COMPETITIVE STRATEGIES ADOPTED BY MULTICHOICE KENYA LIMITED

BY

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DECLARATION

This research is my original work and has not been presented for a degree in any other university.

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This research project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

This project is dedicated to my supportive parents, Concepta Nasimiyu and Gerrys Clem Wekesa. You know my limits and pushed me to the goal. You truly are one of a kind and the epitome of love. I could never thank you never enough.

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ABSTRACT

Strategy is the long term plan for an organization to stay in business. The objective of the study was to establish the competitive strategies adopted by MultiChoice Kenya Ltd and to establish and how these strategies lead to sustained competitive advantage. To achieve these objectives, this study adopted a case study research design in which the organization of study was MultiChoice Kenya Ltd. The data was collected by way of face to face and phone interviews. The data was then analyzed using content analysis. The study established that MultiChoice Kenya Ltd has managed to proactively as well as reactively execute various strategies that have enabled them to compete effectively in the turbulent and diverse Kenyan pay TV industry. The industry has seen increased competition which has realized a drop in profitability as the customers have to be shared with the new market entrants most of whom are coming in with a pricing strategy. This has resulted to a decline in revenues and struggle for and sometimes loss of programme rights. MultiChoice Kenya Ltd has reacted to the market challenges by putting in place various strategies. It is notable that they employed a general manager who has a wealth of experience to take the organization to the next level in the dynamic pay TV market. The organization has adopted strategies aimed at improving customer satisfaction by introducing a new range of channels, opening two new branches in Nairobi to decentralize the services, ensuring a well-developed dealership network in up country, improved sales and marketing strategy by partnering with the large chain stores like Uchumi, Nakumatt, Naivas, and Ukwala supermarkets to push sales, embracing loyalty programmes and most importantly MultiChoice Kenya Ltd rides on the added advantage of its partners strong brands, notably Dstv, M-Net, SuperSport, Dstv Mobile and Dstv Online. The study reveals that the strategies adopted by MultiChoice Kenya Ltd are relevant in exploiting the opportunities and overcoming the challenges in the market. The study just like any other had its limitations, notably, the time for interviews with the respondents was hardly enough given the nature of the respondent's jobs. There was evident withholding of information by the respondents in an effort not to compromise the competitive position of the organization in the market. Related to the study and notably outside the scope, the following subjects should be given consideration for further research; pay TV content rights and bidding process and the possibility of hyper competition in the Kenyan pay TV market.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Though relatively new, the pay TV service is slowly but surely revolutionizing the media industry in Kenya. There is a huge potential for pay TV considering that a few years ago communication was inaccessible to the extent that even getting a fixed line was difficult. According to Deloitte (2010) pay TV is faced with rising cost and competition amidst deteriorating economic trends. The players in the industry have to therefore constantly re-strategize to ensure continued survival and profitability. For the players in this industry, survival depends on their ability to develop new business models to enable them to adapt to the ever changing environment.

Porter (1980) ascertains that every firm competing in an industry has a competitive strategy, whether explicitly developed through a planning process or may have evolved implicitly through the various activities of the various functional departments. Developing a competitive strategy is developing a broad formula for how a business is going to compete, what its goals should be and what policies will be needed to carry out those goals. According to Ramaswamy and Namakumari (1996) strategy is meant to exploit the unique advantages of the organization in facing the challenges of the environment.

MultiChoice Kenya Limited is the oldest and most dominant market player in the pay TV industry. Despite the industry having very few players, it is notable that there have been some recent new entrants. For MultiChoice Kenya Limited to ensure their survival and ultimate profitability, they need to possess some advantage relative to their competitors. Some firms change in response to external forces, reactive change, while others change principally because they have to implement change, proactive change (Pearce and Robinson, 1997). This research paper will investigate how MultiChoice Kenya Ltd has developed innovative competitive strategies to acquire an advantage over its market rivals in the pay TV industry in Kenya.

1.1.1 Concept of strategy

Strategy is the direction and scope of an organization over the long term through its configuration of resources within a changing environment, to meet the needs of markets and to fulfill stakeholder's expectations (Johnson and Scholes, 2005). Strategy results from the detailed strategic planning process. Strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives. While planning a strategy, it is essential to consider that any act taken by a firm is likely to be met by a reaction from those affected, competitors, customers or suppliers.

As defined by Quinn (1980) a strategy is the pattern that integrates an organisation's major goals, policies and action sequences into a cohesive whole. A good strategy is one that has simple, consistent and long-term objective and is similarly derived from a good understanding of the competitive environment through appreciating the dynamics of completion and the turbulence of the environment. Strategy guides organizations to superior performance through establishing competitive advantage and acting as a vehicle for communicating and coordinating activities and policies within the organization (Johnson and Scholes, 2005).

Strategic management is a systematic approach for managing change, (Ansoff, 1990). It consists of positioning of the firm through strategy and capability planning, real-time strategic response through issue management and systematic management of resistance during strategic planning implementation. A lot of time is spent developing strategies and planning the implementation of the same. Strategic control is and continuous improvement is needed in the realization of these strategies. This is where underlying problems will be detected and necessary adjustments made.

1.1.2 Competitive advantage

According to Porter (1985) competitive strategy is the search for a favorable competitive position in the industry in order to establish a profitable and sustainable position against forces that determines industry's competition. Competitive strategy is the basis on which a business unit might achieve competitive advantage in its market. A company's competitive strategy deals exclusively with the specifics of management's game plan for competing successfully and securing a competitive advantage over rivals (Thompson and Strickland, 2007).

Porter (1985) defines competitive advantage as the uniqueness of an organization in comparison to its competitors. It implies a distinct and ideally sustainable edge over its competitors. Managers of firms must assess their firm's current competitive position, build a vision for where they must be in the future and craft a transformation strategy to turn that future vision into reality. Competitive advantage allows a firm to generate greater sales or margins and or retain more customers than its competition and this will in turn result to the ability to generate greater value for the firm and its shareholders. The more sustainable the competitive advantage, the more difficult it is for competitors to neutralize the advantage.

1.1.3 The broadcast industry

An industry is a group of firms producing products or offering services that are a close substitute for each other (Porter, 1980). Across East Africa region it is estimated that 20 million households have TV sets and Kenya alone has 3 million. African Media Development Initiative Kenya Report (2007) indicates that less than 1% of televisions owning households in sub-Saharan Africa subscribe to pay TV services, compared to 15% in Eastern Europe, 36% in Western Europe and 93% in North America.

In Kenya, there's low penetration but significant demand in pay TV markets. A large barrier has been high subscription costs. Only 150,000 households in Kenya are subscribed to Pay TV. This leading independent research bears out historic under-performance and lack of value for consumers. Kenya has over 18 commercial free-to-air TV stations; more than 60 FM radio stations and 4 pay TV providers. According to "Pay-TV – Kenya's next success story" (2011) broadband internet and TV requires more significant infrastructure development, a major reason why Pay TV has been so expensive. Proper connection to electricity in the long run is another concern.

There are very few players in the Kenyan Pay TV industry and the market faces challenges revolving around financing, low quality production, presentation and lack of local content. The industry is faced with poor infrastructure, changing trends in customer preferences, barriers to entry like licensing of new players, deteriorating economic climate and very long testing periods before launch. It is worth mentioning that there's notable increase in competition with new players coming in with different strategies to win the customers.

1.1.4 Pay TV service providers in Kenya

Kenya currently has 4 pay TV providers with MultiChoice Kenya Limited being the dominant player in the market as it boasts of the lion share of the market with their current subscriber base of about 120,000. MultiChoice Kenya has established itself with its Dstv brand as a strong brand for home entertainment in Kenya for 17 years now. MultiChoice has been over the years improving the products and services and now other than home entertainment, they also provide portable TV services. While the company focuses a great deal of effort on informing, educating and entertaining viewers through its world-class programming carried on DStv, MultiChoice Africa also effectively links the African countries, making them effective participants in the fast evolving global world of digital television.

Zuku cable TV is an East African brand owned by Wananchi Group Limited which is considered a homegrown brand as it was introduced with the aim of making quality home entertainment for the East African markets. Zuku covers major towns in Kenya. In an effort to provide quality service, they launched Triple Play service in 2011 that supports broadband, Pay TV and telephony services through a single cable. Zuku currently has presence in Kenya, Uganda and Tanzania and have a long term plan to cover Ethiopia, Eritrea, South Sudan, Rwanda, Burundi, Malawi and Zambia.

MyTV is a pay TV provider in Kenya owned by Dubai based Remember TV Africa. MyTV was launched in Kenya in September 2009. It has presence in other 10 sub-Saharan African countries. MyTV aims to provide affordable entertainment that cuts across entire society and provides balanced programmes for all ages. They broadcast in both English and French. The service is offered in one-tier full bouquet that include sports channels, children entertainment, movies, women and lifestyle, religious programmes, music, and global and regional news. MyTV currently airs in Nairobi and its environs.

The newest entrant in the Kenyan pay TV market is Star Times TV, a Chinese firm, which has a global subscription base of over 7 million viewers in China and Africa. Star Times launched its global operations in 1988 and expanded to Africa in 2008. It is currently in 7 countries in Africa including Kenya. It launched its pay TV service in Kenya in July 2012 with the aim to fill the gap in the industry where the penetration is very low and available options are out of reach. It offers both home and portable TV solutions. Provides a competitive edge as it targets the mass markets with the most affordable decoder in the country at KES 2,999/- which is user friendly as it is plug and play, and no need for a satellite dish installation. Star Times TV boasts of the most affordable subscription from as low as KES 499/- per month and a wide range of programming.

It is notable that the market had two players that exited not long after starting operations. First is GTV, a London based company that began operations in Kenya in June 2007 and closed shop in Jan 2009 owing to financial pressures due to a global economic crisis. At the time of closing, GTV had a subscriber base of

48,000.Secondly is Smart TV, owned by Swedish investors NGB (Next generation Broadcast). They began operations mid 2011 but were unable to secure adequate funding for their operations thus closing shop in Feb 2012. The company had many startup problems including court battles with local media houses suing them for not paying license fee and sluggish sales. Smart TV had about 2000 subscribers by the time they closed shop.

1.1.5 MultiChoice Kenya Limited

MultiChoice Kenya Limited is a pay TV company that broadcasts (Digital Satellite Television) Dstv and whose home is in South Africa. MultiChoice Kenya Limited was established as a joint venture between MultiChoice Africa Limited and Kenya Broadcasting Corporation (KBC) in February 1995, just at the beginning of the liberalization of the broadcasting industry in Kenya and at the time the only players in TV broadcasting were Kenya Broadcasting Corporation (KBC) and Kenya Television Network (KTN). This was a huge milestone for MultiChoice Africa. Dstv delivers television to viewers in 50 countries across Sub-Saharan Africa. According to media reports Dstv Kenya's subscriber base is currently estimated at 120,000, the lion's share of the market.

The startup cost for a Dstv kit currently stands at KES 12,050/- for the standard full kit complete with installation while the PVR full kit stands at KES 42,100/- complete with the installation services. The full kit comprises of a decoder or a PVR decoder and a satellite dish plus the installation services. The PVR decoder is the receiver that has the ability to record at the same time as watch the channels while the standard decoder cannot record the channels. The initial subscription charges are exclusive of the bouquet charges which are charged depending on what bouquet one chooses to subscribe to.

The total number of English bouquets are 5, all tailored to suit different lifestyles. They include Premium bouquet which is $82 per month and offers 114 channels. This bouquet is famed for thrilling live sport coverage. Compact Plus bouquet for $52 per month is made up of over 80 channels. The bouquet has less of the live sports, movies and news and a fairly wide range of documentaries and music channels. Compact bouquet is $32 per month with a total of 78 channels. This is almost similar to Compact Plus only lacks live sports. Family bouquet is $20per month and offers 63 channels of an affordable sample. The smallest bouquet is the Access at $10 per month with a total of 52 basic channels of family entertainment at the lowest cost.

MultiChoice Kenya has diversified its products and other than their Dstv home entertainment they also offers portable TV solutions which include mobile TV which is basically a mobile phone handset with Dstv services enabled in it, the Drifta is a USB plug and play gadget that can be used on a computer to stream Dstv services, the Walker is a miniature TV lookalike gadget linked to an existing customer's DSTV account. GoTV is the most recently introduced product. It is a home entertainment TV service with cheaper startup cost for the clientele that finds the satellite startup cost to be high. The GoTV service uses the aerial technology instead of the satellite dish. For KES 6,255/- you get full installation kit plus 3 months subscription. The monthly fee is KES 585/- for 21 channels.

MultiChoice Kenya has enjoyed a near-monopoly in the market for the last 17 years with only one or two small competitors some of whom closed shop not so long after beginning operations. Like any other organization, MultiChoice Kenya operates in a turbulent environment characterized by high demand for quality services, competition, changing customer trends and rising costs.

1.2 Research problem

All firms operate in an ever-changing and turbulent environment which poses challenges to the businesses. This is the essence of environmental analysis, a process by which strategists monitor the environment to determine opportunities and threats to their firms (Jauch and Glueck, 1998). Successful corporations make their strategic priority to build their core competencies and long term competitive advantages which will serve as back up for the business level strategies of the business units in the firm. Good strategies are only as good if they are successfully implemented.

MultiChoice Kenya Limited being the oldest and most dominant market player in the pay TV industry has to ensure their survival and ultimate profitability, by possessing some advantage relative to their competitors. According to Pearce and Robinson (1997) some firms change in response to external forces, reactive change, while others change principally because they have to implement change, proactive change.

Several studies have been done in the broadcast industry highlighting the challenges faced by the market players and the competitive strategies implemented by the free-to-air TV market players in both local and international media industries. Nyamweya (2008) conducted a survey of the media consumer market segmentation practices used by television stations in Kenya. Kiraithe (2009) carried out a case study on Nation Media Group on competitive intelligence strategies adopted by the media industry in Kenya. Nation Media Group abbreviated as NMG is the largest private Kenyan media house with offices in Kenya, Uganda, and Tanzania. Sereti (2010) carried out a study on the competitive strategies adopted by Kenya Broadcasting Corporation (KBC) in response to environmental challenges. KBC is the national broadcaster and a free-to-air TV station. Okara (2011) looked at strategic responses adopted by television broadcasting stations in Kenya to counter competition. Ngugi (2011) focused on strategic capabilities for competitive advantage in British Broadcasting Corporation (BBC), a European media company with a strong presence in Africa.

Most of the studies conducted so far have addressed the strategies employed by the free-to-air TV market players in the broadcast industry but have not addressed the pay TV sector where MultiChoice Kenya Limited is a major player, hence the need to carry out a study relating to MultiChoice Kenya Limited as captured by the topic. This then leads to the question: What competitive strategies have been adopted by MultiChoice Kenya Limited within the pay TV sector?

1.3 Research objectives

The objectives of the study were:-

i. To determine the kinds of competitive strategies adopted by MultiChoice Kenya Ltd as a pay TV company in Kenya.
ii. To establish how such strategies lead to competitive advantage.

1.4 Value of the study

The findings of this project will be first and foremost beneficial to MultiChoice Kenya Limited’s management and key stakeholders. The study will bring to light the competitive strategies currently in place, the level of competition in the industry and the challenges faced by the organization in sustaining its competitive advantages.

Secondly, to the Pay TV industry where there is a huge, undeniable potential to be explored. This study will highlight the operational as well as the startup challenges and hence demystify the industry which is otherwise considered too technical. It will highlight the various action points by the CCK in order to create a favorable environment for the industry players to operate.

Lastly, other researchers and scholars, given the futuristic nature of the industry, will benefit from the study when conducting research in various academic areas within the media industry and in specific, the pay TV industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter looks at the theoretical literature review of concepts revolving around the various aspects of strategies. It takes an in-depth look at various competitive strategies and how they come in play in an industry. It also focuses on how a firm can adopt these strategies in order to acquire a competitive advantage in the industry.

2.2 Concept of Strategy

Strategy is the long term plan for an organization to stay in business. It involves the organization deciding where it wants the business to go and how to get there. Strategy is a set of decision- making rules for guidance of organization behavior (Ansoff, 1965). A good strategy is one that has simple, consistent and long-term objective and is similarly derived from a good understanding of the competitive environment through appreciating the dynamics of completion and the turbulence of the environment.

A more complete definition is based on competitive advantage which grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price (Porter, 1985).

Strategy guides organizations to superior performance through establishing competitive advantage and acting as a vehicle for communicating and coordinating activities and policies within the organization (Johnson and Scholes, 2005).

Competitive advantage accrues to those firms whose distinctive organization competences have a superior fit with the business and social environment within which they operate. Therefore, we conclude that strategy is the roadmap towards gaining competitive advantage (Thompson and Strickland, 2007).

2.2.1 Environmental Turbulence and Strategy

According to Ansoff (1987) to survive and succeed in an industry, the firm must match the aggressiveness of its operating and strategic behaviors to the changeability of demands and opportunities in the market place. There are six factors that define the extend of turbulence in the environment, namely; changeability of the market environment, speed of change, intensity of competitions, fertility of technology, discrimination by customers and pressure from governments and influential groups. Ansoff (1990) further suggests that the more turbulent the environment is, the more aggressive the firm must be in terms of competitive strategies and changes orientation if it is to succeed.

Ohmae (1988) argues that for an organization to manage its environment, it will seek to be proactive rather than reactive. To cope with these changes, strategic management has taken center stage in organizations that intend to succeed in the turbulent business environment. Organizations today operate in a dynamic and constantly changing environment and the purposes of strategy is to exploit the unique advantages of the organization in facing the challenges of the environment (Ramaswamy and Nakumari, 1996).

David (1997) states that effective strategic management is the positioning of an organization relative to its competitors in such a way that it outperforms them. Successful organizations effectively manage change, continuously adopting their strategies, systems, products and cultures to survive the shocks and prosper from the forces that decimate the competitions.

2.2.2 Strategy framework

According to Porter (1980) a strategy framework has two components: internal and external analysis. External analysis builds on an economics perspective of industry structure, and how a firm can make the most of competing in that structure. It emphasizes where a company should compete, and what is important when it does compete there. Porter's 5 Forces and Value chain concepts compromise the main externally-based framework. The external view helps inform strategic investments and decisions.

Internal analysis is based on industry structure and more in specific business operations and decisions. It emphasizes how a company should compete. The internal view is more appropriate for strategic organization and goal setting for the firm. The internal analysis emphasizes building competences, resources, and decision- making into a firm such that it continues to thrive in a changing environment. Though some frameworks rely more on one type of analysis than the other, both are important. The actual firm strategy will have to take into account the particular challenges facing a company, and would address issues of financing, product and market, people and organization (Porter, 1980).

2.3 Sustainable competitive advantage

Porter (1985) defines competitive advantage as a position a firm occupies against its competitors. It is the uniqueness of an organization in comparison to its competitors. Competitive advantage is created and sustained when a firm performs the most critical functions either more cheaply or better than its competitors. Sustained competitive advantage requires effective control of costs drivers. Scale economies, learning, linkages, inter-relationships and timing provide the key opportunities for creating advantage. Porter (1985) has shown how companies can seek broad advantage within an industry or focus on one or a number of distinct segments. He argues that advantage can accrue from cost leadership, differentiation and focus strategies.

Porter (1985) asserts that speed and fast reaction to opportunities and threats can provide advantage, essentially by reducing costs and differentiating. The most successful companies innovate and continually seek new forms of advantage in order to open up a competitive gap and then maintain their lead since few individual sources of advantage are sustainable in the long-run. Ohmae (1982) offers an alternative, but clearly related view of competitive advantage highlighting three C's – customers, competitors and the corporation. Customers will ultimately decide whether or not the business is successful by buying the product or service. Corporations are organized around particular functions and the way they are structured and managed determines the cost of the product or service while competitors will similarly differentiate their products, goods and services and again incur costs in doing so.

According to Barney (1992) sustainable competitive advantage is the prolonged benefit of implementing some unique value-creating strategy based on unique combination of internal organizational resources and capabilities that cannot be replicated by competitors. The potential of an organization's sustainable competitive advantage depends on the rareness and imitability of its resources and capabilities. The less imitable competitive advantage is, the more cost disadvantage is faced by the competitor in imitating these competencies.

Competitive advantage is facilitated by strong technological competency and effective functional process competencies as well as good internal and external communication. Without this businesses cannot share and learn best practices as information is a fundamental aspect of organizational control and companies learn from other competitors. Companies should never overlook opportunities for communicating their achievements, strengths and successes (Thompson, 1997).

2.3.1 Generic strategies

Porter (1985) has developed his work on industry analysis to examine how a company might compete in the industry in order to create and sustain competitive advantage. There are two basic choices; First, where a company is seeking to compete by achieving lower costs than its rivals through differentiation. Second, in what arena is the company seeking competitive advantage? Is it broad range of segments or a narrow range, perhaps just one? These choices lead to three generic strategies which include; Cost leadership, Differentiation and Focus.

According to Porter (1998) cost leadership occurs when a firm delivers the same services as its competitors but at a lower cost. To achieve substantial reward from this strategy, Porter argues that the organization must be the cost leader, and unchallenged in this position. Cost leadership as a generic strategy does not imply that the company will market the lowest price product or service in the industry. Price competitively and relative to how their product is perceived by customers, and achieve a high profit margin (Thompson, 1997).

Differentiation is not about understanding the product or service and the customer, it is when a firm delivers greater service for the same price of its competitors. They are collectively known as positional advantages because they denote the firm's position in its industry as a leader in either superior services or cost (Porter, 1998). Differentiation adds costs in order to add value for which customers are willing to pay premium prices. According to Barney (1992) approaches to differentiation can take many forms such as design, brand image, technology, customer service, dealer network or other dimensions. The more unique the difference, the more sustainable is the advantage.

Hill and Jones (2001) state that focus strategy is different from the other two chiefly because it is directed towards serving the needs of a limited customer segment. Porter (1998) contends that a focused approach requires the firm to concentrate on a narrow, exclusive competitive segment hoping to achieve a local rather than industry wide competitive advantage. Once it has chosen its market segment, a company pursues either a differentiation or a low-cost approach. With a focused strategy, a company concentrates on small-volume custom products, for which is has cost advantage and leaves the large-volume standardized market to the cost-leader.

2.3.2 Grand strategies

According to Pearce and Robinson (1997) a grand strategy can be defined as a comprehensive general approach that guides a firm's major action. They are the basis of coordinated and sustained efforts directed towards achieving long-term business objectives.

Mergers and acquisition strategy involves combining the operations of two companies, via merger or acquisition as an attractive strategic option for achieving operating economies, strengthening the resulting company's competences and competitiveness, and opening up avenues of new market opportunity (Thompson and Strickland, 2007). Many mergers and acquisitions are driven by strategies to achieve the following strategic objectives; to create a more cost-effective operation out of combined companies, expand a company's geographical coverage and extend the company's business into new product strategies, gain quick access to new technologies or other resources and competitive capabilities.

Collaborative Strategy (Alliances and Partnerships) according to Thompson and Strickland (2007) is a strategy all companies in all industries and in all parts of the world have elected to complement their own strategic initiatives and strengthen their competitiveness in domestic and international markets. Hamel and Prahalad (1989) contend that collaboration between organizations may be a crucial ingredient in achieving advantage or avoiding competition. Even the largest and most financially sound companies have concluded that simultaneously running the races for global market leadership and for a stake in the industries of the future requires more diverse and expansive skills, resources, technological expertise and competitive capabilities than they can assemble and manage alone.

A firm uses outsourcing strategy in a conscious decision to abandon or forego attempts to perform certain value chain activities internally and instead to farm them out to outside specialists and strategies. The two drivers for outsourcing are that outsiders can perform certain activities better or cheaper and outsourcing allows a firm to focus its entire energies on its core competencies and that are most critical to its competitive and financial success (Quinn, 1980).

Companies use offensive strategy to improve their market position and to build a competitive advantage or widen existing one. Thompson and Strickland (2007) state that the best offensives tend to incorporate several behaviors such as focusing relentlessly in building competitive advantage and trying to convert competitive advantage into decisive advantage, employing the element of surprise as opposed to doing what rivals expect and are prepared for, applying resources where rivals are least able to defend themselves and finally being able impatient with status quo and displaying a strong bias for swift, decisive actions to boost a company's competitive position vis-à-vis rivals.

The purposes of defensive strategies according to Thompson and Strickland (2007) are to lower the risk of being attacked, weaken the impact of any attack that occurs, and influence challengers to aim their efforts at other rivals. While defensive strategies usually don't enhance a firm's competitive advantage, they can definitely help fortify its competitive position, protect its most valuable resources and capabilities from imitation, and defend whatever competitive advantage it might have.

Website strategy looks at what role the company's website should play in a company's competitive strategy. Companies executives across the world are wrestling with how to use their Web sites in positioning themselves in the marketplace-whether to use their Web sites just to disseminate product information or whether to operate an e-store to sell direct to online shoppers (Porter, 1979).

2.3.3 Porter's five forces

Porter's five forces define the profitability and rules of competition in any industry. Porter (1985) claims the ultimate aim of competitive strategy is to cope with and ideally to change those rules in the firm's behavior. According to Porter (1985) the five forces of competitive position model provides a simple perspective for assessing and analyzing the competitive strength and position of a corporation or business organization. These forces jointly determine the profitability of industry because they shape the prices which can be charged, the costs which can be borne, and the investment required to compete in the industry. Porter's five forces are as follows;

Risk of entry by potential competitors. Potential competitors refer to the firms which are not currently competing in the industry but have the potential to do so if given a choice. Entry of new players increases the industry capacity, begins a competition for market share and lowers the current costs. The threat of entry by potential competitors is partially a function of extent of barriers to entry. The various barriers to entry are include economies of scale, brand loyalty, government regulation, customer switching costs, absolute cost advantage, ease in distribution and strong capital base.

Rivalry among current competitors. Rivalry refers to the competitive struggle for market share between firms in an industry. Extreme rivalry among established firms poses a strong threat to profitability. The strength of rivalry among established firms within an industry is a function of following factors; extent of exit barriers, amount of fixed cost, competitive structure of industry, presence of global customers, absence of switching costs, growth rate of industry and demand conditions

Bargaining power of buyers. Buyers refer to the customers who finally consume the product or the firms who distribute the industry's product to the final consumers. Bargaining power of buyers refer to the potential of buyers to bargain down the prices charged by the firms in the industry or to increase the firms cost in the industry by demanding better quality and service of product. Strong buyers can extract profits out of an industry by lowering the prices and increasing the costs. They purchase in large quantities. They have full information about the product and the market. They emphasize upon quality products. They pose credible threat of backward integration. In this way, they are regarded as a threat.

Bargaining power of suppliers. Suppliers refer to the firms that provide inputs to the industry. Bargaining power of the suppliers refer to the potential of the suppliers to increase the prices of inputs or the costs of industry in other ways. Strong suppliers can extract profits out of an industry by increasing costs of firms in the industry. Suppliers' products have a few substitutes. Strong suppliers' products are unique. They have high switching cost and pose credible threat of forward integration. Buyers are not significant to strong suppliers. In this way, they are regarded as a threat.

Threat of substitute products. Substitute products refer to the products having ability of satisfying customers' needs effectively. Substitutes pose a ceiling (upper limit) on the potential returns of an industry by putting a setting a limit on the price that firms can charge for their product in an industry. Lesser the number of close substitutes a product has, greater is the opportunity for the firms in industry to raise their product prices and earn greater profits (other things being equal).

Porter's Five Forces model can be used to good analytical effect alongside other models such as the SWOT and PEST analysis tools. The SWOT analysis is an extremely useful tool for understanding and decision-making for all sorts of situations in business and organizations. It is an acronym for Strengths, Weaknesses, Opportunities, and Threats. The analysis provides a good framework for reviewing strategy, position and direction of a company or business proposition. SWOT analysis comes in handy for business planning, strategic planning, competitor evaluation, marketing, business and product development and research reports (Humphrey, 2005). A PEST analysis is a business measurement tool for understanding market growth or decline, and as such the position, potential and direction for a business. It is an acronym for Political, Economic, Social and Technological factors. It is a framework for reviewing a situation, and can also be used to review a strategy or position, direction of a company, a marketing proposition, or idea. PEST is an essential analysis for business and strategic planning, marketing planning, business and product development and research reports. Given that the PEST factors are essentially external, completing a PEST analysis is helpful prior to completing a SWOT analysis which is based broadly on half internal and half external factors.

2.4 Hyper competition

According to D'Aveni (1997) the concept of hyper competition teaches that as much as strategy is the creation of advantage, it is also the creative destruction of an opponent advantage. This is because in today's environment, traditional resources of competitive advantage erode rapidly, sustaining advantages can be a distraction from developing new ones. Competition has intensified to make each of the traditional sources of advantage more vulnerable. The traditional sources are price and quality, timing and know-how, creation of strongholds and deep pockets. The primary goal of this new approach to strategy is disruption of the status quo, to seize the initiative through creating a series of temporary advantages. It is the speed and intensity of movement that characterizes hyper competition. There is no equilibrium as in perfect competition, and only temporary profits are possible in such markets.

Successful strategy in hypercompetitive markets is based on three elements. First is the vision for how to disrupt a market by setting goals, building core competencies necessary to create specific disruptions. Secondly, key capabilities enabling speed and surprise in a wide range of actions. Finally, disruptive tactics as illuminated in the game theory by shifting the rules of the game, signaling, simultaneous and strategic thrusts. Managers should build their strategies on resources that pass the above tests. In determining what valuable resources are, firms should look at both external industry conditions as well as their internal capabilities. Resources can come from anywhere in the value chain and can be physical assets, intangibles, or routines. Continuous improvement and upgrading of the resources is essential to prospering in a constantly changing environment. Firms should consider industry structure and dynamics when deciding which resource to invest in. Good strategy requires continual rethinking of the company's scope, to make sure it's making the most of its resource and not getting into markets where it does not have a resource advantage.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology and modalities that were used in the collection of data pertinent in answering the research questions. It also covers the research design, determination and sources of data, methods of data collection and methods of analyzing the data.

3.2 Research design

This study was conducted using a case study approach to give an in-depth understanding of how MultiChoice Kenya has established and sustained a competitive advantage in the turbulent pay-tv industry. A case study is an empirical inquiry that investigates a phenomenon within its real-life context.

Case study research provides a systematic way of looking at events, collecting data, analyzing information, and reporting the results. As a result the researcher is able to gain a sharpened understanding of why the instance happened as it did, and what might become important to look at more extensively in future research (Yin, 2002). Other studies such as (Ngugi 2011, Sereti 2010, and Kiraithe 2009) successfully adopted this research design.

3.3 Population

The targeted respondents were drawn from the upper and middle management of the organization who have a profound understanding of the operations in their departments and contribute to major policy and operational decisions of the organization as a whole. The functional areas targeted included; Operations department, Commercial, Finance, Human Resources, Information Systems, Marketing and Communication departments of the organization. Of the eight targeted respondents, six were available for the interview sessions this being 75% of the targeted population.

3.4 Data collection

The study relied heavily on primary and secondary data. Primary data was collected through interview sessions with the respondents, this being the preferred method as it allows accurate information and there was room for rephrasing the questions for clarification. An interview guide prepared consisted of both closed and open-ended questions.

The interview schedule standardized the interviews so that the same questions were asked to all the respondents. The questions were developed in line with the study objectives and were divided into three sections. Section A consisted of general questions about the organization history, culture and management. Section B consisted of various questions addressing the competitive strategies, while section C addressed the environmental challenges related to the strategies. The interview process was done both face to face as well as over the phone for the respondents who had tight schedules.

Secondary data on the other hand was collected from the internet, this is for the information the organization has chosen to share with the public on their website as well as articles posted online on different blogs. More data was collected from the media, Economic Surveys and Journals.

3.5 Data analysis

The nature of data collected was mostly qualitative and just a little bit quantitative. Therefore, content analysis was used to analyze data in this research. Content analysis is the systematic description of the composition or objects or materials of study which are either spoken or written. It provides a more in depth and rich description of the situation, it would describe the meanings and implications emanating from respondents information and documented data. Qualitative data analysis seeks to make general statements on how categories and themes are related

Data collected was organized into various categories; a relationship was then established from these categories. A report was generated to show the relationships between concepts and attempt to advance alternative explanations derived from the data.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The objectives of this case were to determine the competitive strategies adopted by MultiChoice Kenya Ltd as a pay TV company in Kenya and to establish how these strategies lead to competitive advantage. This chapter will focus on analysis of the primary data collected from six respondents who represent 75% of the targeted population, drawn from the top and middle management. This group was preferred as they are the major contributors to the policy decisions and implementation. The data was collected in face to face and telephone interview sessions with the respondents. The data collected being of qualitative nature was analyzed using the content analysis method. The findings of the study have been discussed in details and the relationships to the literature reviews established.

4.2 Ownership and organization profile

MultiChoice Kenya Limited is a pay TV company that broadcasts Dstv services in Kenya and whose home is in South Africa. MultiChoice Kenya Limited was established as a joint venture between MultiChoice Africa Limited and Kenya Broadcasting Corporation (KBC) in February 1995, just at the beginning of the liberalization of the broadcasting industry in Kenya and at the time the only players in TV broadcasting were Kenya Broadcasting Corporation (KBC) who have a 40% stake in MultiChoice Kenya Ltd and Kenya Television Network (KTN). This was a huge milestone for MultiChoice Africa. Dstv delivers television to viewers in 50 countries across Sub-Saharan Africa. According to media reports Dstv Kenya's subscriber base is currently estimated at 120,000, the lion's share of the market.

MultiChoice mission statement states 'MultiChoice Enriches Lives'. According to one of the respondents, this would be loosely translated as; to brighten people's lives with compelling digital media content. The vision statement is 'To be Number One in all chosen market segments, as the most trusted, best value provider of: The most compelling digital media content, The most innovative delivery, The best customer care and Nurturing the best talent.' The company values are 'Participation, Mutual Respect, Development, Innovation, Customer Focus and Performance Driven'.

MultiChoice Kenya Ltd is backed by the exceptional expertise of the holding company MultiChoice Africa which has a well-established position in the television broadcast sector. The group also owns the following strong and exciting brands. Dstv - MultiChoice's flagship product, Dstv, provides various bouquets offering General Entertainment, Movies, Lifestyle & Culture, Sport, Documentaries, News & Commerce, Children, Music, Religion and Consumer channels to MultiChoice subscribers. DSTV Online, a subsidiary of MultiChoice, drives the online properties of the Naspers Pay TV business. Taking television to the Internet, the team builds and manages leading entertainment portals such as: DStv.com, SuperSport.com, MNet.co.za, VUZU.tv and the AfricanFilmLibrary.com.M-Net are wholly-owned by MultiChoice, and delivers premium thematic channels and exclusive content to Dstv customers. SuperSport provides comprehensive coverage of local and global sport, broadcast over seven dedicated channels. Dstv Mobile has been tasked with the flagship challenge of taking Africa into the innovative and exciting realm of mobile television. With a focus on cellphone technology, Dstv Mobile aggregates and produces mobile TV content and services for a number of mobile platforms and technologies. MultiChoice has terrestrial analogue and digital direct-to-home satellite television platforms. Via three different satellite broadcasting platforms, MultiChoice imports channels from all over the world. These are packaged with local channels originating in the countries in which they operate, to form compelling entertainment bouquets for subscribers.

According to one of the respondents, activities in the operations unit include promoting Pay Television services, entering into contract negotiations with various channel providers ensuring great packaging of the best content in our various bouquets for our customers. Providing programme guides (both printed and electronic) to subscribers, operating a subscriber care call centre, administering subscriber contracts, receiving subscriber payments, coordinating the supply and servicing of decoders to subscribers and conducting in-depth market research.

The startup cost for a Dstv kit currently retails at KES 12,050/- for the standard full kit complete with installation while the PVR full kit stands at KES 42,100/- complete with the installation services. The full kit comprises of a decoder or a PVR decoder and a satellite dish plus the installation services. The PVR decoder is the receiver that has the ability to record at the same time as watch the channels while the standard decoder cannot record the channels. The initial subscription charges are exclusive of the bouquet charges which are subject to the bouquet one chooses to subscribe to. The total number of English bouquets are 5, all tailored to suit different lifestyles.

4.3 Strategic Planning at MultiChoice Kenya Ltd

From the findings, the task of crafting and executing strategy at MultiChoice Kenya Ltd is a task done by the core management of the pay TV company. The top managers have a better understanding of the organization's strategies as they are deeply involved in the planning process and they are the decision makers and they have the authority to commit the resources necessary for implementation. The respondents affirmed that the organization's strategies are formal and in line with the organization's vision and mission statements as well as the set goal and objectives.

Due to the ever changing pay TV market environment, the organization reviews its strategies from time to time to be able to stay competitive. The management recognizes the value of various stakeholders during its strategy formulation process. Through effective communication and interaction among managers and employees across hierarchical levels, the firm has been able to function as a competitive team for the longest. Currently MultiChoice Kenya Ltd is running with their strategic plan for the period 2012-2013, their calendar years runs from the month of April of every year.

4.4 Competitive strategies adopted by MultiChoice Kenya Ltd

MultiChoice Kenya Ltd has made enormous changes and come up with several strategies in an effort to maintain their competitive advantage and remain the market leader in the ever changing pay TV environment. From the data collected, MultiChoice Kenya Ltd has lowered costs, introduced new bouquets to give customers a wider range to choose from. They have embraced more convenient payment options, expanded by opening new branches and recently opened a bigger call center to manage customer calls. They are also taking advantage of the social media to sort out customer issue and broadcast communication to their customers. The main competitive strategies that MultiChoice Kenya Ltd has adopted are discussed as below.

4.4.1 Collaborative strategies

MultiChoice Kenya Ltd has the advantage of strong partnerships and alliances with the following strong brands with premium services that have propelled it to the top of their competitors. Their strong brands include: Dstv which is MultiChoice's flagship product, provides various bouquets offering General Entertainment, Movies, Lifestyle & Culture, Sport, Documentaries, News & Commerce, Children, Music, Religion and Consumer channels to MultiChoice subscribers. DSTV Online, a subsidiary of MultiChoice, drives the online properties of the pay TV business. Taking television to the Internet, the team builds and manages leading entertainment portals such as: DStv.com, SuperSport.com, MNet.co.za, VUZU.tv and the AfricanFilmLibrary.com. M-Net is wholly-owned by MultiChoice, and delivers premium thematic channels and exclusive content to Dstv customers. SuperSport provides comprehensive coverage of local and global sport, broadcast over seven dedicated channels. Dstv Mobile has been tasked with the flagship challenge of taking Africa into the innovative and exciting realm of mobile television. With a focus on cellphone technology, Dstv Mobile aggregates and produces mobile TV content and services for a number of mobile platforms and technologies.

4.4.2 Website Strategy

MultiChoice Kenya Ltd uses its website to broadcast information, updates, news and any subject of interest to its customers and public. The website has information that is deemed important and customers as well as prospective customers can easily access information regarding the available bouquet, the current rates, payment options, the various outlets, the contacts. They have a self-service option in the website that allows a customer to pick out from several options the kind of need and they are taken through trouble shooting to resolve simple errors/ problems. This is a very useful tool for the elite customers who would not want the inconvenience of having to visit the outlets or calling the customer service to get very basic and information that should be easily accessible. All customers appreciate comfort and nothing beats ability to access information in the comfort of your house or couch.

The website also carries various advertisements of channels or new programmes. They go ahead to highlight what each channel contains and this is very powerful information that customers need to make a choice of their preferred package from a selection of the five main packages tailored to suit customers different preferences. This has been advantageous to the customer since it is important information laid out in detail just at the click of a button. It is amazing that the website holds information on programming and times so customers can easily log into the website to check for whatever programme they would like to watch and be able to plan their day ahead.

The website highlights events that have been organized by MultiChoice Kenya Ltd. They bring to light the CSR (Corporate Social Responsibilities) activities which are much appreciated by many a customers. CSR activities draw people to the organization as they portray the humane side of the otherwise enterprising organization. It goes a long way to show that the organization appreciates the communities they operate within and wish to give back in any ways possible.

4.4.3 Strong brand strategy

MultiChoice Kenya Ltd. has a strong backing in the government due to its ties with the national broadcaster KBC (Kenya Broadcasting Corporation) which has a 40 per cent stake in MultiChoice Kenya Ltd. This aspect of partners and stakeholders is a very big added advantage. The other notable strong brands that are MultiChoice Kenya Ltd's affiliates are Dstv, M-Net, SuperSport and Dstv Mobile. These brands have put MultiChoice ahead of their competitors are they offer premium entertainment. The other competitors are evidently struggling with content while MultiChoice Kenya Ltd sits pretty.

MultiChoice Kenya Ltd. has enjoyed a near-monopoly in the market for the last 17 years with very few smaller competitors some of whom closed shop not so long after beginning operations, a case in point is Gateway TV (GTV), a British company, who packed up and left late 2008 after being in operation for slightly over a year. GTV seemed to have entered the market with a differentiation and specialization strategy by snatching 80% of the English premier When GTV closed shop, all their subscribers had their fingers burnt and now with upcoming competitors, customers are more cautious. This was a blessing in disguise to MultiChoice Kenya Ltd. as the subscribers were keen on a stable provider and MultiChoice Kenya Ltd. offers just that.

4.4.4 Differentiation Strategy

MultiChoice Kenya Ltd. has diverse content that is well balanced and a customer subscribing to any of their carefully tailored packages is guaranteed to have a good experience basing on the fact that they packages offer a little bit of everything. A customer is guaranteed of documentaries, movies, local and international news, inspirational channels, religious programmes, music and sports all in different measures depending on how much the customer is willing to pay and how much of each of the groups the customer wants. Overtime MultiChoice Kenya Ltd. has strived to satisfy its customers' needs by introducing new channels with fresh ideas. The packages have also been beefed up with additional packages as an advantage to the customer.

MultiChoice Kenya Ltd. has strategically picked out its Dstv content to ensure that there is something of interest to be watched by its clientele across all ages, races, genders and social statuses. The channels have been carefully grouped into bouquets that give a little bit of everything to suit different lifestyles. The customers know they can pay to get a little more of everything in different measures. The ones who would like all the premium channels in all categories know it comes at an extra price. This seems to go well with the customers.

4.4.5 Strong Currency as a Strategy

MultiChoice Kenya Ltd prices all its products and services in dollars, this is to ensure a match between the costs and revenues and cushion the company from unexpected loss caused by currency fluctuations. Customers however have the option to pay either in dollars or the local currency and this conversion is done at the prevailing dollar market exchange rates. The dollar is a one of the strongest and most stable universally accepted trading currency.

According to MultiChoice Kenya Ltd, the inputs are mostly in dollars starting with the satellite and transponders hire, the manufacture and supply of decoders and satellite dishes as well as other services from other suppliers are all in dollars. This currency of choice is within the group, that is MultiChoice Africa and not just unique to Kenya. MultiChoice Kenya Ltd believes that this gives the customers choices and flexibility to pay in alternative currency including the two other major currencies, the Euro and the Pound. Customers can also shop for cheaper foreign exchange rates and pay in their preferred currency. In this way they can only worry about other financial factors other than currency fluctuations.

4.4.6 Supplier Relationship

MultiChoice Kenya Ltd carefully selects its suppliers based on a particular business need and only closed tenders are entered into. A standard tender evaluation process and strict criteria need to be adhered to resulting in some suppliers being short-listed depending on the commodity and tender requirements as well as compliance thereto. All preferred or sourced suppliers are managed using the MultiChoice Contract and Service Management processes. This is a sure way of ensuring that the suppliers are legit and that they qualified to meet the required needs of the organization.

On principle MultiChoice prefers not to engage with suppliers who are not compliant with their policies, the Broad Based Black Economic Empowerment (BBBEE) Act 53 of 2003 was promulgated with a view to addressing historical imbalances through the creation of a balanced scorecard that enables organizations to manage expectations and deliverables in terms of the act. The MultiChoice South Africa Group is committed to their principles and has developed the necessary reporting processes and created the relevant focus and awareness in order to achieve their targets in line with regulatory and shareholder expectations.

4.4.7 Defensive Strategies

MultiChoice Kenya Ltd has used loyalty programmes as a defensive strategy to lower the risk of attack as well as weaken the impact of attack. In as much as this strategy does not enhance competitive advantage, it fortifies the organization competitive position. This year MultiChoice is consolidating all subscriber loyalty competitions and initiatives into one portfolio called Dstv Rewards. In February this year, MultiChoice Kenya Ltd as well as the group recently launched a customer loyalty and reward programme in Kenya that will see subscribers who pay on time receive discounts and free 12-month access to its digital satellite TV service Dstv. In this programme, customers will get a 10 percent discount for timely payments, while all subscribers will be randomly selected for a chance to win KSh. 600, 000 (US$6,900) on a weekly basis. They have also partnered with Samsung in a deal that will see customers get a free Dstv or GoTV decoder for every purchase of a Samsung TV retailing at a minimum KSh. 24,000 (US$275).

4.4.8 Customer Focus

So what is driving the growth of MultiChoice Kenya Ltd? According to one of the respondents, much of their success can be attributed to focus on delivering quality to viewers. We can call them the 4Qs of success, namely: quality content, quality sound, quality picture and quality service. MultiChoice has standardized the equipment and has strived to maintain the quality across all the countries it operates in. The decoders are similar for all the countries they operate in and satellite dishes are good quality and last for years. This coupled with the fact that the technology is satellite transmission and the reception is perfect across the globe puts them ahead of their competitors. The range of bouquets for customers to choose from has increased recently with the introduction of the Compact plus Bouquet to cater for the famed English Premier League fans. The bouquets offer a range of channels that have been carefully selected and balanced to offer a little bit of everything.

Pay TV being a technology driven service, there are bound to be several changes every now and then brought about by technological advancements. MultiChoice Kenya invests in training its staff and dealers on new products before the products are launched into the market. This helps to create a competent and confident team that can ably sort out the customer issues and answer to their queries in an effort to give the customer a good experience and as a result lock them in their service. The trainings are also a surety of good after sales service. This is especially beneficial whenever the product is totally new in the market or the customer is a totally new user and needs a lot of help setting up. The trainings eventually translate to good customer experience and as a result increase sales and profitability. This is a small price to pay for bigger rewards to follow in the long run.

Human Resource Capacity has been beefed up over the years to cater for the growing number of customers. From 2010 to date the number of staff in the operations department has more than tripled. This is to ensure all the customers are attended to.

4.4.9 Accessibility as a Strategy

MultiChoice Kenya Ltd has in the recent past opened new branches in Nairobi after many years of operating in one branch in Westlands, the upmarket part of Nairobi, only conveniently serving the small community in the region. They opened the T-Mall branch at the Tuskys Mall on Langata road in 2010 and later in 2012 they opened the Donholm branch located at the Greenspan Mall. This has greatly improved accessibility and now they are able to attend to their ever growing number of customers. This is also an indication that they are reaching out to everyone other than what was once considered to be a service for the rich who live in up market areas. This has also helped to boost the sales and as a result increase the profits.

MultiChoice Kenya Ltd has a very wide, strong and reliable dealerships with reliable electrical services dealers spread across the country. The dealers step in to act on behalf of MultiChoice Kenya Ltd to serve customers that are located in upcountry. These dealers serve as a sales point, customer services, and payment points for the Dstv subscribers. These dealers are carefully selected and they are qualified by crucial factors like the location of the dealer, he has to be easily accessible, the dealer has to be well known in the town, the dealer should be big enough and stable, the dealers are also trained in order to offer technical advice. MultiChoice Kenya Ltd has also partnered with all the major supermarkets and stores country wide to promote their sales. This is a strategy to make themselves more accessible to potential customers. Any customer likes to have an easy time to access a service especially one that they pay for.

4.4.10 Visibility as a Strategy

MultiChoice Kenya Ltd has ensured they remain visible through various bill boards all over the country. They have merchandise like t-shirts, mugs, water bottles, bags, calendars and even stationery that are given to staff as well as customers. They also from time to time run promotional competitions where winners are given Dstv merchandise. This has helped a lot in ensuring their visibility. In so doing, they can arouse curiosity and interest in the markets that are yet to be explored and eventually capture and lock in customers.

MultiChoice Kenya Ltd has used their merchandise and bill boards as powerful tools for their visibility. This is a constant reminder to the customers as well as potential customers of their existence and in turn it would arouse curiosity and in most cases translate to sales. This is a sure way of staying ahead of the competition

4.5 Challenges in the Implementation of the chosen Strategies

MultiChoice Kenya Ltd is facing rivalry among current competitors as a major challenge. In the recent past the industry has been the mushrooming of new entrants the latest being the Start times, a Chinese company. New entrants in the market – GoTV and StarTimes have adopted a low cost model and seem to be outdoing each other in terms of who can give the customers rock bottom prices. But the question remains whether the low cost model is sustainable.

Rising costs are a major challenge. This has been enhanced by a weakened economy and new legislative laws that are impacting on the costs of the inputs going up. The cost of living is sky rocketing and the economy is almost down to its knees. This has greatly affected the buyer power and most consumers are not in a position to buy the service as it is considered more of entertainment. Most people can only afford the basic needs and do not have extra cash to play around with. This has also resulted in most customers downgrading to lower costing bouquets to reduce the strain on their expenses. This being a national problem has a great impact on not just MultiChoice Kenya Limited but on the industry in general.

Piracy has been and still is a major challenge for MultiChoice Kenya Ltd in the sense that the pirates steal the signal and distribute it to other users to make money. This eats into the profits that would have otherwise been made by the organizations from getting subscription fees from these customers who end up buying stolen signal. This is a menace as it is almost unstoppable and it's almost practically impossible to catch the pirates. To address this issue the company hired an expert who is works round the clock to arrest piracy cases. This is not very easy considering the customers are spread across the nation so it is not easy to monitor each of them. The technology for broadcasting is also another issue, being a satellite service it is very hard to put controls. Currently they depend majorly on tip offs and studying customer trends and behavior to try and arrest the piracy. The other headache is the apartments coming up in over populated residential areas are the hubs of piracy.

Government regulations affect the organization every now and then and sometimes they are forced to make reactive strategies in order to remain profitable. A good example is the recently passed tax bill which has clearly left many businesses at a loss and prices had to ridiculously go up. This being a new regulation, it is just setting in and might end up creating a problem in the near future. The costs of equipment are bound to go up and this will greatly affect the sales considering salaries and incomes have not been matched upwards to cushion the consumers. This can be bad for any organization especially entertainment as it is not considered an essential product or service by the average income earners. This is a potential problem but we cannot tell just yet how big the effect is going to be since parliament is still debating and making amendments where possible.

Reduced buyer power and changing customer trends is also another major challenge that the organization does not have control over. The economy of the country has in the recent past nosedived and many households are struggling to make ends meet and providing basic needs is priority. There's hardly enough money to spare for what is considered a luxury service, pay TV. This is obviously as negative impact on the customer trends. This is not a permanent situation, it can be managed.

Alternative products and or services also pose a challenge to any organization. In the case of MultiChoice Kenya Ltd and the other players in the pay TV industry, the internet is the major alternative service that can surely bring the sector down. Ironically, the decline of pay TV can be partly cited to be the ubiquitous presence of the Internet in today's media landscape and the same internet gives the organization an added advantage as portrayed in the website strategy discussed above under the strategies that are adopted by the organization. Internet is a major communication tool and cannot be ignored in this day and age. It is therefore a challenge for the MultiChoice Kenya Ltd and other players in this industry to be innovative in order to remain relevant and competitive.

4.6 Discussion of Findings

This study has established that there is huge potential in the pay TV industry in Kenya and the industry is still developing. It is notable that the industry has attracted more new market entrants in the last five years compared a decade ago when MultiChoice Kenya Ltd enjoyed monopoly. MultiChoice Kenya Ltd confirmed that they always conduct SWOT (Strength Weakness Opportunity Threats) analysis for business planning, strategic planning, competitor evaluation, marketing, business and product development and research reports. They also conduct PEST (Political Economic Social Technological) analysis which is a business measurement tool for understanding market growth or decline, and as such the position, potential and direction for their business. These two analyses have been used hand in hand with Porter's five forces to analyze their competitive position and strength as well as determine costs to be borne to compete in the industry and maintain their competitive advantage.

The most successful companies innovate and continually seek new forms of advantage in order to open up a competitive gap and then maintain their lead since few individual sources of advantage are sustainable in the long-run (Porter, 1985). MultiChoice Kenya Ltd has properly executed this strategy by always seeking new advantages, they have continually beefed up the number of entertaining channels in each bouquet and these have been clearly selected. They have given their customers an array of options of getting their favorite channels anywhere any time by introducing portable TV solutions like the Walker which is a miniature TV linked to the customer's main account. They also have the Drifta which a USB plug and play gadget that can be used on a computer and lastly there's the Dstv Mobile service which is enabled on particular mobile handsets. This has greatly improved the customer experience and locked in most of their existing customers.

According to Porter (1985) competitive advantage is created and sustained when a firm performs the most critical functions either more cheaply or better than its competitors. MultiChoice Kenya Ltd enjoys this advantage, especially going by the fact that they have been in the market the longest and have as a matter of fact established long standing relationships with their suppliers and is able to procure equipment in bulk, taking advantage of the economies of scale and thus saving on costs of inputs. Sustained competitive advantage requires effective control of costs drivers. Scale economies, learning, linkages, inter-relationships and timing provide the key opportunities for creating advantage.

MultiChoice Kenya Ltd has very well adopted the differentiation strategy which is one of the generic strategies by Porter (1998) to create their positional advantage. MultiChoice Kenya Ltd offers bouquets/ channels that are tailor made for a particular target group. They offer non-English channels including French, German, Portuguese and Asian which can be taken up separately or combined with the English channels at an extra cost. Their customers come from a diverse background and some of them being foreigners, need this service and do not mind paying the extra cost.

MultiChoice Kenya Ltd has been able to incorporate some grand strategies in an effort to stay ahead of competition. Pearce and Robinson (1997) state that a grand strategy is a comprehensive general approach that guides a firm's major action and form the basis of coordinated and sustained efforts directed towards achieving long-term business objectives. One of these strategies that have been clearly executed by MultiChoice Kenya Ltd is collaborative strategy in form of alliances and partnerships. This strategy complements their own strategic initiatives and strengthens their competitiveness in domestic and international markets. This is clearly brought out by MultiChoice Kenya Ltd's partnerships which major brands like Dstv which has rich TV content, SuperSport which offers premium sports channels, M-net has premium movies and Dstv Mobile which is sensational. These partnerships have earned MultiChoice Kenya Ltd exclusive rights to some programming, notably the famed English Premier Leagues that is broadcasted by SuperSport.

It is notable that MultiChoice Kenya Ltd has used their loyalty programmes, wider range of bouquets to choose from and the portable TV solutions as defensive strategies which according to Thompson and Strickland (2007) should help fortify its competitive position, protect its most valuable resources and capabilities from imitation, and defend whatever competitive advantage it might have. The loyalty programme is new and has been running for slightly less than a year. The mobile/ portable TV solutions have set MultiChoice Kenya Ltd ahead of their competitors by offering variety and convenience.

Website strategy looks at what role the company’s website should play in a company’s competitive strategy (Porter, 1979). MultiChoice Kenya Ltd has used this strategy to their advantage to position themselves in the marketplace by advertising their products and services, disseminating product information to their customers, highlighting their corporate social responsibility activities and providing a self-service problem resolution platform and most importantly give contacts of the organization.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the findings of the study on the strategies adopted by MultiChoice Kenya Ltd as a major player in the Kenya pay TV market. The conclusions of the findings of this study are also highlighted in this chapter and we clearly see that MultiChoice Kenya Ltd has very well defended its position in the pay TV industry as the market leader. The study presented some notable limitations which have been discussed. Recommendations from the study have been made for policy and practice and this will be an important basis for the government communication body to consider making favorable adjustments to attract more investors. There are areas of interest that came up during the study that unfortunately were not within the scope of the study, these have been highlighted and recommended for further studies and research.

5.2 Summary of Findings

The pay TV industry in Kenya for the longest time has been very quiet with little activity in the past. MultiChoice Kenya Ltd enjoyed monopoly for over a decade before other players started coming in. This industry is not attractive to your ordinary entrepreneurs owing to its technologically based service and operations. The startup costs are obscene especially licensing, so many investors and entrepreneurs shy away from the industry due to the projected challenges. This study established that MultiChoice Kenya Ltd being the oldest player in this market in Kenya has over time gone through various changes and phases in the market as new players come in order to remain relevant and remain competitive. MultiChoice has seen some players come into and leave the market and for the most part they have enjoyed either monopoly or a near monopoly. MultiChoice Kenya Ltd is a strong brand and has enjoyed the support of the mother company in South Africa.

This study has brought to light the organization structure at MultiChoice and it is clear that leadership is an advantage to the organization's position in the industry. There is evident expertise by the leaders who are well qualified and properly trained to handle the duties and responsibilities in their departments. The structure is clear and responsibility clearly marked to ensure mastery of the techniques involved. This has been greatly influenced by the mission, vision, goals and objectives of the organization as a whole and each business unit. There's a lot of interdependency among the business units and this has enhanced team work and commitment which is an advantage for the organization.

MultiChoice Kenya Ltd has strategies in place that are clearly working to their advantage. The notable ones being, having partnerships with strong brands like M-net, SuperSport, Dstv, Dstv Mobile and Dstv Online which has contributed to the increased and profitability. This has surely set them ahead of competitors in terms of content and a wider range of options. MultiChoice is also advantaged by the fact that it has strong backing from the government through KBC (Kenya Broadcasting Corporation) who own a 40% stake in MultiChoice Kenya Ltd. MultiChoice has chosen the dollar as a currency of choice as it is stable and there are no possibilities of losses brought about by changes in foreign exchange rates. They also use the website strategy to push sales, advertise, inform and serve customers. They have increased their number of outlets where walk-in customers can be served and equipment serviced. They have a very wide range of payment options most of which are now automated and customers can make payments and inquiries in the comfort of their houses.

5.3 Conclusions of the study

The pay TV industry in Kenya is still growing and it is justifiable to say that the industry has come a long way. For over a decade MultiChoice Kenya Ltd enjoyed monopoly and later on we had players who came and exited after a year or two of operation and some less than a year. The other industry players in the pay TV industry are evidently doing catch up as MultiChoice is miles ahead in terms of subscriber base, the number of products, alternative products, range of channels and channels rights.

It is projected that the pay TV industry growth is expected to shoot up with the new CCK requirements of migration from analogue terrestrial technology to the digital platform of TV broadcasting. The cutover deadline is set for June 2015. The trials are ongoing and TV viewers will be required to purchase set-top boxes that will receive the digital transmission, the ones who will not have the set-top boxes will not be able to receive TV transmission.

We can conclusively say that there's lots of potential in pay TV, the industry is quickly evolving and with the CCK requirements for the migration from analogue to digital TV broadcasting, this will see many people opt to have pay TV as they will have to buy set top boxes either way. It is therefore up to the market players to be strategic in order to lure the prospective customers. There's also the need for lots of advertising and public relations campaigns to ensure visibility.

5.4 Recommendations for policy and practice

The pay TV industry being technologically driven should attract more players seeing as pay TV is definitely the future of TV in Kenya. This study found out that this is not the case but instead many proprietors shy away from this industry due to startup costs. New players are greatly disadvantaged due to high shifting costs for existing customers who are required to purchase new equipment when they move to a new provider. This can be addressed by the government standardizing the pay TV set top boxes and receivers in the sense that the technology behind them is similar in order to allow reception using the standard equipment even when it is from a different provider.

The infrastructure in the industry is also not well developed making it less appealing to the prospective proprietors. The fiber optic cable is currently still being laid out and so far only Nairobi and Mombasa and their environs can use the services. The cost of buying satellites is unaffordable for many wannabe pay TV service providers. The government should have a plan and time frame for developing the pay TV infrastructure in order attract more investors and market players. This would involve action by the government hiring competent people to run with the project of developing the necessary infrastructure and have clear delivery timelines.

Government regulations on licensing costs should be made less restrictive; this would in turn reduce the costs of the inputs for the pay TV service providers and as a result reduce subscription costs making the service affordable. It is therefore recommended that a policy document should be developed to look at the currently laid down cost regulations surrounding the startup and maintenance of pay TV. Analyze the constraints faced by the new entrants into the market and how the government can make it cost friendly to enter the market and stay in operation, considering that this would also generate income for the government.

5.5 Limitations of the study

One major limitation to this study was that MultiChoice Kenya Ltd being a private organization, the respondents were not free to discuss and give information they considered sensitive and privy. They believe that their competitive position could easily be compromised if some of their strategic information is shared with those outside the organization. This made data collection not comprehensive as there was evident holding back of information and sometimes vague answers.

It was also notable that owing to the nature of their jobs, the respondents hardly had time for a session longer than half hour and most of the information was summarized due to time constraints. This has an impact on the scope and depth of the research. Time allowing, I would have also looked at their current policy on content selection, tenders and bids for content suppliers and rights for the premium content. I would also have loved to look at their long term plans for growth and or diversification.

5.6 Suggestions for further research

During this research, some interesting subjects needed to be left out because of the limited scope of this research, but which still are interesting for further investigations. First, further investigation should be done on the pay TV content rights and bidding process and if at all this is influenced by any relationships or partnerships that the organizations enjoy with the content providers as well as get a better understanding of the policies involved. This could answer the question; ‘To what extent do current politics, policies and partnerships influence the profitability of pay TV companies in Kenya?’

Lastly, there seems to be an aspect of hyper competition that I believe should be of interest to the market players, new market entrants as well as scholars. MultiChoice Kenya Ltd does not agree with this possibility as they believe they are on a same level playing ground with their competitors. Is there a chance, as slim as it may be that MultiChoice Kenya Ltd is privileged and has the advantages that can only be enjoyed by them in the industry and in the process easily destroy the competition?

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APPENDIX 1: LETTER OF INTRODUCTION

C/O MBA Office,
School of Business,
University of Nairobi,
P.O Box 30197 – 00100,
Nairobi.

August, 2013

Dear respondent,

RE: REQUEST TO COLLECT DATA

I am a Postgraduate student at the School of Business, University of Nairobi studying Master of Business Administration, Strategic Management option. I am currently conducting an academic research on "**Competitive strategies adopted by MultiChoice Kenya Ltd".**

The purpose of this letter is to request to schedule an interview with you so that I can collect the necessary data. The information you give will be treated in strict confidence and will be used for academic purpose only. A copy will be issued to your organization upon request.

Thanking you in advance and looking forward to the interview sessions with you.

Yours sincerely,

Edna Wekesa,
Email: ednawekesa@gmail.com
Cell: 0734 325 864

APPENDIX II: INTERVIEW GUIDE

PART A: HISTORY AND CULTURE OF THE ORGANIZATION

1. How old is MultiChoice Africa?
2. When was MultiChoice Kenya founded?
3. What is the form of business ownership of MultiChoice Kenya?
4. How many countries do you operate in currently?
5. What is your organization mission statement?
6. What are your organizational values and long term goals and objectives?
7. How many employees do you have in MultiChoice Kenya?
8. Is the MultiChoice Kenya management drawn from the local community?

PART B: COMPETITIVE STRATEGIES

1. What is your core business activity?

   Other than pay TV service, what other products or services does your organization offer?

2. By targeting a particular group of customers in the market, a firm is able to ensure that it woos its prospective customers.
   a) Who is your target market?
   b) How often do you conduct market research?
   c) How would you describe the buyer power and consumption pattern of your customers?
   d) How do you ensure you stay visible to your customers?
   e) What is your preferred mode of communication to your customers?

3. The availability of substitute products in any market will give customers choices as well as affect price elasticity and demand of a product or service;
    a) Are there products/ services in the market that are a substitute of your products /services?
    b) If so how do you ensure that you remain relevant to your customers given the availability of substitutes and how to you ensure you maintain your market share?
    c) How do you price your products? What are your pricing determinants?

4. Any sustainable business should have a reliable supplier network and build a good relationship with them. In view of this;
    a) Who are your major suppliers and approximately how long have you had a business relationship with your longest standing suppliers?
    b) Have you experienced any difficulties in your supply chains?
    c) Many organizations have adopted the just-in-time supply management system; do you use this system as well? What are your views about it? Do you prefer any other system?

5. Competition occurs when two or more organizations act independently to supply their products to the same group of consumers.
    a) Who are your major competitors?
    b) How would you describe the level of competition in the market?
    c) What major advantage would you say you have over your competitors?

6. Startimes TV recently entered the market with what they termed as mass market target with their affordability strategy.
    a) Have you had to make any significant changes as a result of their entry to remain competitive?
    b) Any challenge posed by the entry of Startimes TV or any other new entrants into the market?
    c) How has the entry of new market entrants affected your market share?
7. What would you say are the notable key achievements of your organization in this industry?

PART C: ENVIRONMENTAL CHALLENGES RELATED TO STRATEGIES

1. In this industry, it is apparent technology is key and therefore that technological developments are inevitable.
    a) How prepared are you to adapt to the technological advancements?
    b) How many times in the last ten years have you had to make changes as a result of technological development? What are these changes?

2. Political, legal and regulatory challenges.
    a) What has been the impact of the political environment on your operations given the recently concluded general elections and the PEV in the 2007/ 2008 general elections? How would you compare this with the otherwise peaceful political environment?
    b) How do you deal with pressure from government and other influential groups?
    c) Are there any legal or regulatory factors that adversely affect your business? What are they and how have you had to deal with them?

3. Many businesses are affected by economic recession, GTV closed shop because of this major reason.
    a) Do you consider your business to be sustainable? If yes, what are the competitive strategies you have in place to ensure long term sustainability in the face of changing economic environment?
    b) Are there any measures in place to deal with the rising costs and duty? In your opinion, has this affected your market share in any way?

4. Competitor behavior is a major factor affecting a firm's business
    a) How would you describe the intensity of competition in the industry?
    b) How effective can the organization match the market aggressiveness?
    c) How would you describe the speed of market change?

5. The success of an organization would most of the time depend on satisfying customer tastes and preferences
    a) Customer incomes, tastes and preferences change from time to time, how has this affected your business?
    b) Have you had to make any changes recently to deal with the changing tastes and preferences of your customers?

6. Organizational change
    a) Are there any key changes currently facing the organization?
    b) What major changes have you had to make over the years you have been in operation in order to stay relevant in the market.