higher the transaction cost and total cost for the product or service (North, 1990). Institutions in a society can help lower the cost by providing the buyer with information that will lower the transaction cost. It is often in both parties interest to lower the cost of transaction. One reason for this is that a lower total cost can help the seller to get more customers and to gain more profit (North, 1990). How well institutions, or the structure of a society, can solve co-ordination and production problems is decided by the motivation of the buyer and seller, also called as the utility function. This also affects how well the actors can create order in their context and how complex the context is (North, 1990).
Another factor that is relevant is that there must be clear rules for ownership, for an exchange between different actors to be effective (Carlton & Perloff, 2000). Monitoring cost control or cost is positively correlated with the complexity of the exchange, i.e. the cost increases with the complexity of the product. The reason for this is that it is usually more difficult to monitor if the parties have completed complex agreements. In an economic perspective, it is in society's interest to reduce these costs and promote effective exchanges between parties and more efficient allocation of ownership in the community (Cooter & Ulen, 2008). Another example is if firms in an industry act opportunistically. When uncertainty is high, the costs of negotiating contracts are high, because it will be harder to create contracts that include all possible outcomes (Carlton and Perloff, 2000).

North (1990) argues that when it is more profitable to respect a contract than not to do so, it is most likely buyer and seller rather respects their contract. When two different actors know each other from before or repeat the transaction, and building a relationship, it is also likely that they have higher incentives to respect the contract. In this case it is likely that if both actors respect the contract it will be more profitable for them both. There will be no formal contract but an informal contract with norms that both actors agree up on (North, 1990).

Asymmetric information

According to Douglass North, market participants can increase their cost-benefit if they co-operate. When a transaction occurs more than once both participants will be more profitable, the reason for this is that both participants gain more information about each other. If one participant holds more information about the other, the cost for a transaction will be higher for the participant with less information, since a higher risk requires to be taken or finding the information needed (North, 1990).

If all players had perfect information, there would be no transaction costs in form of search costs and monitoring costs. However, this is not the case, in reality there are different types of market imperfections, leading to inefficient markets and exchanges. One sort of market imperfection is asymmetric information, whereby one actor has more information than the other actor of the transaction. When two actors agreed to conduct a transaction, if the actors cannot observe each other's actions and one actor in the constituent agreement injure or exploit the other actor's interest, the transaction
most likely will not be successful. Even the perception that one actor could harm the other actor’s interest, can prevent a transaction to take place (North, 1990).

According to neoclassical theory the world has free access to information. This is not a correct image of our societies and therefore the world is in need of institutions. The higher the transactions cost the more need for “good” institutions. The seller is more likely to have access to further information to his service and can therefore influence the total cost by lowering the cost of information for the buyer. North explained this as a sloping demand curve where the higher the price the less quantities the seller will be able to sell (North, 1990).

![Demand Taxi](image)

**Figure 2:1 Demand Taxi**

**Service management**

A Service management perspective is based on mutual interaction and interdependence between buyers and sellers. The client is part of how and when the value creation happens and the purchase is controlled in co-operation between both seller and buyer. A company competes with a total range of services and not just a main product or service. Buyer and seller have a close relationship throughout the buying process and networks between buyers and sellers are central. If the relationship is not satisfying for the buyer, the exchange will end. Different sellers and actors can work together and offer the buyer a more attractive solution (Grönroos, 1996).
Every buyer has an expected level of service for what he or she is buying. Those expectations are based on “Word of mouth” which refers to personal needs and earlier experiences. In Figure 2:2 “Word of mouth” can be explained as other consumer’s earlier experiences that they communicate to the buyer, personal needs is the buyer’s own preferences and earlier experience from the product or service that he or she has. Depending on the gap between expected and experienced service the buyer will either have a more positive or negative experience than expected and the quality of the service will be based upon the buyer’s experience (Grönroos, 2008). Based on this knowledge firms use different tools or methods to find out what the consumer expect from his or her interaction with the firm. “Word of mouth” can be very effective but requires consumers with a positive experience. This shows that it is not only thru traditional marketing channels that firms can communicate with their consumers and it does not have to be expensive to give a consumer a pleasurable experience. But it can be very expensive if consumers will have a bad experience both in terms of compensation but also in terms of future profit.

In a service management perspective there are three different basic components. A seller needs to provide its costumer with all three components in order to have a successful future for his or her market offer. The first is the core service. If we have a taxi business for example, the main service would be the taxi ride itself. The second one is services that are connected to the core service, assisting services, those are services that aim to enable the core service, and for a taxi business this could be a switchboard or a taxi stand. The third service is value-increasing services. These services focus on adding extra value for the buyer, modern cars, VIP services and taxi drivers that are extra service minded. If a market proposal does not have all these components it probably will not be as successful as one that does, and it will have to find alternative ways to satisfy their buyer or they will not be able to compete with the other market proposals (Grönroos, 2007). Even if a market proposal can provide all three components
and a full service offer, then trust must occur to generate a close relationship between buyer and seller. If the buyer does not trust the seller to provide him with what he or she is offering there is a risk that an exchange will never occur. Grönroos (1996) mentions different types of trust based on different assumptions. The first one is Genre Anxiety trust that is based on social norms of the society. The second is System-based trust such as laws or industry regulations and the third is Personality-based trust that means the buyer will trust the seller based on personal relationships between them. The last one is Process-based trust that is founded on a long relationship between buyer and seller (Grönroos, 2007).

**Return on service and relationship**

Improving the quality of service is not a large cost for the seller; instead lack of service quality can be very expensive. High service qualities of a market proposal can increase customer loyalty and provide higher profit in a long perspective. So when a relationship between buyer and seller develops, the possibility of profit increases, leading to a steadier income for the seller. As well as long relationships reduce cost for the seller in terms of not needing to create new relationships, which can be time consuming. Old buyers, or long-term relationships, also tend to pay a higher price for a commodities or services (Grönroos, 1996).

Poor service is not only expensive for the seller but also for the buyer or consumer. Therefore the total cost for a long-term relationship, for the buyer, is an aggregated cost of the net price for the market proposal plus the relation cost.

![Relation Cost Diagram](image)

*Figure 2:3 Relation Cost, Christian Grönroos,*

If the relationship between buyer and seller is not working properly, indirect costs will increase the total cost for the costumer. When a consumer cannot trust the seller it is called psychological costs. This means that the buyer has to spend time on supervising the seller and his market proposal. This is not necessarily monetary costs but costs that the consumer has to pay in terms of time and not being able to trust the seller. Customer
relationship profitability is based in a great value leading to customer loyalty, which in turn leads to lower costs and opportunities relative to mark-up for the seller (Grönroos, 1996).

**Entrepreneurs’ response to insecurity and uncertainty**

One of Josef Schumpeter’s definitions of an entrepreneur is that he or she is combining what already exists in a new way. According to Schumpeter, the goal is not to crave money but dramatically expressed to create and find a private kingdom. Economic growth lays in the flexibility and adaption of new entrepreneurs to generate new combinations of old businesses (Schumpeter, 2008). Another entrepreneurial theorist Sara Sarasvaty also emphasized the importance of flexibility and creative thinking in times of tough competition. In a society whereas competition is high and at the same time institutions are weak entrepreneurs are forced to either optimizing profit, *(Causation process)*, or focus to avoid loss, *(Effectuation process)*. Both are processes of which entrepreneurs can use to create value. In Causation process the entrepreneur has a goal in focus and then decides which means to be used to reach it. The Effectuation process focuses on the means available and what can be created based on the conditions. An entrepreneur who starts from a Causation process focuses on optimal profit, competition and on predetermined conditions in an undetermined future while the effectuation process focuses on strategies that aims to reduce loss create alliances and to control the unpredictable future. It is clear that entrepreneurs may view the market differently and that indicating that entrepreneurs have different prerequisites. An entrepreneur has a different attitude whether the mind-set is ‘How much money can I make or how much money can I lose (Sara Sarasvathy, 2001). The question that appears in a divided scenario mentioned is: who would be the most successful entrepreneur?

**Service management – A necessity for micro companies to gain profit in Tanzania**

For micro businesses in Tanzania it is difficult to differentiate their market proposal from others. On most markets it is common that there are many actors, micro entrepreneurs with, for example just the owner working or maximum with one employee, offering a market proposal that are similar to each other.
Service management requires that marketing activities are planned. For micro entrepreneurs in Tanzania market activities such as building strong relations to their customers is most of the time not a planned strategy but a necessity. Even if the result would be the same it is not possible to understand their behaviour just by referring to service management theory. Micro entrepreneurs are players more referred to the Douglass North way of referring to actors and their behaviour on the market. Players will gain a higher profit if they repeat their game with the same players. This is also something Grönroos (1996) is focusing on when he is describing the value creation between both buyer and seller. Value creation often occurs when there is a long-term relationship between the two actors and it is when the relationship develop that an increase in profit is possible. It is not only the seller that gains from these repeated games, even the consumer is a player that can lower its cost if they repeat their game and in this case the consumer can lower its relation cost by getting more information about the seller and learning about if he or she can trust the seller. Douglass North argues that institutions and economical limitations in a society are the framework for how and what type of opportunities exists. But also that organisations and firms are created to exploit these opportunities. For micro business in Tanzania there are many institutions acting hindering as well as a lack of institutions that could help micro businesses to either grow or gain their costumers trust. This results in high transaction costs for the costumer often caused by mistrust in the different micro businesses acting on the market. To be able to study micro business in Tanzania and to understand how they can create profit the authors need to combine these two theories, Institutional theory and Service management, to see how strong relations can keep down transaction costs and help overcome institutional hinders.

![Demand Taxi](image)

**Figure 2:4 Demand Taxi for regular taxi and for taxi driver x**
Therefore the authors have created a combined model, which will be a more accurate framework of reference for micro business in developing countries such as Tanzania. The demand for, in this case taxi business, has a negative relation. Figure 2:4 shows that the higher the price the lower demand. As the red curve shows, when the total price goes down the demand increases. The blue curve shows a taxi business or driver that can offer a lower total cost in terms of lower transaction cost or relation cost. From now on, the authors will use the term consumer cost where we refer both to the relation cost that are related to the consumer/seller relationship and his or her service or product, and also to the transaction costs where we refer to institutional hinder and adverse institutions. These adverse institutions could be a reason for why there is no trust between the buyer and seller; this is not referred to the micro business and its product or service per se but to the whole society and its culture. Another factor is the asymmetric information between the consumer and seller, which increases the consumer cost and the total cost for the consumer. An entrepreneur acting, according to Sarasvathy’s description of an effectuation process, could be able to overcome institutional hinders by using what resources he or she has available. By doing so the entrepreneur could create a differentiating strategy so that he or she can lower the consumer cost and create more profit. Due to lower consumer costs and a lower total cost in the blue curve the seller have managed to offer the consumer a lower total price even if the monetary price is still the same. This means that the seller will have more customers than his or her competition on the market, which in the long run will gain both consumer and seller.

What figure 2:4 shows is just that when adding some factors to the equation we get a shift in the demand. At the same monetary price as before, the consumers are now demanding more taxi fares. If we accept Sarasvathy’s effectuation process then we assume that there are resources to be used in a differentiation strategy that can lower transactions costs for the consumer and that our taxi driver is an entrepreneur. These factors would in this case be able to stand over the norms and act in place of the adverse institutions such as access to credit. When our taxi entrepreneur is doing so, he or she is building a "bridge" between the consumer and him or herself.

This would serve as an alternative that could, according to figure 2:4, achieve profitability and efficiency for both the consumer and the taxi entrepreneur. We can now call the taxi driver in figure 2:4 for our taxi entrepreneur.
**Micro Business strategies for increased profit in Moshi**

A differentiation strategy is a strategy that differentiates the product or service from other in order to become more attractive on the market. A differentiation strategy is appropriate where for example the market is competitive and holds many actors, customers have very specific needs, which are possibly under-served, and the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy. Taxi entrepreneurs in Moshi, Tanzania need to differentiate themselves from the other taxi drivers, which they are competing with. The core service provided by a taxi driver in Moshi is to drive the consumer from A to B. All other services provided by the taxi driver can be seen as strategies to differentiate themselves among the supply of taxi drivers.

Based on the service management perspective an entrepreneur can compete with other entrepreneurs by providing extra services besides the core service. These services are called assisting services and value adding services. The taxi entrepreneur in Moshi can use these value adding services to provide extra value for their consumers and differentiate themselves among the other taxi drivers.
Methodology

This chapter highlights the study’s proceedings and choice of methodology design and approach. Initially the background of the research topic is introduced. Followed by a description of the study’s design, sampling and why a qualitative research approach was used. Finally the study's literature collection process and source criticism is highlighted.

Choice of research topic

By motivating the underlying motives for the authors' choice of research subject an idea of the personal aspects that influenced and shaped the study's focus is given.

The authors were living in Moshi, Tanzania from March 31st to August 6th 2013. They got a widespread knowledge of Moshi and institutions operative there, both formal and informal. The authors have an interest in marketing and the field of marketing consisting theories about relationship marketing. Marketing in the commodity sector focuses mainly on transaction perspective and the marketing mix as the main theory. This research is different in terms of the assessment of a specific marketing strategy since there is no explicit marketing strategy for taxi drivers in Moshi. Customers are usually obtained by leaving contact information in hotels or through physical presents at the taxi stops in Moshi-town.

The authors got in contact with several students at Kilimanjaro Christian Medical University Collage, KCMC, during their time in Moshi, through whom they got introduced to taxi driver Y. After being introduced to taxi driver Y the interest aroused to investigate how taxi driver Y increases sales under the existing bad institutional conditions. Overall, the authors found it interesting both from an empirical and theoretical perspective to examine how transaction costs, relationship building, service management and asymmetric information are related in this specific context. The study combines the authors' interest in relationship building and how that creates market advantage along with classic business theories such as transaction cost theory. This enables the authors to generate an understanding of how the relationships are created and profitable mutually in their chosen context.
**Research design approach**

**Deduction, induction & analytic induction**

A theory is an abstract simplification of reality. Theories are conceptualizations of something we cannot see and experience directly. Relationships between perceptions and allegations included in a theory must be made explicit and described. Classic models for theory building are *deduction* and *induction*. Deduction is theories or general principles that are assumed to be true. From these, basic premises are derived—to all other allegations in a theory. Premises that are assumed to be true is used as an argument that the allegations we derive further are true. With that said deductive methods are substantiated through a 'top-down' structure. Induction on the other hand assumes systematized experiences. Only what our senses indicates is true is accepted. Observation of our reality registered around us supports to formulate a theory based on a series of such observations. From a number of detected regularly connections, we suppose that the connection applies to all similar cases. The inductive model would go from a few to all, while the deductive model goes from all to a few. Since induction is based on repeated experiences, we can say that the allegations are based "bottom-up": from repeated experiences of individual cases to a generalization of all cases (Thomassen, 2007). According to Bryman & Bell (2005) it is favourable to distinguish deductive and inductive strategies as tendencies, rather than one clear distinction that is the accurate method.

The research approach used is a combination of the both approaches; *analytic induction*; based on a inductive method where conclusions were made based on empirical facts from surveys, observations and interviews and using existing deduced theories as a frame to get deeper understanding of the context to interpret and explain reality (Watt Bolsen, 2007). The authors had little prior knowledge of the taxi industry in the chosen context and the combination of the different theories used. That results in low expectations before the empirical data was collected, which characterizes an inductive approach. This study includes theories that are used as a framework and starting point for the research topic that aims to be answered, which may be characterized by a deductive approach, but in a new context and by a new combination of theories. Therefore, when examining these theories there is room for new interpretations that characterize a more inductive approach. The authors does not seek to establish
verification for existing theories but instead using both theories and observations to create a greater understanding of social constructions linked to Moshi’s taxi industry and different strategic approaches used. The authors’ scientific approach is a more inductive then deductive but contains characteristic from both research approaches.

**Research methodology**

**Combination of qualitative and quantitative research approach**

Using only one research method may be insufficient to receive a clear picture of the phenomenon (Bryman & Bell, 2005). In an effort to minimize these risks, the authors have chosen to supplement the qualitative method with a quantitative method involving a combination of interviews, observations and questionnaires, this method being called *triangulation*. Triangulation is an acknowledged method because of its tendency of deeper understanding and more valid results. A growing interest of combining the research methods have appeared because of the ability to fill knowledge gaps and creating a more reliable conclusion then using only one method. Scientists believe that the research methods are essentially based on incompatible paradigms, one based on words and one based on numbers (Bryman & Bell, 2005).

**Unstructured observations**

Unstructured observations were done during a 14-day period in Moshi, Tanzania before the interviews were held. The purpose with unstructured observations is to provide as much detail as possible of how participants in an environment behave and to provide a coherent narrative description of that behaviour. Observations may provide more valid and reliable data then questionnaire data. It provides a better contextual understanding of factors that indirect affect the study area that might have been difficult to discover through questionnaire and interviews only (Bryman & Bell, 2005). Due to difficulties in the matter of formal meetings with representatives from Moshi municipality or large taxi companies to discuss Moshi’s taxi industry, the author’s decided to make unstructured observations. By combining depth interviews with observations of Moshi’s taxi industry, its drivers and customers, the ability to supplement the interviewees approach to the taxi industry with what appears in the taxi industry’s actual operations. The authors wanted a holistic perception of how the business was run and relationships were built. The results from the unstructured observations are used as a complement to
the qualitative method to visualize the drivers’ perspective on the relationship building in the context of the taxi business.

The authors were both equipped with notebooks and individually took notes during the 14 days of observations. Observations were done on taxi cars, taxi spots, taxi drivers and taxi customers. The authors discussed the findings in order to determine a common understanding and perception of the situation. The authors made conversation with many drivers and a few of their customers and tried to make an overall interpretation to use as a framework for further discussions concerning the research’s objective and study focus. During the period of unstructured observations the authors decided which drivers to continue studying. The unstructured observations are used to describe the **Taxi industry in Moshi** in the empirical findings chapter.

A long way into the writing process the authors’ realized that the empirical findings might be too narrow and weak in order to make reliable analysis and conclusions of the study. Depth interview was held with only one taxi driver, but unstructured observations were done including many drivers. In order to complement the empirical findings and strengthen our data material the authors chose to return to all material collected from the unstructured observations and to conduct telephone interviews.

**Depth interviews**

The goal of the study is to create an understanding of the importance of relationships in the micro-enterprise context and taxi industry operations. To enable this, the authors use a qualitative research method with depth interviews with one driver, and two of his different customers.

Depth interviews was held during the last 30 days of our stay in Moshi with taxi drivers Y, two foreign students at *KCMC*, and one representative from Hotel X management, whom are all customers of taxi driver Y. The two first mentioned interviews were held at a popular, still calm, café in town and the latter at the office of hotel X. In both venues both respondents and the authors felt comfortable and there was no incidence of disturbance. When taxi driver Y’s interview was held there was a Swahili-speaking person present in case of misunderstandings or linguistic barrier. The depth interviews are used to examine how individual factors affect each other, work together and create effects on the relationships in the taxi industry context.
**Questionnaire**

To be able to make a generalization of how other groups than the chosen focal customer, temporary residents, value and use taxi service a questionnaire was executed with 40 of the medical students of *KCMC* in Moshi. The respondents were handed out to randomly to the students whom we assume to occasionally use taxi services. The aim of executing the questionnaire is to generate data that support the authors’ pre-understandings of what taxi customers request and why they do so and to facilitate and support the analysis of the results from the depth interviews.

**Telephone interviews**

After having returned to Sweden the authors chose to strengthen data concerning taxi drivers strategies in order to simplify the analysis and make our research question more answerable. In January the authors conducted two telephone interviews with two taxi drivers, A and R, from Moshi whom the authors’ have a relationship with due to frequent use of their services. The interviews lasted approximately 10 minutes each and there were no implications during the interviews. The sample was made based on their English interpretation and speaking quality to avoid any sort of misunderstandings and to make sure we would get answers to all our questions. The interviews were based on the same interview question template as with taxi driver Y (see Appendix 1) and were semi-structured.

**Sampling**

The authors’ goal is not to study a random sample to generalize the results to the population, but rather develop an understanding of complex issues relating to human behaviour. When conducting a qualitative research it is recognizable that some people are better suited than others and are more likely to provide relevance, insight and understanding for the researcher. For the study’s empirical findings a judgement sample was used, also called a purposeful sample. Through this method the respondents are actively selected for the most productive sample to answer the research question. Regarding the questionnaire the authors choose to seek help from their relations with a few *KCMC* students to get further connected with their co-interns.
Ten of the respondents filled out our questionnaire while we were at KCMC campus while the other 30 was filled out through help from friends while they were meeting all KCMC students at the hospital. The chosen sample group has common behaviours; frequency of using taxi services and need of taxi service and is therefore a purposeful representative group. The method is leaning towards an intellectual, rather than a demographic stratification strategy, with variables such as age, gender, which in this research is relatively insignificant. The interviewees are seen as people who have specific experiences “critical case sample” or special expertise “key informant sample” and are sampled on basis of their knowledge or importance for the research question. To conduct the questionnaire the authors used a snowball sample strategy where interviewees recommend useful potential candidates for the study (Marshall, 1996).

Regarding the depth interviews with taxi driver Y, the unstructured observations and telephone interviews with driver A and R they were chosen because of convenience due to an already established relationship and because their English interpretation.

Regarding the depth interviews with the two KCMC students they were chosen mainly because they were the ones to introduce the driver to the authors and because the same reasons as mentioned above concerning the questionnaire respondents, whom is seen as a representative group and key informant sample due to frequent need and use of taxi drivers.

Assessment of research design

Trustworthiness & Authenticicy

When conducting a qualitative research method the concepts reliability and validity has less relevance as truth criteria because they are often linked to issues concerning measurement of any kind. Qualitative studies involve the concepts trustworthiness and authenticity. Trustworthiness addressed in the literature as four categories: credibility, transferability, dependability, and conformability, the ability to demonstrate and confirm, that together affect similar truth criteria as within the quantitative research (Bryman & Bell, 2005).

Credibility is based on how the researchers choose to present the reality, namely the possibility to ensure that research is conducted in the right way. The results should picture the relevant people in the right social context to ensure right reality visualized (Bryman & Bell, 2005).
The study's credibility should be high since all interviewees have had reviewed the processed and transcribed data before published. Furthermore, most readers can imagine themselves as a taxi customer and many have experienced feeling vulnerable in a situation where you are not in their comfort zone and therefore compare the results with their opinions.

The study's transferability is based on how well the study can be transferred to a different environment and whether it would affect the study’s outcome and results (Bryman & Bell, 2005). This study probably has a finite applicability and is therefore not transferrable to a different context. Would the study be conducted elsewhere in Tanzania without high tourism and taxi services, the result would likely differ due to Moshi’s current dynamic condition Moshi town is projected to become a city in 2016 and estimated to grow in population (dailynews.com). This implicates that the exact same results is unlikely to occur and a replication not replicable. The taxi customers’ thoughts and perceptions may vary enormously if the questions were asked in a different context, e.g. in the western civilisation where there are surveillance cameras in the cars, large companies operating and visible registration cards in the cars.

The study's reliability will be derived from how well the study assures a complete and an available description all phases of the research (Bryman & Bell, 2005). The pursuit of the study’s reliability has been made through constantly questioning and criticizing data collected. All parts of the study have been processed on several occasions; especially the unstructured observations and the theoretical facts have been reviewed. The depth interviews and unstructured observations have been processed via transcription and compilation to avoid the information being misinterpreted or misleading. Others than the authors themselves have reviewed the research and their opinions taken into account. A third party has reviewed the theoretical section to ensure accurate interpretation and made a final assessment and review of the content when the study was completed. A third party has also reviewed the study to ensure linguistic understanding.

The ability to demonstrate and confirm means that researchers personal values are omitted, and thus do not affect the course of the study and results (Bryman & Bell, 2005 p 307). It is difficult to guarantee that the authors’ own values did not affect the course of the study, since it can occur unconsciously. Through constant reflection of the objective and research topic, the authors sought to put their own values aside. However,
there is a certain degree of values involved in the authors' observations as these give a more subjective view of reality. The authors were aware of the matter and as a consequence only used observations as complementary data (Bryman & Bell, 2005). The authors made observations without the interviewee’s knowledge during 14-days to avoid atypical or changed behaviour that could affect the data. The interviews were held after the unstructured observations.

The truth criterions described by Bryman & Bell (2005) are that the research methods give a fair reflection of the concerned parties to the study. The authors have during the study aimed to give a fair idea of the current context (through for example using quotations and well processed transcriptions).

**Validity**

Bryman and Bell (2005) also emphasize internal validity, associated with causality and cause-effect relation, whereas the importance as a researcher is to try to detect what affects what in the selection process. This study’s empiricism is formed out of a theoretical framework, which increases the study's internal validity. External validity and whether the results can be generalized to other contexts (Bryman & Bell, 2005), is not high in this study. The authors see the research as unique as the study was located in Moshi, Tanzania for a period of 100 days. The areas specific conditions and current movements make the research’s results difficult to generalize. The aim with the research is not to make generalization of the results and apply for other geographical areas and situations.

**Limitations & Constraints**

This research is limited in several ways and should be taken into consideration during the processing of the material. The study is only focused on a small geographical area: Moshi, Tanzania. Depth interviews were held with only one taxi driver while in Moshi. The authors possess a generic knowledge of the taxi situation in Moshi to have an overall picture and interpretation of its operations through observations and experiences. As the goal is to generate qualitative knowledge with focus on only one driver and not to create a general picture that can be applied to all taxi drivers the authors did not at first see this as a severe constraint.
But as the research process continued the authors found the limitation more severe than expected and chose to complement the empirical findings with two other taxi drivers due to narrowness and lack of sufficient data.

There are limitations associated with the quantitative research method and the sample of respondents to the survey. As described earlier in the selection process there was a convenience sample of respondents whom were all students at KCMC, still all frequent users of taxi services. There is a risk that these samples are not representative of taxi driver Y's clientele since all might not necessarily have a relationship with the study object himself but only regular users to similar services.

**Choice of literature & source criticism**

The primary source is what the authors themselves have observed and the secondary source is the truth out of others observations. From the following description, the authors explain that their research is based on both primary and secondary sources. Since the study adopted a more inductive approach in attempt for a greater understanding that increases the primary source collection, however, in combination with already existing secondary sources.

**Primary sources**

(see sampling section)

**Secondary sources**

Literature and articles used in this study has been found by searching the databases Söder Scholar, Google Scholar. The authors have not chosen to exclusively work with recent material to keep the actuality high, instead the goal was to find relevant material. To find relevant articles for our studied subject, keywords were used to narrow down the number of hits in the database. Keywords used both individually and in various combinations are: Business constraints, Africa, Tanzania, Micro- and small enterprises, institutions and transaction costs. To determine the content of the articles the authors has first red the summaries and conclusions and chosen articles with high amount of recentness. The only time that web based sources was used in the study was in the problem background for supplementary facts.
There has been a requirement of a high scientific level, where literature has been based on research and scientific articles. The literature and theories is considered secondary sources as they are based on other researcher’s conclusions. Most of the litterateur in the methodological and theoretical chapters used has been required course litterateur throughout the author’s business administration studies. The authors have felt confidence and familiarity with main concept and the theories as well with the trustworthiness and accuracy with the litterateur’s content. All literature has have been searched for at Södertörns University’s library. The authors did not continue with their search of literature throughout the study period, but kept with the chosen literature that they felt content and comfortable with.

**Criticism**

In pursuit of a solid and fair view of the current study, the selection and interpretation of the theoretical framework is of critical importance. Throughout this study, the authors were critical to the theories relevance. The intended nature of the used theories are developed and applied in dissimilar contexts and under dissimilar conditions. The study took place in Moshi, Tanzania and therefore the theories might not be applicable. The authors not have chosen to rely on the chosen theories and apply them on the chosen context.

Our research is fairly unique and no exact study has been done before. Hence, to avoid a bias in the sources used in this study, it has been of great importance to continuously process theories regardless of its results. By combining theories with conflicting points of departure, we want to increase the reliability of our work and therefore also build up a more accurate picture of our theoretical framework. To create a study that reflects our chosen study area, the authors wanted to adjust their theoretical framework and personalized it for their purpose to improve the accuracy.

During this study the authors have worked with different theories which heritage from different time horizons. Transaction costs theories have a broad theoretical history while theories of service management are relatively new.
Empirical findings

This chapter presents the authors’ findings of Moshi’s taxi industry. Firstly the overall taxi industry in Moshi is introduced based on the unstructured observations and from communication with local taxi drivers. Secondly, the highlights from the interviews held with the taxi drivers are presented. Thirdly, a sample of two taxi customers is presented. Finally, there is a summary of the questionnaire answers.

The taxi industry in Moshi, Tanzania

The taxi industry in Moshi as well as other transport alternatives plays an important role regarding jobs in the municipal and is an important source of income for many people. There are many registered taxi cars, as well as unregistered in Moshi. Because of the amount of taxis the competition is severe. There are a very large number of taxi cars operating in Moshi but there is also a great amount of boda-bodas, motorcycle taxis, and Dalla-dalla’s, the local bus service. These services are significantly cheaper than taxi services. Many locals do not use taxi services at all, but instead Dalla-dallas or boda-bodas. Many locals work or spend their days in Moshi and later go home to rural areas and are in need of transport. The local bus service stops operating at 22 hours, which increases the demand of taxis or boda-bodas after that time. One of the taxi stops is located nearby the central station for buses in the centre of Moshi town. When arriving to the central station in the night from other cities a great amount of drivers fast run up to the bus vehicle in hopes of gaining customers for further transportation. The situation can sometimes get hectic and unpleasant, as there are many drivers whom all want to persuade potential customers.

There is a significant high amount of motorcycle owners, although hard to determine an accurate number of motorcycle owners. It is rare to see women driving motorcycles but they are instead frequent users of boda-bodas and dalla-dallas. There are a couple of taxi-stops located in Moshi where many drivers wait for customers or await calls from different actors such as malls, companies, governmental authorities and from customers themselves. Moshi taxi drivers do not use any advanced technological marketing help such as television or radio commercials. A taxi entrepreneur in Tanzania experience difficulties reaching out to possible consumers due to the lack of communication channels. Moshi lack institutions that facilitate the entrepreneur to build a business so that he or she can communicate its services. Since it is very hard to access financial
resources such as credit or business advice the entrepreneur has difficulties to develop a more profitable and stable business. Often a mobile phone is the only technical tool used to generate returning customers. Other alternatives to gain new customers or make customers return is to co-operate with hotels and other locations where people often demand taxi services or to wait at taxi-stops. In Moshi, there are no official taxi co-operatives or companies. All drivers are so called independent taxi entrepreneurs and there is only a registration number on the car (only on registered cars), and no names or logos. There is no official advertisement done on behalf of the drivers. Marketing or advertisement is solely done through building relationships with various customers. As there are no taxi companies or taxi co-operations much is up to the driver himself.

There is a large mall recently opened, Nakumatt, which has become a common spot for taxi drivers to gain customers. Nakumatt is Moshi’s first and biggest retail spot covering all basic groceries and supplemental commodities such as kitchen appliance, clothes and electrical equipment. It is in a large building close to Moshi’s biggest bank, neighbour with a gas station and with other service spots such as restaurants, souvenir shops, in-house bakery, pharmacy and optician included in the building. Nakumatt have many imported goods compared to smaller grocery shops. And as the mall is fairly luxurious and is similar to many western malls this attracts many temporary residents or tourists. Taxi drivers are not allowed to park in the malls parking spot and are therefore often gathered across the streets from the mall. Many drivers try to communicate with potential customers (often western and not local) as they come out from the mall. A more comfortable way for Nakumatts customers is to ask the front door guards for a recommended taxi driver. They guards call drivers they know and therefore it is seemingly important as a driver to be in their mobile phone contact list.

The drivers register for the operational permission at Tanzania Revenue Authority, TRA, to execute the taxi service. It is a yearly cost of 105 000 TSH (420 SEK) and a yearly fee to Moshi municipality of 10 000 TSH (40 SEK). This amount is for some drivers experienced high and cumbersome. The drivers are given a yellow license plate and a blue stripe along the outer shell of the car as a proof of their registration. Most of the drivers use simple and old cars with no modern tools or equipment. Taxi drivers in Moshi do not use a meter but instead negotiate the price with the customer before or after the service.


**Taxi drivers**

**Taxi driver Y**

*Taxi driver Y is born and raised in the rural part of Moshi, Tanzania. He is a father of two and lives together in a small house with his wife and children. Taxi driver Y started his career in the transport business with driving the local buses, dalla-dalla. Taxi driver Y is today in his thirties and has been a taxi driver since eight years back. Taxi driver Y does not have a secondary education and he found the taxi business attractive because of the possibilities of a high income and flexible work hours. Taxi driver Y runs his taxi business privately and is not a part of a taxi co-operative. He has well-established relationships with neighbours, organisations and companies.*

**Taxi driver Y’s perception of the taxi business in Moshi – opportunities and obstacles**

Taxi driver Y estimates that income brought from the built relationships accounts for approximately 80 per cent of the total revenue generated. Taxi driver Y has established the relationships differently depending on the customer. Taxi driver Y sees the amount of tourists and temporary residents as a great source of income as they are more likely to use taxi services. As Taxi driver Y lives in the rural part of Moshi, customer relationships have been created with neighbours, close-by schools and hotels. However, Taxi driver Y thinks that his attitude and friendliness have had a great impact on the quality of the relationships established. Taxi driver Y is devoted on providing superior service to customers and believes that the established relationships has benefited from the quality aimed for. As a strategy for providing superior service Taxi driver Y has a network of other taxi drivers in Moshi. In case Taxi driver Y is not available to drive his customers he calls another driver to provide the service. Taxi driver Y is not gaining any financial benefits from doing this and is not charging the other driver. Taxi drivers Y’s only concern is to keep relationships strong and maintained. A strategy of taxi driver Y’s to build strong relationships is to memorize all his customers’ names and always greets customers by their names, which have shown to be a small but highly appreciated gesture. Another strategy of his is to keep both himself and his car clean and proper. The car is maintained and regularly washed and the interior cloths are covered with a changeable and washable dustsheet cover.
Taxi driver Y is content with his work situation and is making “good money” and a sufficient income to support his family. Taxi driver Y is not concerned with the high amount of competition in the taxi business in Moshi. Taxi driver Y has turned the competition into an opportunity whereas income is secured through strong relationships with various customers.

Among identified relationships that Taxi driver Y has the authors have found those established with greater actors such as schools, hotels and parents to be of most interest. An interview with the hotel that taxi driver Y has a well establish relationship with was conducted.

Taxi driver Y sees those bigger actors more sustainable and long-sighted, which creates a more stable and definite revenue. Taxi driver Y cherish the establish relationship with Hotel X and consider the hotel as a major source of income. Taxi driver Y is using a service minded approach to all of Hotel X’s customers. During service operations Taxi driver Y wants to provide “that little extra experience” that will benefit establishment of relationship with future customers. For example the first time driving one of Hotel X’s guests he shows them around in town, without extra fee. Taxi driver Y’s has experienced great appreciation from providing that service. Taxi driver Y is certain of that a good first impression and good service is the main incentive for returning customers. Taxi driver Y keeps Hotel X as a main business priority as he values their relationship high. Taxi driver Y does not want the drivers in his network to execute the services for Hotel X on his behalf but instead prefers to be in control of the relationship and potential inconveniences.

The interview with Hotel X is presented after all three drivers have been introduced.
Taxi driver A

Taxi driver A was born in the rural area outside of Moshi. Taxi driver A started work as a taxi driver in his twenties and is now 62 years old. Taxi driver A is a well-known taxi driver in Moshi among temporary residents. He has been referred to as “famous” and is for many the first in mind driver to call. Taxi driver Y runs his taxi business privately and has created a big network of co-drivers whom he calls when the demand is high.

Taxi driver A’s perception of the taxi business in Moshi – opportunities and obstacles

Taxi driver A has a well establish customer base among temporary residents, i.e. KCMC students and has somehow created a trademark for his taxi business among these students.

Taxi driver A has a long history of working in a close relationship with shifting KCMC students in Moshi. It started many years ago through students randomly used his service, whereby he saw the opportunity of driving them more frequently since they were staying eight weeks. The initial customers appreciated his service and their relationships and forwarded taxi driver A’s number to colleagues. Taxi driver A started to get calls more regularly and saw even a greater potential in this established relationship. The students request taxi service most commonly during evenings, nights and weekend whereby taxi driver A adjusted his working hours so that they would match his demand.

This very profitable network started off slowly but now customers come without bigger efforts made from taxi driver A side, although he is still making new relationships every week that he cherishes and nurtures. The interviewers found this very astonishing considering their observations of the taxi industry and other driver’s reality. Taxi driver A believes it is a mixture of luck, convenience and because of his friendly way. He highlight the importance for foreigners to feel safe in uncomfortable situations e.g. when going in to an unknown taxi drivers backseat. Taxi driver A continues explaining his reputation and well-established name among temporary residents has created a mutual value for them and for him. Taxi driver A explains he feels very fortunate about his situation and highlights how the taxi business for many, including himself during most of his time as a taxi driver, is very burdensome due to high competition and further
explains how everyday life can be stressful and unwarranted as a taxi driver. His and what he believes many drivers’ agree upon, daily goal is to make sufficient money to provide for his family as the only income taker in his family.

Taxi driver A sees the temporary residents as a great source of income today as well in the future. Taxi driver A claims these customers represent most of his revenue. High quality service given to today’s customer increases the chance of a good word-of-mouth to tomorrow’s customers. Taxi driver A is taking the opportunity to give his number to friends of the current customers to expand the customer base. A strategy of taxi driver A’s has from start been to create a sense of friendship and always tries to remember all his regular customers’ names. As TR’s often have their families visiting them during their stay he often asks his customers if they expect visitors and that they should contact him in that case.

He finds it important for the customers to feel safe as well as comfortable and satisfied. It has not been and it still is not only done to generate money; he actually cherishes and enjoys the friendships and relationships created.

Before Taxi driver A is about to finish for the day he gives some of his most returning customers a call to see whether they are in need for his services that night before deciding to finish. This is another strategy used for gaining income both in a short as well as in a long perspective. Making himself reminded and top-in-mind by his customers is his goal. For example he usually suggests being the one to drive them to the airport the day for their departure. This is a way for Taxi driver A to sustain the relationship and avoiding potentially lost income from his customers calling another driver.
Taxi driver R

Taxi driver R is a mid-aged taxi driver born in the rural areas outside of Moshi. He has had his taxi business since 1997 and before that worked with agriculture with family owned crops. He started driving taxis after being introduced to the business by his friend who was a driver. It commenced with replacing his friend when he was unavailable for requested ride, whereas Taxi driver R saw the opportunity of getting his own car. Taxi driver R’s biggest customer base is the network within Moshi University College of Cooperative and Business studies, MUCCoBS. The relationship started through his now retired friend who introduced him to the business. He had connections at the school and was a frequent driver of teachers, visitors and students.

Taxi driver R’s perception of the taxi business in Moshi – opportunities and obstacles

Taxi driver R emphasizes the great importance of the customer base he got to inherence. The relationships his friend had built up have from the beginning of taxi driver R’s career been his major source of income. As he got to inherence many contacts and relationships many of his key customers were gained effortless. His continued work with maintaining these relationships to ensure stable and high revenue is to treat his customers well, be available and make him remembered. Taxi driver R agrees with the common perception of a competitive taxi industry in Moshi. For taxi driver R, the taxi business is based upon uncertainty and instability, where some days may result in little money is generated. It is also burdensome for drivers to sit and wait in the heat and he among other drivers seeks to hide from the sun. Taxi driver R considers himself fortunate about his situation in current conditions in Moshi. As many drivers stay in the Moshi town waiting for customers at taxi stops, he prefers to stay within the MUCCoBS compound where there is significantly less competition, places for shadow and most importantly where he is close to his main customers. It is crucial for him to be close to maintaining the relationships he has with the school and to be top-in-mind driver. Staying close is his actual strategy and to make sure his telephone number is visible and available to everybody working at MUCCoBS. He has close relationships with some of the key staff at school and he has built a relationship with the staff at the conference centre where all visitors stay so that he is the first driver to call. Although the school has
drivers employed by the school all staff do not use those services and there is a need for
taxi driver R’s service. Taxi driver R draws attention to the importance of him carrying
on the good reputation and well-established relationships with the school. He gets
approximately three calls daily from staff and during nights and weekend’s students
uses his service.

Taxi driver R emphasizes the importance of relationship in the taxi business and without
relationships it would be very hard to overcome the competition and obstacles in the
market sphere. Thanks to his relationships with guests, staff and students at MUCCoBS
he experiences his work situation as stabile and sustainable. He can run family errands,
have free time and his days are slightly more routinely than other drivers according to
himself.
Hotel X

Hotel X is located in rural community just outside Moshi, Kilimanjaro, Tanzania. They offer lodges, safaris and mountain climbing tours to their guests and make a clear point that they are your friends when in Tanzania and that they are there for your service. Hotel X was established in 1999, and is a family run hotel. Their guests are contributing through their stay with Hotel X’s work on several development programs in the local community. They offer meals throughout the day and the kitchen use only fresh locally available ingredients.

Hotel X’s relationship with Taxi driver Y

As Hotel X strives to offer their guests the best service possible they have established a close relationship with Taxi driver Y. Hotel X sees the relationship with Taxi driver X as an opportunity for them to offer a better service to their guests by being there to help when needed. Hotel X find Taxi driver Y reliable and friendly. Hotel X is content and satisfied with the collaboration and relationship established. Taxi driver Y and Hotel X’ relationship started 7 years ago. The feedback from guest has never been of a negative nature. Passengers of Taxi driver Y implied gratitude and satisfaction with the service as they found Taxi driver Y helpful, compliance and with a great knowledge of the surroundings.

Hotel X has, apart from using Taxi driver Y’s service to offer their guests a well-endorsed taxi service, additional collaboration exist with Taxi driver Y. Approximately twice a week or when needed, Taxi driver Y receives a shopping list with various groceries and other commodities that Hotel X requests. The service can be requested through a phone call or when Taxi driver Y is present at Hotel X. Taxi driver Y receives an order, and then as soon as possible or on an agreed time Taxi driver Y delivers requested commodities. Hotel X pays for requested commodities and then additional 10 000 TSH (40 SEK) for the service. Hotel X has never been disappointed with Taxi driver Y service and Hotel X always gets their order with satisfaction.
Temporary residents in Moshi

Moshi with surroundings is a popular destination for travellers, volunteers and foreign medical exchange students. Moshi hosts one of the biggest medical university hospitals, KCMC, (Kilimanjaro Christian Medical Centre) in Tanzania and there are approximately 190 foreign students present throughout the whole year. The exchange students usually stay for 4-12 weeks. The hospital is located five km outside the city centre and the students often require taxi services.

Temporary residents’ (TR) relationship with Taxi driver Y & A

(Both Taxi driver Y and A have well establish relationships with temporary residents and the interview with temporary residents is based on both driver A and Y as the interviewee were frequent user of both drivers, although Taxi driver A is better established within the KMCM network.)

TR’s do not usually feel safe because of previous cases of robberies at night-time. As the sun sets around 7 p.m. and it is considered dangerous to walk in town, whether being a man or women. Hence, the great need for taxi services. TR highlights stories heard about visitors being robbed in taxis by the driver so the importance for TR to feel trust and to have some kind of established relationship with taxi drivers is necessity for safety to TR’s. The prices for taxi rides with drivers who try to pick up TR’s in town are negotiable but unsafe because of the uncertainly concerning safety. Still, TR’s finds it hard to negotiate a price with unknown taxi-drivers that often suggests a excessive rate or are stubborn. One of the interviewees highlighted the importance to stay friendly with drivers to avoid risky situations “You don’t really want to make an unknown driver upset or in a bad mood fighting over money. It’s scary to think of what an outrageous driver could do, when we have wallets full of money and show fear... This is way we avoid going alone in taxis at all times.” TR’s preferably pays the higher rate for a ride to feel safe and do not jeopardize their safety. To find reliable drivers is not easy according to TR’s as it is hard to know a certain drivers secret agenda. TR’s argue that it takes time to build relationships and to create trust. TR’s claim that in the case of Taxi driver Y and A it went fast to build a close relationship, for reasons like both drivers’ devotion and kindness. The interviewed TR got the contacts for Taxi driver Y through the local supermarket and Taxi driver A’s number through recommendations. One of the TR interviewed even got Taxi drivers A’s contacts before arriving to Moshi through
recommendations from an acquaintance who was a trainee at KCMC a couple of years earlier.

TR’s that are medical trainees at KCMC are all accommodated in “the doctor’s compound” where they live eight people together with shared living rooms and kitchens. As students stay for a short period of time and are completely unfamiliar with the new environment they are all helping each other to get comfortable and transferring their knowledge between each other, both with the students present at the time as well as leaving valuable information to next coming students. Both Taxi driver Y’s and A’s contacts are to be found on a note in the interviewees house and those who used Taxi driver Y’s and A’s services are pleased to have been introduced with the drivers through the previous houseguests.

One main reason for the great appreciation of Taxi driver A’s service among various TR’s is the comfort of accountability. Taxi driver A’s service of arranging substitution drivers in his place is highly appreciate by the TR’s that does not have to call several drivers whom they are not familiar with. Taxi driver Y receives a call from the TR leaving their address for pick-up whereas Taxi driver Y calls back within a couple of minutes to inform when and who is coming in his place.

**Questionnaire**

<table>
<thead>
<tr>
<th>Summary of Questionnaire – Taxi services</th>
<th>Respondents YES (#)</th>
<th>Respondents YES (%)</th>
<th>Respondents NO (#)</th>
<th>Respondents NO (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you use taxi services frequently as a temporary resident in Moshi?</td>
<td>40</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Do you have a specific driver of preference?</td>
<td>18</td>
<td>45 %</td>
<td>22</td>
<td>55 %</td>
</tr>
<tr>
<td>If not, do you sense you are in need of one?</td>
<td>-</td>
<td>-</td>
<td>17 (22)</td>
<td>77 %</td>
</tr>
<tr>
<td>Do you find being loyal to one (or few) driver(s) benefitting?</td>
<td>36</td>
<td>90 %</td>
<td>4</td>
<td>10 %</td>
</tr>
<tr>
<td>Are you willing to pay a higher rate due to these benefits?</td>
<td>34</td>
<td>85 %</td>
<td>6</td>
<td>15 %</td>
</tr>
</tbody>
</table>

Figure 3:1, compilation of responders answer
The questionnaire was executed to strengthen and defend the results from the interviews held with two temporary residents in Moshi. That will make it easier for the authors to draw conclusions.

**Empirical results**

From all three drivers studied the authors established a few factors of coherence. It is possible to indicate a pattern of common results and approaches regarding their taxi operation though the strategies may vary.

Those commonalties most prominent were the following:

- They all agree of a competitive market and therefore experience life as a taxi driver burdensome and demanding.
- They use strategies individually customized, and do not choose strategies dependent on other drivers strategies.
- All three drivers use relationship building to generate most of their income. They take actions for gaining customers.
- All three emphasize the importance and improvement that their strategies have contributed to their business.
- A common argument for their strategies is the increased feeling of security concerning returning customers.
- They are all three business-minded entrepreneurs with revenue and profit as main objective.
- They all find ways to deal with- and lower transaction costs.
Analysis

In this chapter the authors will analyse the empirical findings that were made in the earlier chapter. The first section will attend the three taxi drivers and what factors, tools and behaviour that have been central to them in their differentiation strategies. The second section will attend the consumers and factors that have been central for them when choosing a taxi driver

The strategy of a taxi entrepreneur in Moshi

The author’s empirical findings show that the drivers use a strategy that aims to provide the consumer with as much information as possible about the driver. All three drivers are building a strong bond between themselves and their consumers. By doing so they can lower the consumer cost and offer a total price for their services that is lower than other taxi drivers, they act according to a differentiation strategy. All drivers could be explained as entrepreneurial and they seem to be conscious of the problems that micro businesses such as taxi drivers in Moshi are facing, e.g. costumers mistrust and high competition. As mentioned before it is difficult to talk about a planned strategy, but as the empirical results show, all drivers are aware that their behaviour affects the consumers demand for taxi fares. Therefore the authors will refer to the driver’s behaviour as a strategy. In figure 2:4 we can see how the driver’s strategy creates a greater demand since they can offer a lower total cost for the consumers.

![Diagram of Demand Taxi]

Figure 2:4 Demand Taxi for regular taxi and for taxi driver x

There are many factors that can explain the greater demand for taxi fares. The result shows that the taxi drivers have both direct and indirect behaviour when it comes to marketing themselves to their consumers. The authors have chosen to categorise the
behaviour this way to show that there are two different categories in behaviour. The first category is direct factors. This category shows how the drivers can market themselves without interacting with the consumer. The consumer can see if it is a registered taxi or if the car looks clean and safe. The second category shows indirect factors that the drivers use as a strategy to gain more profit. These factors are more long-term and the consumer has to interact with the taxi driver to experience these.

<table>
<thead>
<tr>
<th>TAXI DRIVER Y</th>
<th>TAXI DRIVER R</th>
<th>TAXI DRIVER A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Clean car and clothes</td>
<td>- Clean car and clothes</td>
<td>- Clean car and clothes</td>
</tr>
<tr>
<td>- Registered car</td>
<td>- Registered car</td>
<td>- Registered car</td>
</tr>
<tr>
<td>- Always on time</td>
<td>- Safe car (not broken)</td>
<td>- Well-dressed</td>
</tr>
<tr>
<td>Indirect</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Well-established relationship with institutions and/or actors</td>
<td>- Network with teachers and students at Moshi University</td>
<td>- Well-established relationship with temporary residents and temporary student in particular</td>
</tr>
<tr>
<td>- Well-established relationship with temporary residents</td>
<td>- Friendly and professional</td>
<td>- Big network and can call a friend if he is not able to help the consumer himself</td>
</tr>
<tr>
<td>- Call another taxi if he cannot help his consumers</td>
<td>- Call customer at the end of his shift to see if they need him before he finish</td>
<td>- Personal and familiar</td>
</tr>
<tr>
<td>- Memorize names</td>
<td>- Service-minded</td>
<td>- Market price</td>
</tr>
<tr>
<td>- Value-adding services (school children)</td>
<td>- Flexible</td>
<td>- Flexible</td>
</tr>
<tr>
<td>- Give extra information about the location to his consumers</td>
<td>- Value strong relationships</td>
<td>- Value strong relationships</td>
</tr>
<tr>
<td>- Market price</td>
<td>- Value strong relationships</td>
<td>- Value strong relationships</td>
</tr>
<tr>
<td>- Value strong relationships</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 4:1, compilation of the taxi drivers marketing

To authors can see that these taxi entrepreneurs approach their consumers differently depending on the length of their relationship. Therefore it is necessary to show three different strategies, but it can also be different stages, in the relationship between the consumer and the taxi driver.

**First-time consumer**

The first strategy covers first-time consumers. These are consumers who do not have any relationship to the driver before they first see their car but they know that they are looking for a trustable driver that can take them from point A to point B without obstacles. All three taxi drivers understand the value of a clean, safe and registered car.
This is where the consumer’s first perception about the taxi driver’s reliability is created and also how the driver can attract new consumers without interaction. After entering the car the driver starts interacting and this is where the driver and consumer start building their relationship. All three drivers point out the importance of interaction. Their only chance to differ from other drivers is now to show the consumer that they are hospitable and service-minded. If the consumer enjoy the taxi ride he or she is likely to return or to give the drivers number to a friend in need of a taxi. This takes us to the second stage or the second strategy.

**Word-of-mouth consumer**

The second strategy is word-of-mouth. All three drivers work hard to build up a network of consumer. In these networks they have returning consumers but also free marketing personal. By having content consumers the drivers can get new consumer without interacting with them. All three drivers are service-minded and try to be flexible. When a new consumer contacts the driver they already have an expected level of service. This can be referred to Grönsroos model for perceived service where in the first stage the consumer is being exposed for word-of-mouth, earlier experience and personal needs. This will result in an expected level of service and if the driver can meet up to that level a high perceived service. All three drivers start building on a relationship from the first interaction with their consumer, by doing so they creates a high service level and returning consumers. Driver Y for example has an agreement with Hotel X so that all hotel guests who need a taxi will use driver Y. Here the long-term relation is between driver Y and hotel X and not directly with the consumer. But the consumer will already have an expected level of service when he or she meets the driver and if the driver delivers the same service the consumer cost will go down. This is where stage three or the third strategy continues.

**Long-term consumer**

The third strategy or stage is where the drivers create a long-time relationship with their consumers. This strategy aims to create a strong bond between the driver and consumer, this result in trust between the two actors but also a stable revenue and profit for the driver. The value creation in these long-term relationships is depending on both actors and it is when the relationship develop that an increase in profit is possible. But also the costumers gain from long-term relations. When the consumer gain more information
about the driver he or she can also build up a trust. His or her consumer costs will go down and when this happen, the consumer pays a total price that is equivalent to the market price. All three drivers in this research actively work with relation building activities. They are constantly working with value-adding services such as extra information about a restaurant or a place to visit, taking parents kids to school or calling a friend when he cannot help the consumer himself. All three drivers are building bridges between themselves and their consumers so that the mistrust decreases and the consumers are returning.

**How consumers choose their taxi entrepreneurs in Moshi**

Being trustworthy and to maintain a high quality service is of great importance according to the consumers. The empirical results show that all three drivers have managed to identify what there consumers want and need and therefore they can make a profit. The survey among temporary residents shows that 45 % of the consumers use a specific driver and 90 % found it favouring to be loyal to one driver. Even 85 % answered that they were willing to pay a higher price due to the benefits of using a specific driver. Some of the temporary residents answered that they did not feel safe taking a random taxi due to previous robbery. Many temporary residents preferred to call a specific taxi driver because they felt that their driver was accountable. All three drivers answered that they tried to build a long-relationship with their consumers. When the driver and consumer gets to know each other the driver can find out what their consumer are demanding. If the drivers are perceptive they can adjust their supply and the gap between them can decrease. In this case the supply is referred to as e.g. a lower risk for the consumer but also it also makes the exchange less complex. In the beginning of the relationship the exchange can be very complex since there is asymmetric information; this increases the risk and the total price for the consumer. Therefore the consumers like to choose a taxi driver that they either have a long-term relationship to or a taxi driver they were recommended by a friend. This assumption is based on that when two different actors know each other from before or repeat the transaction, build a relationship, it is also likely that they have higher incentives to respect each other and their contract which in this case is a safe taxi fare.
Conclusion and recommendations

In this chapter the authors will present the conclusions of this study. First a strategy for micro entrepreneurs in Moshi, Tanzania will be presented. The strategy is based on the empirical findings and is a recommendation for micro entrepreneurs in the service sector that are coping with institutional constraints. Second the conclusions for entrepreneurship and strong relationship between buyer and seller will be presented.

A differentiation strategy for micro entrepreneurs in Moshi, Tanzania

Based on the empirical findings, strategies used by micro entrepreneurs in Moshi have been identified. One conclusion based on these findings is that the entrepreneur prefers repeated interactions and long-term relationships with their consumers instead of one-time interactions. When a consumer wants to go by taxi applied most are affected by word-of-mouth from friends and family and is either recommended a driver or is using a driver based on their past experiences. One reason for this could be because there is no big actor on the market only micro entrepreneurs and this makes it difficult for the consumer to differentiate one from another. There is a lack of trust between buyer and seller. Even the taxi entrepreneur prefers repeated interactions with the consumer and a smaller consumer clientele which makes it possible to predict revenues. The empirical findings show that the actions of the taxi entrepreneur, in more or less planned activities and can be compared with the principles used in service management. The strategy used is based on value adding services for the consumer and that is why the consumers are returning to the same taxi entrepreneur.

To conclude this study the authors will base on the empirical findings, show a potential differentiation strategy for micro entrepreneurs in Moshi, Tanzania. The strategy is a process based on mistrust from the consumer and the micro entrepreneurs need for regular revenues. Both consumer and entrepreneur are acting under the influence of adverse institution and the aim with this strategy is to show how our three entrepreneurs and consumers are coping with these institutions.

By using this strategy micro entrepreneurs could avoid transactions costs and therefore lower the total price for the consumer.
**The importance of entrepreneurship**

During conditions where the market sphere is not optimal with either or both formal and informal institutional constraints, the need for an entrepreneurial mind-set is of great importance. A micro business entrepreneur in Moshi is more self-reliant and a “effectuation method” (see Sarasavathy) is vital. On markets with an unfavourable structure due to informal constraints the entrepreneur need to create strategies for his or her business to last. Both consumer and seller are coping with adverse institutions which make it harder for them to match. It is difficult for the seller to reach out with his or her market offer when the marketing scene and the possibilities to differentiate with no financial resources are limited. Therefore it is of great need for the seller to find innovative ways to reach out to its potential consumers.

**The importance of relationships when institutions are weak**

This study has repeatedly indicated that relationship building is favourable to the profit of the studied businesses. A well-established strategy for relationship building and maintenance is shown to generate the highest profit and revenue. In many cases relationships are maintained with declining efforts needed. The relationships have a mutual value for the customer and the seller with lowered transaction costs.
Discussion

Generalization

A further study is favourable to do with a larger selection of drivers. Our result may reflect the reality of successful drivers and not a true sample of the actual situation to the majority of Taxi drivers in Moshi. The chosen drivers may represent other drivers whom also use explicit strategies or have strong customer relationships established, but not be representative for all taxi drivers in Moshi. As the authors does not have any experience from other Tanzanian cities they can only assume that the results may be applicable to other Tanzanian cities e.g. Dar El Salam. This study is not applicable to conventional western taxi industries as the market and its conditions e.g. institutions and technologies vary severely.

Further studies

The study addresses two major areas of theory that leaves room for further research related to each theoretical subject area for greater depth. Future research could break down the institutional theoretical concepts further and create a greater depth of, for example the formal institutions and what they mean in more detail for the taxi industry specifically.

The authors’ reflections

Difficulties

As the primary research idea was to conduct a case study on exclusively one driver and its customers we conducted a depth interview with one driver while in Moshi. Later recommendations led us to go back to our notes from the unstructured observations and gather more empirical evidence through telephone interviews for the study to reach higher validity. In retrospect, the authors wished all three held interviews were conducted in Moshi with a personal interaction with the drivers for greater trustworthiness.

Another difficulty is that no similar studies have been conducted before and therefore we have been unsure whether all theories have been applicable to our research’s context.


References

Written references


**Interviews**

Taxi driver Y. 2013-07-01. Moshi, Tanzania.

Manager Hotel X. 2013-07-04. Moshi, Tanzania.

Temporary residents. 2013-07-08. Moshi, Tanzania.


Appendix

**APPENDIX 1 – Interview Template for Interview Questions – Taxi driver**

Presentation about ourselves and our research and objective.

Request for approval of recording and information about anonymity.

Introduction with our background- and personal questions.

- How do you usually acquire customers?
- Do you have explicit marketing strategies?
- How severe do you find the competition in the taxi business in Moshi?
- What does strong relationship with customers mean to you?
- Is it important for you to build strong relationships with customers?
- Do you work strategically with building strong relationships?
- If yes, what effect on your business have that implied?
- Do you experience your customers being loyal customers?
- Tell us more closely about your relationship established.

**APPENDIX 2 – Interview Template for Interview Questions – Hotel X**

Presentation of us and our research and objective.

Request for approval of recording, and information about anonymity.

- How did you get in contact with taxi driver Y?
- How has your relation evolved?
- What benefits do you see with using taxi driver Y’s services?
- What do you appreciate the most and why?
- Do you find taxi drivers services expensive or overprized?
- Does he add extra value with his services that legitimates his prices?
- If yes, are you willing to pay a higher price for the services taxi driver Y is providing?
APPENDIX 3 – Interview Template for Interview Questions – Temporary residents

Presentation of us and our research and objective.

Request for approval of recording, and information about anonymity.

- How did you get in contact with taxi driver Y and A?
- How did the relationship evolve?
- Do you find their services more valuable than compared with other taxi operators?
- What is a good taxi ride for you? Describe what is included according to you?
- What dilemmas have you experienced since arriving in Moshi in terms of taxi rides and perception of safety when using taxi services?
- How hard do you find it to find a taxi driver whom you trust?
- Discuss money vs. safety?

APPENDIX 4 – Questionnaire questions

Presentation about ourselves and our research and objective.

- How frequent do you use taxi services?
- Do you have a driver of preference?
- If Yes, How did you get to know him?
- What benefits do you find with being loyal to one (or few) driver(s)?
- Are you willing to pay a greater amount due to these benefits?