

**COMPETITIVE STRATEGIES ADOPTED BY MOBILE TELEPHONY  
COMPANIES IN KENYA**

**BY**

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## DECLARATION

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

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Date 13<sup>th</sup> November 2013

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This Strategic management research project has been submitted for examination with my approval as the candidate's University Supervisor.

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## **DEDICATION**

This research project is dedicated to my husband Musyoka, Dad Mr Reuben Mungalla, mother Janet Mutisya, Brother Ian and my daughter Sarah, without whom my academic potential would not have been realized. The support they gave me during my academic life cannot be explained.

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# TABLE OF CONTENTS

<b>Declaration</b> .....	ii
<b>Dedication</b> .....	iii
<b>Acknowledgements</b> .....	iv
<b>Abbreviations And Acronyms</b> .....	vii
<b>List Of Tables</b> .....	viii
<b>Abstract</b> .....	ix
<b>CHAPTER ONE: INTRODUCTION</b> .....	1
1.1Background of the Study .....	1
1.1.1Concept of Competition .....	2
1.1.2 Concept of Competitive Strategy .....	4
1.1.3 Mobile Telephony Industry in Kenya .....	5
1.2 Research Problem .....	6
1.3Research Objective .....	8
1.4Value of the Study .....	8
<b>CHAPTER TWO: LITERATURE REVIEW</b> .....	9
2.1 Introduction.....	9
2.2 Theoretical Framework.....	9
2.3 Drivers of industrial competition .....	11
2.4 Competitive Strategies.....	16
<b>CHAPTER THREE: RESEARCH METHODOLOGY</b> .....	28
3.1 Introduction.....	28
3.2 Research Design.....	28
3.3 Population of study .....	28
3.4 Data Collection .....	29
3.5 Data Analysis.....	30

<b>CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS .....</b>	<b>31</b>
4.1 Introduction.....	31
4.2 Analysis of Data Collection .....	31
<b>CHAPTER FIVE: SUMMARY, DISCUSSION AND CONCLUSION .....</b>	<b>47</b>
5.1 Introduction.....	47
5.2 Summary .....	47
5.3. Conclusion .....	50
5.4 Discussion .....	51
5.5 Recommendation .....	51
5.6. Implication on Policy, Theory and Practice.....	53
5.7 Limitations of the Study.....	54
<b>REFERENCES.....</b>	<b>55</b>
<b>APPENDICES .....</b>	<b>59</b>
<b>APPENDIX I: Questionnaire.....</b>	<b>59</b>
<b>APPENDIX II: Letter of Introduction .....</b>	<b>64</b>
<b>APPENDIX III: List of Mobile Telephony Companies in Kenya.....</b>	<b>65</b>

## **ABBREVIATIONS AND ACRONYMS**

<b>CCK</b>	Communication Commission of Kenya
<b>ICT</b>	Information Communication Technology
<b>ICTs</b>	Communication Technologies
<b>MNCs</b>	Multi National Companies

## LIST OF TABLES

<b>Table.1.1:</b> Ansoff product/market matrix.....	11
<b>Table 1.2:</b> Generic strategies.....	13
<b>Table 4.1:</b> Respondents Job Position.....	16
<b>Table 4.2:</b> Rate of Existing Rivalry.....	17
<b>Table 4.3:</b> Rate of use of competitive strategies in telephony companies in Kenya..	18
<b>Table 4.4:</b> Threat of New Market Entrants.....	19
<b>Table 4.5:</b> Rate of competitive strategies use on telephony companies in Kenya.....	20
<b>Table 4.6:</b> Challenges posed by threat of substitute products and services.....	21
<b>Table 4.7:</b> How respondents agree with some sstrategic methods to block new market entrants in telephony industry in Kenya.....	22
<b>Table 4.8:</b> Bargaining power of buyers.....	23
<b>Table 4.9:</b> Effects of customer bargain power on competitive environmental forces.	24
<b>Table 4.10:</b> Responses on bargaining power of buyers in mobile telephony industry	25

## **ABSTRACT**

The study main objective was to establish competitive strategies adopted by mobile telephony companies in Kenya. The study was guided by game theory, strategic conflict model and industrial organization and economic theory. The study considered using descriptive research design. The study targeted the mobile telephony companies in Kenya to get the required information. The four major mobile telephone companies are namely; Safaricom, Airtel, Telkom Kenya (Orange) and Yu. The study used the questionnaire as data collection instrument. Respondents targeted were Corporate Strategy Managers, Business Development managers and Marketing Managers. The researcher first got an authorization letter from the University of Nairobi and a research permit from the relevant authorities. The study concluded that there should be acceptable levels of market rivalry in the mobile telephony companies in Kenya. The study recommended that there should be a clearly set line of competition in the mobile telephony business and price war should not be the only method for rivalry, that there should be a control on the number of market entrants, that there should be known importance of the products introduced in the market specifically in the mobile telephony companies to avoid introducing products that are less important to the customers, that mobile telephony companies should be aware that customers and buyer of their products are now well inform and that they can have more bargaining power than the sellers.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Organisations operate in turbulent environments that influence their businesses positively or negatively. A company will have a competitive advantage whenever it creates an edge over its rivals in securing customers and defending itself against competitive forces (Thompson & Strickland, 2002). The strongest competitive force or forces determine the profitability of an industry and so are of the greatest importance in strategy formulation, different forces take on prominence in shaping competition in each industry.

Sustainable competitive advantage is born out of core competencies that yield long-term benefit to the company. Game theory is the study of the ways in which strategic interactions among economic agents produce outcomes with respect to the preferences (or utilities) of those agents, where the outcomes in question might have been intended by none of the agents. The mathematical theory of games was invented by John von Neumann and Oskar Morgenstern (1944).

An economic agent is, by definition an entity with preferences. Game theorists, like economists and philosophers studying rational decision-making, describe these by means of an abstract concept called utility. This refers to some ranking, on some specified scale, of the subjective welfare or change in subjective welfare that an agent derives from an object or an event. A perfectly competitive firm does not pay attention to what any of the other firms in the industry are doing. Instead it passively accepts the going market price.

Kenya's mobile market has grown significantly over the last few years. Competition has increased with the introduction of additional mobile network operators and authorized dealers who promote and/or carry out any business activities on the behalf of the respective mobile phone network provider this has contributed to a price drop of over in the last four years. The growth of this mobile phone industry in Kenya has everything to do with the price of getting connected and the need of being connected for personal and business reasons. All providers use all kinds of advertisements to create awareness and also as a reminder to their existence. As a result, in Kenya, consumers, businesses and government continue to benefit from the positive developments in the mobile sector.

### **1.1.1 Concept of Competition**

Response of a competition is based on the ability of a firm to protect themselves from business attacks or offences from other firms in the same industry. A strategy should thus be a pattern or plan that integrates an organisations major goals, policies and actions into a cohesive whole .A well-formulated strategy allocates firms resources into a unique and viable posture (Mitzberg and Gain 1996).

Competitive environment is now accepted as a strategic discipline or general management function and in this respect must care for the health of a business in the future especially against competitive influences. At national level the increasing demand for information and communication services comes along with changes in life style and living standards of people (Fandrich, 2001).

The Kenyan business environment has brought growth in the telecommunications and the information technology sectors and this is why all organisations need to be in touch with their business environment in order to make sure that what they do fit with customer expectations. These expectations change over time The use of cell phones in Kenya continues to grow and this is seen not only through the increase in the number of subscribers and providers, but also in the kinds of services that are provided.

Effective competition is one of the major factors responsible for growth and development of telecommunications market segment, According to the (CCK Annual Report 2010-2011) the Commission has continued to introduce new players into this market with rapid uptake of mobile telephony, even in remote locations of low-income countries, has radically increased the potential for Information and Communication Technologies (ICTs) to play a constructive role in the fight against poverty.

The purpose of competition is to build a sustainable competitive advantage over the organization's rivals. It defines the fundamental decisions that guide the organization's marketing, financial management and operating strategies. Competition pressure makes organisations to be more effective and also causes sufficient organisations to prosper in expense of insufficient ones.

### 1.1.2 Concept of Competitive Strategy

Strategy may be defined as the study of sources of efficiencies that makes firms successful for example innovation, new product development, diversification, entry, corporate governance, acquisitions, joint venture and strategic alliances, executive compensation, influence of top management teams (Camerer, 1991).The current global competitive demand is very much triggered by the globalization of business operations across all industries, and the associated with it labor, capital and resource mobility.

The strategic responses of an organization to its environment are very crucial. Good strategies minimise risk by avoiding unnecessary diversification in markets or product, it is important that it responds positively to its environment and the changes in it.Weaker strategies are characterised by multiple targets, small sector shares and commensurately higher levels of business risk that are not justified by higher return (Ansoff, 1965).

Industries respond to customers demand by becoming innovative in approaching the changed environment, they adopt strategies to improve customer services (Aosa 1992).According to Ansoff and McDonnells(1990),a firm equipped with strategic response is able to position and relate itself to the environment to ensure it continuously succeeds and also gains a better market share.Researchers have acknowledged that generic competitive strategy and external conditions have their impact on competitive performance (Tang, Wang, & Zhang , 2007).

### **1.1.3 Mobile Telephony Industry in Kenya**

The Kenyan telephony market provides a vibrant example of how increased competition in the mobile market can spill over into all areas of the telecom sector by pushing operators to turn to bundled and converged services to improve their market positions. Current trends suggest that the decision by the Communications Commission of Kenya to offer unified licenses in 2008 will generate the rapid growth and development that it had hoped to see in the fixed market (Mureithi, 2011).

The Kenyan mobile market became dramatically more competitive in 2008. The primary drive for growth in the telecommunications and the information technology sectors is also associated with the speed of new technology implementation, which extends the market potential by introducing new services, and developing new capabilities to key players, as well as reducing their costs.

Additional factors affecting the competition and growth in the sector, are the world-wide de-regulation and privatization, and the government efforts to change the monopoly position of the national communication carriers (Coyne, 2008). The use of cell phones in Kenya continues to grow and this is seen not only through the increase in the number of subscribers and providers, but also in the kinds of services that are provided. It is an ever expanding industry; there is always room for innovation and growth and of course, a plethora of services to cater to the needs of every single customer.

## 1.2 Research Problem

Firms have to respond strategically to competition and have a competitive advantage over its rivals in securing customers ,sustainable competitive advantage is born out of core competences that yield long term benefit to the company(Thompson&Strickland ,2002).One, environmental influences to a business arise from competition this exerts pressure on firms to be proactive and formulate successful strategies that can facilitate a positive response to perceived and actual changes in competitive environment.

Every successful organisation has this business self-awareness and every successful business seems to have this clarity of vision, even though it does not rise from a formal planning process (Pearce&Robinson,1994).Managers have to appreciate where greatest opportunities and threats lie at any time and focus attention on those areas which are currently affecting the organisation and require strategic attention(Hax and Majluf, 1996).

According to findings by Knetsche, et.al.(2011), The overlook of the industry makes it clear that the global telecommunication market is in a stage of fundamental restructuring. Organizations therefore have to continually assess the competitive environment in which they operate and also assess their own strategy in order to adopt winning strategies that ensures they perform very well in the industry.in telecommunications industry in Kenya.

The mobile telephony industry is a key player in the countries economy; it has a long and creative history in Kenya. It is a fascinating fast-growing industry that affects each and every aspect of our lives (Republic of Kenya, 2001). However to succeed in today's rapidly changing competitive environment is a question weighing heavily on every management of telecommunication company. A number of researches have been done locally to respond to competitive strategies adopted. Waweru (2002) found out that firms that deal directly with customers of all ages and of different backgrounds make adjustments to their strategic variables depending on their uniqueness to ensure survival.

Kiptugen (2003) established that Kenya Commercial Bank responded to the environment through reconstructing, marketing, embracing information technology and culture change. Masibo (2011) found out that Kenya power and lighting company had adopted differentiation and low cost technique as a strategic response in the energy industry. Nyale (2007) did a research focussing on porters five forces model in relation to structural and competitive analysis of the mobile telephony in Kenya .No research which has been done on competitive strategies adopted by the mobile telephony in Kenya and thus this study will fill the void to study on the competitive strategies used by mobile telephony in Kenya.

This study will seek to identify competitive strategies adopted by mobile telephony companies in Kenya taking into account both internal and external environmental factors. In view of the above the research questions where, what are the competitive strategies that the mobile telephony companies in Kenya have adopted.

### **1.3 Research Objective**

The study objective was to establish competitive strategies adopted by mobile telephony companies in Kenya.

### **1.4 Value of the Study**

The study will be useful to other researchers and scholars in theory building and also value addition to the existing knowledge and provide a new platform for those who will require carrying out a study on this area of study.

The study will also be of benefit to the government and specifically the division of Information Communication Technology (ICT). This comes at a time when the government is willing to digitize all government operations for effectiveness hence formulating policies that will enhance development of this industry. And other policy makers (private) to utilise the findings of the study for making informed decisions in the mobile telephony sector.

The research will help at the management and interested parties in the telephony industries in Kenya by offering new statistics, and findings about competitive environmental forces, which will help to improve the service in the bid to command a more better competitive edge. The companies will have an advantage of using the recommendations made, conclusions and suggestions to improve their competitiveness.

# CHAPTER TWO

## LITERATURE REVIEW

### 2.1 Introduction

This chapter covered the literature review on competitive strategies adopted by mobile telephony companies in Kenya. It encompassed the theoretical framework on competitive strategies; evaluated what other researchers have written competitive strategies adopted by mobile telephony in Kenya. The chapter also included empirical review on competitive strategies and interrelation with mobile telephony companies in Kenya while indentifying the knowledge gap.

### 2.2 Theoretical Framework

There are different theories on competitive strategies adopted by industries each identifying own paradigm and concept about competitive environmental forces in telecommunication industry. This study this study seeks to provide theories relayed top competitive strategies. These theories include; game theory, strategic conflict model and industrial organisation and economic theory.

According to Kotler (1998) game theory acts as a mathematical tool for the decision-maker the strength of game theory is the methodology it provides for structuring and analyzing problems of strategic choice. Game theory is a mathematical tool for the decision-maker for structuring and analyzing problems of strategic choice it involves strategic interactions among economic agents who produce outcomes with respect to the preferences (or utilities) of those agents, where the outcomes in question might have been intended by none of the agents.

The process of formally modeling a situation as a game requires the decision-maker to enumerate explicitly the players and their strategic options, and to consider their preferences and reactions. (Gintis 2000, 2009) stated that “game theory is a universal language for the unification of the behavioural sciences. It is the formal study of conflict and cooperation. With this perspective in mind, this article explains basic principles of game theory, as an introduction to an interested reader without a background in economic.

Strategic Conflict Theory states that Social conflict is a struggle waged by a group of people for a common cause. There are two main characteristics for social conflicts. First, unlike market-type conflicts, which are carried out within a voluntary exchange framework, social conflicts involve coercive power and domination. Second, social conflicts assume people struggling for “common interests” and not only for private individual interests (Vahabi, 2009b).

Abba Lerner (1972, p. 259) described the role of conflict in the Walrasian model in the following terms: “With or without a fight, there is a settlement or compromise in which the rights are defined. Those who benefit from the activity gain the approval of those who object by giving them something to get them to agree. What I want particularly to stress is that the solution is essentially the transformation of the conflict from a political problem to an economic transaction. An economic transaction is a solved political problem.” This amounts to saying that the principal subject of the theory is “deterrence” and not real war or social conflicts questioning the whole social system.

The theory of Industrial Organization and Economic (Industrial Organization), study the market in imperfect competition, enterprise behaviour and market structure under the conditions. Micro Economics (Microeconomics) is an important branch of the Industrial Organization and Economic Theory. The research object of industrial organization theory is the industrial organization.

The theory of industrial organization is mainly to solve the so-called" Marshall Conflict "Problem, namely the enterprise inside the industry. Effect of economy of scale Conflict and competition among enterprises vitality has been gradually from the previous nutrition Micro economics isolated, and gradually developed into a further two main theories to explain the micro market. For nearly a century, the theory of industrial organization in the research method, object and explain the problem that have undergone great changes, on the other side also reflects the market itself has had many profound changes in many aspects (Desouza .K, 2001) hence based on the development process of industrial organization theory to analyze the direction of the main trend of development of the industry organization theory and research.

### **2.3 Drivers of industrial competition**

Industrial competition is an increasingly important theme in telephony industry. It has been credited with expanding services, lowering prices, and stimulating innovation. (Jamison et al. 2009). The growth the telephony industry in Kenya has everything to do with the price of getting connected and the need of being connected for personal and business reasons.

One of these challenges is determining to what degree market forces are disciplining service providers so that regulation can relax its direct control of prices, services, and investment decisions. Regulators in developing and developed countries alike have faced this challenge. Indeed, it has been central to recent proposals for reforming telecommunications regulation in the European Union and to merger analysis in the Caribbean, to name a few. (Bennet, & Blythe, 2002).

We have several drivers of industrial competition discussed below.

Existing competitive rivalry: The market price of a product is determined by the interaction of consumers and firms. No single consumer or firm (or group of consumers or firms) can determine, or unduly influence, the level of the price, and reflect only differences in cost or product quality/attributes (Kotler, 2000). According to (Cooper, 2003) Competition will generally be at a disadvantage in the capital markets. Unless a company is entering an industry through diversification, the newcomer is in an inherently riskier position than the established firms, and this will be reflected in the risk premiums it will have to pay to attract capital. A potential entrant will face barriers if the industry is characterized by economies of scale—declines in unit costs of a product (or operation or function that goes into producing a product) as the absolute volume produced per period increases.

Rivalry between existing competitors takes the familiar form of jockeying for position—using tactics like price competition, advertising battles, product introductions and increased customer service or warranties.

Rivalry occurs because one or more competitors either feel pressured or see the opportunity to improve position. In most industries, competitive moves by one firm have noticeable effects on its competitors and thus may incite retaliation. Firms are consequently mutually dependent (Desouza, 2001).

Threat of New entrants to an industry brings new capacity, the desire to gain market share and other substantial resources. They can bid down prices or inflate costs, reducing profitability. Companies diversifying through acquisition into an industry from other markets often apply their resources to cause a shake-up. Thus acquisition into an industry with intent to build position should probably be viewed as entry, even if it doesn't add a competitor in the literal sense (Fandrich, 2001). The cost of entry into an industry will depend in part on the probable reaction from existing competitors. If a potential entrant expects the incumbents to respond forcefully to make its stay in the industry a costly and unpleasant one, it may well decide not to enter (Camerer, 1991).

According to (Coyne,2008) If the industry has a history of vigorous retaliation to entrants, if the incumbent firms have substantial resources to fight back (including excess cash and unused borrowing capacity, excess productive capacity or great leverage with distribution channels or customers), or if the industry's growth is sufficiently slow that entry of a new competitor would depress the sales and financial performance of established firms, then potential entrants are likely to meet strong retaliation from incumbents. Firms already in a market always face competition from new market entrants and resort to building barriers to entry or use defensive marketing methods to protect their markets.

According to (Bhise, et al. 2000) identify the impact of market entrant on existing competitors found that, clearly, in both before and market entry conditions, price charged by market entrants for their products is the most important factor influencing incumbent companies to take defensive action. It is also important to note that prices charged by market entrants are more important after market entry. Although the relevant environment is very broad, encompassing social as well as economic forces, the key aspect of the company's environment is the industry or industries in which it operates. Industry structure has a strong influence in defining the rules of the competitive game as well as the strategies potentially available to the company (Camerer, 1991).

**Threat of Substitute Products:** This occurs when companies within one industry are forced to compete with industries producing substitute products or services. It comprises one of the five forces that determine the intensity of competition in an industry. The others are barriers to entry, the bargaining power of buyers, the bargaining power of suppliers and industry rivalry (Mushin, Jerry, 2000).

The threat of substitution in an industry affects the competitive environment for the firms in that industry and influences those firms' ability to achieve profitability. The availability of a substitution threat affects the profitability of an industry because consumers can choose to purchase the substitute instead of the industry's product. The availability of close substitute products can make an industry more competitive and decrease profit potential for the firms in the industry. On the other hand, the lack of close substitute products makes an industry less competitive and increases profit potential for the firms in the industry (Bennet, & Blythe , 2002).

**Bargaining Power of Buyers:** bargaining power of buyers is the relative ability of parties in a situation to exert influence over each other. If both parties are on an equal footing in a debate, then they will have equal bargaining power, such as in a perfectly competitive market, or between an evenly matched monopoly and monopony. In today's business environment the fight is to retain customers and clinch market share. Buyer's attitude towards company, extended demands and availability of options create pressure so they move on (Borenstein, Severin and Bushnell, 1999).

The supplier power stems from supplier switching costs, degree of input adaption, strength of the distribution channel, scarcity of suitable suppliers, ability of suppliers to vertically integrate, importance of quality/cost. In the mobile phone industry, with respect to other actors, suppliers generally possess mediocre market power although in some cases companies such Nokia have been accused of dominating their suppliers who have had no choice but to obey and adapt. This dominance results, among other things, from the handset manufacturers' agility in tendering and switching suppliers (Alkio & Lilius, 2009).

Steinbock,( 2010 ) noted that the emergence of large MNCs such as Samsung as suppliers and the increasing complexity of the supplied components serve to increase supplier power. In the mobile phone market, the buyer power dimension consists of components such as buyer size, buyer switching costs vs. firm switching costs, availability of existing substitute products, dependency on existing distribution channels etc. From the viewpoint of a handset manufacturer, there are several buyer types e.g. consumers, retailers, mobile operators and businesses.

While in Europe the end consumers can be reached directly and via different middlemen, in the United States the operators handle around 90 % of end sales and thereby control the distribution. Thus, the U.S. buyers generally have far greater power than their European counterparts. Still, the consumers' brand and product preferences obviously greatly affect what mobile operators choose to offer and thereby also exercise power over mobile operators. The distributors and retailers, depending on their size, then represent a middle case where they have some contractual obligations and generally buy substantial volume, the power possessed by different buyer groups also comes from different sources (Knetsche, et. al 2011).

Consumers' capability to influence mobile operators, their power also stems from their facility and tendency to switch the brand whenever they see necessary while the operators are generally tied to longer-term contractual obligations towards the manufacturers. The Industries that have a high fixed cost encourages competitor to manufacture at full capacity by cutting prices if needed. In this field, companies apply the vertical integration which is a strategy to reduce a business' own cost and thereby intensify pressure on its rival. In the telecom industry, technological advances are crucial to have a competitive advantage in the market (Berry, D. B 2000).

## **2.4 Competitive Strategies**

Competitive strategy refers to how a company competes in a particular business (note: overall strategy for diversified firms is referred to as corporate strategy). Competitive strategy is concerned with how a company can gain a competitive advantage through a distinctive way of competing. Technology firms generally perform three important and inter-related activities: strategy, planning, and operations, each having a different intent and time horizon.

The function of strategy, which has a time horizon of years, is, in general, to set the long-term direction or position of the firm, for example define the technology, product, or service that the firm intends to develop, and determine the intended market for the product or service (Mintzberg, 1998).

According to Coyne (2008) The function of planning, which, in general, has a time horizon of several months to years, is to translate long-term strategy into medium-term activities, e.g., the portfolio of projects that the firm should execute the time-phased planning of these projects, and resource allocation. The function of operations, which has the time-horizon of days to months, is, in general, to translate medium-term planning activities into short-term product design, development, and delivery activities such as prototyping, manufacturing, product release, and shipment.

There are several different types of strategy, including competitive strategy, technology strategy, product market strategy, financial strategy, and supply-chain strategy. For a technology company to be successful all these strategies need to be aligned with each other, and with the business goals of the firm. Competitive strategy, which is the focus of this chapter, is the highest level of strategy in the firm, and is intimately related to the mission and vision of the firm and also to setting the direction for all the other strategies in the firm. There are several schools of strategy formation: design, planning, positioning (Mintzberg, 1998). In this chapter we focus on two important schools or frameworks for strategy-creation or “strategy-making” that are particularly important for high-technology companies. The first framework is the so-called “positioning” approach which views strategy-making as an analytic process performed at the industry-market structural level (Porter, 1980).

According to Coyne (2008) Competition has become the most important aspect that all the stakeholders in any industry need to be alert on if they are to make it and succeed. Organizations therefore have to continually assess the competitive environment in which they operate and their own strategy. To help them to adopt winning strategies that ensure they perform very well in the industry.

The Ansoff Growth matrix is a marketing planning tool which was first published in the Harvard Business Review in 1957, and has given generations of marketers and business leaders a quick and simple way of thinking about growth that helps a business determine its product and market growth strategy. It suggests four alternative marketing strategies which hinge on whether products are new or existing. Within each strategy there is a differing level of risk.

**Table.1.1 Ansoff product/market matrix**

Product Market	Present	New
Present	Market Penetration	Product Development
New	Market Development	Diversification

Source: <http://www.frenteractive.net/resources/Ansoff-matrix.GIF> & [imgrefuf](#)

According to business analyst Igor Ansoff (1957), the matrix identifies various competitive strategies open to organizations, and splits them into four categories:

Market penetration which is selling more of the same things to more of the same customers, and so gains a larger market share. The obvious step is to increase advertising or add more sales people to increase sales ( Pearce & Robinson 2005).

Product Development involves developing new products for existing markets. Product development involves thinking about how new products can meet customer needs more closely and outperform the products of competitors. When a company introduces new products into its existing markets, this may give it competitive advantage over its rivals through. Many product based businesses can add complementary service sand service based businesses can add products to increase sales. Business here relies on its relationship with customers (Pearce & Robinson 2005).

According to Buchwitz (2002), Market development involves taking existing products into completely new markets, lack of market development leads to lesser sales hence failure of the company. One way to develop the market is to introduce new sales and distribution channels. Obvious example is to move online and use the Internet to promote and sell products. – This strategy entails finding new markets for existing products

Market research and further segmentation of markets helps to identify new groups of customers The worldwide mobile phone market is forecast to grow 7.3% year over year in 2013. Strong demand for smartphones across all geographies will drive much of this growth as worldwide smartphone shipments are expected to surpass 1 billion units for the first time in a single year, according to the International Data Corporation (IDC) Worldwide Quarterly Mobile Phone Tracker.

Diversification, involves moving into new products and new markets at the same time. This may involve a complete shift away from core activities into some other form of related activity. It represents a step into less familiar, perhaps even unfamiliar territory. This four items drive industry competition by giving companies a relative competitive advantage over others so each company must work hard to outdo the others in the industry. This involves moving new products into new markets at the same time (Pearce and Robinson 2005).

The more an organisation moves away from what it has done in the past the more uncertainties are created. However, if existing activities are threatened, diversification helps to spread risk. All firms in an industry are competing, in a broad sense, with industries producing substitute products. Substitutes limit the profit potential of an industry by placing a ceiling on the prices firms in the industry can charge. (Pearce and Robinson 2005).

Identifying substitute products entails searching for other products that can perform the same function as the product of the industry. Sometimes this can be a subtle task, one that takes the analyst into businesses seemingly far removed from the industry in question. Securities, for example, face increasing competition from alternative investments such as real estate, insurance and money market funds. The more attractive the price-performance trade off offered by substitutes, the tighter the lid on industry profits (Werden, G. 2002).

Government regulations, subsidies and tax policies should also be considered in the search for substitutes. The U.S. government is currently promoting solar heating, for example, using tax incentives and research grants. Government decontrol of natural gas is quickly eliminating acetylene as a chemical feedstock. Safety and pollution standards also affect relative cost and quality of substitutes (Werden,G.2002).

Attention should focus on substitute products that (a) are enjoying steady improvement in price performance tradeoffs with the industry's product, (b) would entail minimal switching costs for prospective buyers or (c) are produced by industries earning high profits. In the latter case, substitutes often come rapidly into play if some development increases competition in their industries and causes pace reduction or performance improvement (Yin,G 2008).

Effective defence against substitute products may require collective industry action. While advertising by one firm in an industry does little to bolster the industry's position against a substitute, heavy and sustained advertising by all industry participants may well improve the industry's collective position against the substitute. Similar arguments apply to collective industry response through industry groups and other means in areas such as product quality improvement, marketing efforts and product distribution (Saunders, M & Lewis, P. 2001).

According to Barth, H (2003) Trend analysis can be important in deciding whether company strategy should be directed toward heading off a substitute strategically or accepting the substitute as a key competitive force. Electronic alarm systems, for example, represent a potent substitute in the security guard industry. Electronic

systems can only become more important as a substitute since labor-intensive guard services face inevitable cost escalation, while electronic systems are highly likely to improve in performance and decline in cost. Here the appropriate response of security guard firms is probably to offer packages of guards and electronic systems, with the security guard redefined as a skilled operator, rather than attempt to compete against electronic systems with a traditional guard service.

Buyers represent a competitive force because they can bid down prices, demand higher quality or more services, and play competitors off against each other—all at the expense of industry profitability. The power of each important buyer group depends on a number of characteristics of its market situation and on the relative importance of its purchases from the industry compared with the industry's overall business (Carlton & Dennis 2007).

According to Pearce and Robinson (2005). A buyer group will be powerful if it purchases large volumes relative to seller sales, so that retaining its business is financially important to the seller. Large volume buyers are particularly potent forces if heavy fixed costs characterize the industry and raise the stakes to keep capacity occupied. Buyer power is enhanced if the products purchased from the industry represent a significant fraction of total purchases.

Similarly, a buyer suffering from low profits has great incentive to lower purchasing costs. Suppliers to Chrysler, for example, are complaining that they are being pressed for superior terms. Highly profitable buyers are generally less price sensitive and more concerned about the long-run health of their suppliers (that is, unless the purchase represents a large fraction of their costs) (Saunders, M & Lewis, P.2001).

If buyers are either already partially integrated or pose a strong threat of backward integration, they are in a position to demand bargaining concessions. Major automobile producers like General Motors and Ford frequently use this bargaining lever (Yin, 2008). They engage in the practice of tapered integration, or producing some of their needs for a given component in-house and purchasing the rest from outside suppliers. Not only is their threat of further integration particularly credible, but partial manufacture in-house gives them detailed knowledge of costs, which is a great aid in negotiation. Buyer power can be partially neutralized when firms in the industry offer a threat of forward integration into the buyer's industry (Saunders, M & Lewis, P. 2001).

Industry evolution is important strategically because evolution can present opportunities to exploit changes in the sources of competition. In the familiar product life cycle pattern of industry development, for example, growth rates change as the business matures, advertising declines and companies tend to integrate vertically.

These trends are not so important in themselves; what is critical is whether they affect the structural sources of competition (Yin, 2008).

Extensive vertical integration, both in manufacturing and in software development, is taking place in the maturing minicomputer industry. This very significant trend has greatly increased economies of scale as well as the amount of capital necessary to compete in the industry. This in turn has raised entry barriers and threatens to drive some smaller competitors out of the industry. The task of structural analysis in the long run is to examine each competitive force, forecast the magnitude of each underlying cause and construct a composite picture of the likely profit potential of the industry (Pearce and Robinson 2005).

These characteristics will in turn, be influenced by such factors as the establishment of brand identities, the creation of significant economies of scale or expedience curves in equipment manufacture, the ultimate capital costs and the eventual importance of fixed costs in production. No structural analysis can be complete without a diagnosis of how present and future government policy, at all levels, and may affect competitive conditions. For purposes of strategic analysis it is usually more illuminating to consider how government affects competition through the five competitive forces than to consider it as a force in and of itself (Bennet, & Blythe, 2002).

However, strategy may well involve treating government as a factor to be influenced. The framework for analyzing industry competition is obviously useful in setting diversification strategy, since it provides a guide for answering the extremely difficult question inherent in diversification decisions. What is the potential of this business? The framework may allow a company to spot an industry with a good future before this potential is reflected in the paces of acquisition candidates (Mushin, Jerry, 2000).

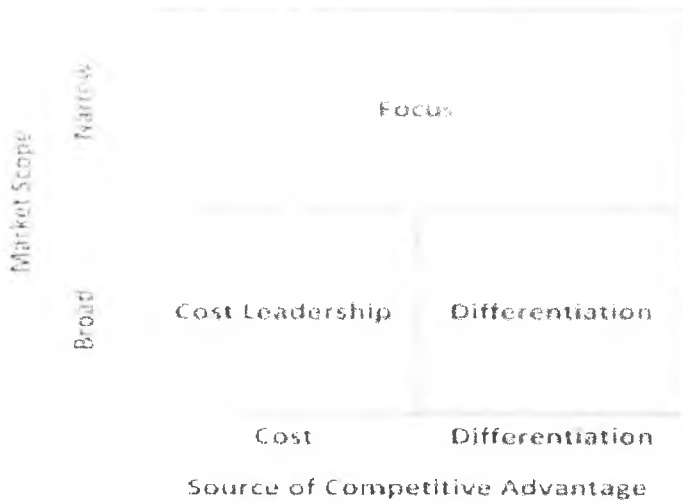
It will also help a company identify industries where its strengths will allow it to overcome entry barriers more cheaply than other firms. And the framework can help in identifying acquisitions that can take advantage of existing operations like acquisitions that would allow a firm to overcome key entry barriers by providing shared functions or pre-existing relations with distribution channels (Bennet, & Blythe , 2002).

Pearce & Robinson (2005) developed grand strategies which he defined as striving to create and market unique products through differentiation and achieving special appeal to one or more groups of consumer. He also defined grand strategy as “a comprehensive general plan of major actions through which a firm intends to achieve its long-term objectives” and contend that this is supported by a coordinated and sustained strategic management efforts. Grand strategies tend to be associated with a top down management style, which underpin sustained efforts directed toward achieving long-term business objectives.. They are the basis of coordinated and sustained efforts directed toward achieving long-term business objectives.

Grand strategies indicate the time period over which long-range objectives are to be achieved. Thus, a grand strategy can be defined as a comprehensive general approach that guides a firm’s major actions. Growth rate of the general market and the firm’s position within that market determine the grand strategy chosen. Having an understanding of the rationale behind the strategy option chosen is vital if employees are to deploy the strategy effectively (Pearce and Robinson 2005).

Michael Porter (1985) suggested that businesses can secure a sustainable competitive advantage by adopting one of three generic strategies. He identified these three generic strategies namely Cost Leadership, Differentiation & Focus explained below.

**Table 1.2 Generic strategies**



Source:[http://en.wikipedia.org/wiki/porter\\_generic\\_strategies](http://en.wikipedia.org/wiki/porter_generic_strategies)

Michael Porter's theory of the competitive advantage of nations provides a sophisticated tool for analyzing competitiveness with all its implications. Porter's theory contributes to understanding the competitive advantage of nations in international trade and production. Its core, however, focuses upon individual industries, or clusters of industries, in which the principles of competitive advantage are applied. His theory begins from individual industries and builds up to the economy as a whole. Since firms, not nations compete in international markets, understanding the way firms create and sustain competitive advantage is the key to explaining what role the nation plays in the process.

Therefore, the essence of his argument is that "the home nation influences the ability of its firms to succeed in particular industries". Given this interdependence, it appears that in order to draw conclusions on the competitiveness of the particular industry, consideration of the different facets of the competitive diamond of the whole nation is

needed. "The industry is the arena in which the competitive advantage is won or lost." to isolate the competitive advantage of a nation means to explain the role played by national attributes such as a nation's economic environment, institutions, and policies for promoting firms' ability to compete in a particular industry (Fandrich, 2001).

In cost leadership the organization aims to be the lowest cost producer and/or distributor within their industry or sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of different industries. Differentiation strategy is to be different, it is what organizations strive for companies and product range to appeal to customers and "stand out from the crowd" seeking to be unique in its industry along some dimensions that are widely valued by buyers/customers appropriate where the target customer are not price-sensitive(Yin, 2008).

Focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. The focus strategy has two variants.(a)In cost focus a firm seeks a cost advantage in its target segment, while in (b) differentiation focus a firm seeks differentiation in its target segment (Fandrich, 2001).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The methodology section gives details regarding the procedures used in conducting the study. Pertinent issues discussed in this section include the research design, sample size, sample procedure, methods of data collection and data analysis.

#### **3.2 Research Design**

The study considered using descriptive research design. A descriptive study is undertaken in order to ascertain and be able to describe the characteristics of the variables of interest in a situation. The goal of descriptive study hence is to offer the researcher a profile or to describe relevant aspects of the phenomena of interest from an individual organizational, industry oriented or other perspective Kombo & Tromp, (2006).

In present study, the researcher obtained and described the views of the respondents with regard to competitive strategies adopted by mobile telephony companies in Kenya. The focus of this study was on variables relating to the effect of existing competitiveness and their strategic responses to the forces. In descriptive research the research variable is examined, as it exists without investigator interference (Yin, 2008).

#### **3.3 Population of study**

Population as defined by Kothari (2005) is a universal set of the study of all members of real or hypothetical set of people, events or objects to which the researcher used to generalize the result.

The population in a research is the total number of the individuals in a group that the researcher worked with therefore it was the overall number that was used on this research. The purpose of the population is to show the number of the larger group that the researcher intended to manipulate so as to get the required information.

The study targeted the mobile telephony companies in Kenya to get the required information. Major focus was on the four major mobile telephone companies namely; Safaricom, Airtel, Telkom Kenya (Orange) and Yu, these four are the main wireless telecommunications providers and so they tend to define the rules of the game thus being very important in influencing the competitive shape of the industry.

### **3.4 Data Collection**

The study used the questionnaire as data collection instrument. Questionnaire was used because they helped the researcher to collect large amount of data in large areas within a short time thus saving time for the study (Orodho & Kombo, 2002). The questionnaires solicited data on the forces and competitive strategies that shape the mobile telephony industry. They were administered through drop and pick; administered to the relevant respondent respectively. Respondents targeted were Corporate Strategy Managers, Business Development managers and Marketing Managers.

The researcher first got an authorization letter from the University of Nairobi and a research permit from the relevant authorities, booked appointments with the employees at each selected mobile telephony company, which were followed by a visit to such companies on the respective appointment dates. The questionnaires were then being self administered to the relevant respondent respectively.

### **3.5 Data Analysis**

According to Kothari (2005), data analysis procedure includes the process of packaging the collected information putting in order and structuring its main components in a way that the findings can be easily and effectively communicated. After the fieldwork, before analysis, all questionnaires were adequately checked for reliability and verification. Editing, coding and tabulation were carried out.

The data was analyzed using qualitative and quantitative techniques. Qualitative method involved content analysis and evaluation of text material. Quantitative method involved the use of diagrams such as tables and charts. Using descriptive statistical tools of analysis. Cluster sample was used to analyse and explain the competitive strategies adopted by the industry.

The study sampled 12 respondents it targeted the corporate strategy managers, business development managers and Marketing Managers of mobile telephony companies in Kenya namely; Safaricom, Airtel, Telkom Kenya (Orange) and Yu which are the four main wireless telecommunications providers. This involved variables and their relationship in measuring a particular force which described the competitive strategies in the industry. Variables defining a particular force were grouped into clusters and then measured to establish the most prevalent competitive strategy adopted in the industry.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION OF RESULTS

#### 4.1 Introduction

This chapter tackles the process of analyzing the requirements and how the data was interpreted.

#### 4.2 Analysis of Data Collection

Data collection was conducted through the use of questionnaires to understand the competitive strategies adopted by mobile telephony companies in Kenya. This study targeted the corporate strategy managers, business development managers and Marketing Managers of mobile telephony companies in Kenya namely; Safaricom, Airtel, Telkom Kenya (Orange) and Yu which are the four main wireless telecommunications providers. Various questions relevant and related to the topic of research were asked to the respondents. The study sampled 12 respondents which is 100% sample size. The findings were as follows

##### 4.2.1 Respondents Job Position

The study sought to understand the job position of the different respondents that were used in the study. The analysis found the following statistics.

**Table 4.1 Respondents Job Position**

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Corporate strategy manager	4	33.3	33.3	33.3
Business development manager	4	33.3	33.3	66.7
Marketing Manager	4	33.3	33.3	100.0
Total	12	100.0	100.0	

The study was responded equally by the targeted groups in the four mobile telephony companies.

This was because the researcher gave only four questionnaires to each mobile telephony company which was found to be understandably adequate for the company owing to the organizational busy schedule. The respondents therefore answered to all the questionnaires presented. This was presented by 33% of corporate strategy managers, 33% business development manager and 33% marketing manages in the four mobile telephony companies. The responses were adequate enough to give credible information about the topic understudy.

#### 4.2.2 Rate of Competitive Rivalry Faced By the Telephony Companies

Competition is in reference to markets in which firms must compete strongly for sales. Each firm attempts to gain customers at the expense of other firms, and through their competition, market price and quality are affected to the benefit of those customers. The analysis about competitive rivalry was disseminated and presented through the statistical tabulations as shown on the table below.

**Table 4.2 Rate of Existing Rivalry**

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Very High	5	41.7	41.7	41.7
High	3	25.0	25.0	66.7
Not Sure	1	8.3	8.3	75.0
Low	2	16.7	16.7	91.7
Very Low	1	8.3	8.3	100.0
Total	12	100.0	100.0	

The analysis found that, there is a very high rate of existing rivalry among the mobile telephony companies.

The study found from 42% of the respondent that competitive market rivalry faced by telephony companies is very high, 25% of the respondents indicated that its High, a small number of respondents, specifically 8% were not sure about the specifics of the competition in the market while 17% indicated that the level of competitive percentage had gotten low.

The study however found that a small percentage of respondents (8%) further found felt the level of competitive rivalry is very low. This indicates that buyers have got different places to buy and can't therefore influence the market. The study findings agrees with a study by (Coyne, 2008) that Competition has become the most important aspect that all the stakeholders in any industry need to be alert on if they are to make it and succeed. Organizations therefore have to continually assess the competitive environment in which they operate and also assess their own strategy.

According to the analysis, the market there is a stiff competition among the market operators in the mobile telephony companies in Kenya. However this is healthy and helps to regulate pricing among other factors. This was also captured in the literature review by (Czinkota, & Ronkainen, 2001) who indicated that in the market rivalry each firm attempts to gain customers at the expense of other firms, and through their competition, market price and quality are affected to the benefit of those customers.

#### **4.2.3 Rate of the competitive strategies Usage to cope with the forces of competitive rivalry**

The study analyzed the competitive strategies used to cope with the forced of market rivalry for the customers and profitability where buyers have access to alternative sellers for the products they desire or for reasonable substitutes at prices they are willing to pay.

**Table 4.3 Rate of use of competitive strategies in telephony companies in Kenya**

Responses	Agree Strongly	Agree	Neutra	Disagree	Strongly Disagree	Mean	standard deviation
	1	2	3	4	5		
Percentages							
a Market penetration	72%	22%	3%	0%	0%	1.28	0.51
b Product development	64%	22%	11%	0%	3%	1.56	1.00
c Market development	30%	33%	10%	21%	6%	3.42	1.91
d Diversification	50%	31%	19%	0%	0%	1.69	0.79

The analysis found that, different competitive strategies have been used by different mobile telephony companies in Kenya. The analysis found that respondents strongly agreed that market penetration strategy was so much used. The study found from 72% of the respondent that market penetration strategy has made it possible for the mobile telephony companies to have a strong market command due to its workability in the market. It was further strongly agreed by 64% of the respondents that product development is another strategy that is greatly used in the mobile telephony companies in Kenya.

Market development was the only strategy which respondents agreed as shown by 33% of the respondents that the strategy is well used by mobile telephony companies at a lower level that the others ash shown above. The study found from 50% of the respondents that diversification as strongly agreed to be used in the mobile telephony companies as a competitive strategy.

Nevertheless, the choice of the strategy used in the market depends with the challenges and the nature of the competitors facing the firms. The analysis found that capability of the company and the strength is has in the market also help to determinate choice of the strategy to apply. This finding agreed with a study by Pearce and Robinson (2005) that Grand strategies indicate the time period over which long-range objectives are to be achieved. Thus, a grand strategy can be defined as a comprehensive general approach that guides a firm's major actions. Growth rate of the general market and the firm's position within that market determine the grand strategy chosen. Having an understanding of the rationale behind the strategy option chosen is vital if employees are to deploy the strategy effectively.

According to business analyst Igor Ansoff (2012) the matrix identifies various competitive strategies open to organizations, and splits them into four categories: Market penetration which is selling more of the same things to more of the same customers, and so gains a larger market share. The obvious step is to increase advertising or add more sales people to increase sales. Business owners can win business from competitors through competitive pricing, discounting, vouchers or other offers.

#### **4.2.4 Rate the force of threat of new market entrants faced by the mobile telephony in Kenya**

The rate at which forces of threat for the new market entrants in the mobile telephony business were measured, is presented below indicating the extent of usage.

**Table 4.4 Threat of New Market Entrants**

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Very High	5	41.7	41.7	41.7
High	3	25.0	25.0	66.7
Low	1	8.3	8.3	75.0
Very Low	3	25.0	25.0	100.0
Total	12	100.0	100.0	

The study found that the threat of market entrants is very high as presented by 42% of the respondents, 25% felt the threat of new market entrants is high, while 8% of the respondents were not clearly sure about the force of new market entrants in the mobile telephony in Kenya. It was indicated by 25% of the respondents that the threat of new market entrants very low.

The level of threat of market entrant in the mobile telephony was found to be very high from majority of the respondents, after the Kenyan governing commission the Communication Commission of Kenya (CCK) identified that there were many companies willing to venture into Kenyan mobile telephony market and theretofore took measures to avoid flooding of mobile telephony companies in Kenya.

This finding agrees with (CCK Annual Report 2010-2011) which indicated that effective competition is one of the major factors responsible for growth and development of telecommunications market segment, the Commission has continued to introduce new players into this market with rapid uptake of mobile telephony, even in remote locations of low-income countries.

#### 4.2.5 Rate the use of competitive strategies to cope with the forces new market entrants

The use of strategies in competitive market is inevitable and different mobile telephony companies use different strategies to arrive at the key goals and achieve their market command. The respondents agreed with the statement on the use of competitive strategic as follows.

**Table 4.5 Rate of competitive strategies use on telephony companies in Kenya**

Responses	Agree Strongly	Agree	Neutral	Disagree	Strongly Disagree	Mean	standard deviation
	1	2	3	4	5		
Percentages							
Market penetration	69%	28%	3%	0%	0%	1.33	0.53
Product development	86%	14%	0%	0%	0%	1.14	0.35
Market development	83%	17%	0%	0%	0%	1.17	0.38
Diversification	69%	14%	11%	3%	3%	1.56	1.00
Focus	67%	0%	14%	11%	8%	1.94	1.43
Cost leadership	75%	11%	6%	3%	6%	1.53	1.11
Differentiation	72%	22%	3%	0%	0%	1.28	0.51

The study found that there are numerous strategies to cope with the new strategies on new market entrants in the mobile telephony business in Kenya. The study found from 69% of the respondents that market penetration is one of the major strategies used in the mobile telephony, 86% of the respondents felt that product development is the key strategy used, 83% indicated that market development was highly used while 69% indicated that diversification was key competitive strategy to the new market entrants.

Nevertheless the analysis found that the choice of the strategies applied depends with the organization capability to cope with market competitors. The analysis correlates a study in the literature review by (Mitzberg and Gain 1996) who indicated that a response of a competition is based on the ability of a firm to protect themselves from business attacks or offences from other firms in the same industry. A strategy should thus be a pattern or plan that integrates organisations major goals, policies and actions into a cohesive whole.

A well-formulated strategy allocates firms resources into a unique and viable posture. The analysis further sought to understand whether focus is a competitive strategy that can help handle the new market entrants. The study found from 67% of the respondents that they strongly agree that it can help handle new market entrants, 75% of the respondents however strongly agreed that cost leadership is one of the best strategies for dealing with competitive market by new market entrant while 72% respondent further stated that differentiation of products can help in a big way rule out the new market entrants in the mobile telephony.

#### **4.2.6 Rate the challenge posed by threat of substitute products and services in telephony industry**

There are challenges posed by the threats of substitute products and services in the mobile telephony companies in Kenya. The study sought to understand such challenges and the level at which they affect the business.

**Table 4.6 Challenges posed by threat of substitute products and services**

<b>Responses</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Very Challenging	6	50.0	50.0	50.0
Challenging	3	25.0	25.0	75.0
Less Challenging	1	8.3	8.3	83.3
Not Challenging	2	16.7	16.7	100.0
Total	12	100.0	100.0	

According to the analysis, there are very high challenges that were found to be posed by the substitute of services in the mobile telephony industry, the study found from 50% of the respondents that substitute products and services pose a very challenging environment for the mobile telephony companies, while 25% of the respondents indicated that the substitute products and services pose a challenging environment. However, the study found from 8% of the respondent that the substitute products and services pose a less challenging threat in the mobile telephony services while 17% indicated that there is no challenge or threats posed by substitute products and services in the mobile telephony industry in Kenya.

The analysis concluded that threat of substitutes affect the mobile telephony companies. According to (Mushin, Jerry, 2000) threat of substitute comprises one of the five forces that determine the intensity of competition in an industry. The others are barriers to entry, the bargaining power of buyers, the bargaining power of suppliers and industry rivalry. The threat of substitution in an industry affects the competitive environment for the firms in that industry and influences those firms' ability to achieve profitability. The availability of a substitution threat affects the

profitability of an industry because consumers can choose to purchase the substitute instead of the industry's product. "Buyers have access to alternative sellers for the products they desire (or for reasonable substitutes) at prices they are willing to pay, Sellers have access to buyers for their products without undue hindrance or restraint from other firms, interest groups, government agencies, or existing laws or regulations. The market price of a product is determined by the interaction of consumers and firms.

No single consumer or firm (or group of consumers or firms) can determine, or unduly influence, the level of the price, and Differences in prices charged by different firms (and paid by different consumers) reflect only differences in cost or product quality/attributes. Grand strategies tend to be associated with a top down management style, which underpin sustained efforts directed toward achieving long-term business objectives. They are strategies, often called master or business strategies provide basic direction for strategic actions (Kotler, 2000).

#### **4.2.7. Extent would you agree with the following statements on strategic methods to block new market entrants in telephony industry in Kenya**

The study sought to know how respondents agreed with statement regarding blocking new market entrants. The responses were as follows

**Table 4.7 How respondents agree with some strategic methods to block new market entrants in telephony industry in Kenya**

Responses	Agree Strongly 1	Agree 2	Neutral 3	Disagree 4	Strongly Disagree 5	Mean	standard deviation
Percentages							
Telephony companies use product differentiation	72%	22%	3%	0%	0%	1.28	0.51
They diversify their products	64%	22%	11%	0%	3%	1.56	1.00
The penetrate in different markets	60%	10%	3%	21%	6%	3.42	1.91
They develop strategies- Grand strategies to guide the company	50%	31%	19%	0%	0%	1.69	0.79
Creating objectives with clear time lines on when to achieve them.	48%	25%	6%	10%	11%	2.81	1.28

The study analysis finds that most of the respondents strongly agreed that all the strategies used to block the new entrant in the market are very workable and strategic in real sense. The study found from 72% of the respondents that they strongly agree that mobile telephony companies use product differentiation as a blocking strategy against new entrants, 64% indicated that mobile telephony companies block the new market entrants by diversifying their products, 60% of the respondents indicated that market penetration to the different markets is the major strategy for blocking new market entrants.

The study indicated from 50% of the respondents that mobile telephony companies in Kenya develop strategies – grand strategies to guide the company in blocking new market entrants while 48% of the respondent felt that by creating objective with clear timelines on when to achieve them is a core aspect of mobile telephony companies in

Kenya in blocking the new market entrants. This is in line with studies done by (Bhise, et al. 2000) who identify the impact of market entrant on existing competitors found that, clearly, in both before and market entry conditions, price charged by market entrants for their products is the most important factor influencing incumbent companies to take defensive action. It is also important to note that prices charged by market entrants are more important after market entry.

#### 4.2.8 Range of the bargaining power of buyers that affects the competitive environmental forces

The study sought to analyse the bargaining power of buyers that affect the competitive environment of the business. The analysis was as follows.

**Table 4.8 Bargaining power of buyers**

Responses	Frequency	Percent	Valid Percent	Cumulative Percent
Very High	2	16.7	16.7	16.7
High	2	16.7	16.7	33.3
Not Sure	1	8.3	8.3	41.7
Low	3	25.0	25.0	66.7
Very Low	4	33.3	33.3	100.0
Total	12	100.0	100.0	

The analysis indicated that buyers have less if not none of the bargaining power as needed or as it is in the other markets. The study found from 33% of the respondents that bargaining power of buyers in the mobile telephony industry is very low, 25% felt that the bargaining power of buyers in the mobile telephony companies is low while 17% of the respondents indicated that the bargaining power of buyers in mobile telephony companies is high and very high respectively and independently.

Nevertheless, the study found from 8% of the respondents that they were not sure about the range of bargaining power of buyer in the mobile telephony service companies. This agrees with Borenstein, Severin and Bushnell, (1999) that bargaining power of buyers is the relative ability of parties in a situation to exert influence over each other. In today's business environment the fight is to retain customers and clinch market share.

#### **4.2.9 Effects of customer bargain power on competitive environmental forces in telephony industry.**

The analysis tried to bring out how bargaining power affects the competitive environment forces in the mobile telephony companies. The analysis was as follows below.

**Table 4.9 Effects of customer bargain power on competitive environmental forces**

<b>Responses</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Very High Effect	4	33.3	33.3	33.3
High Effect	3	25.0	25.0	58.3
Fair Effect	2	16.7	16.7	75.0
Low Effect	2	16.7	16.7	91.7
Very Low Effect	1	8.3	8.3	100.0
Total	12	100.0	100.0	

The analysis found that customer bargain power in the mobile telephony companies has got very big effects on competitive environment forces in the companies. This is due to stiff competition that exists in mobile telephony companies and also the availability of the varieties for the mobile telephony products offered by different mobile telephony companies, allowing customers to choose from the varieties the best service in case they feel not comfortable in one service provider.

The study found from 33% of the respondent that the effects are very high, 25% felt that the effect are high, 18% indicated that the effects were fair and low respectively while 8% of the respondents indicated that the effect were very low. According to (Coyne, 2008) Competition has become the most important aspect that all the stakeholders in any industry need to be alert on if they are to make it and succeed. Organizations therefore have to continually assess the competitive environment in which they operate and also assess their own strategy. This also helps them to adopt winning strategies that ensures they perform very well in the industry.

#### **4.2.10 Statement about the bargaining power of buyers in telephony industry in Kenya**

The bargaining power of buyers in the telephony industry was analysed. The analysis found the following reading the buyer bargaining power.

**Table 4.10 Responses on bargaining power of buyers in mobile telephony industry**

	<b>Buyer Power is Low/Weak if:</b>	<b>Responses</b>	<b>Frequency</b>	<b>Percentages</b>
1	Buyers are price sensitive	True	8	67%
		False	4	33%
2	Buyer switching costs are high	True	11	92%
		False	1	8%
3	Substitutes are cause bargaining power	True	7	58%
		False	5	42%
4	Product is undifferentiated	True	11	92%
		False	1	8%
5	Buyer is uneducated regarding the product	True	7	58%
		False	5	42%
6	Buyer purchases product in low volume	True	9	75%
		False	3	25%
7	Buyer purchases comprise large portion of seller sales	True	3	25%
		False	9	75%

The analysis found that the buyer power is affected by different aspects on the market operation and business decisions. The analysis found that buyer power is low when

buyers are price sensitive. The analysis found from 67% of the respondent that price sensitivity identifies a buyer as not willing in many circumstance and therefore low bargaining power. It was also found that 92% of the respondents believe that buyer switching cost incur a lot of challenge hence becoming a weak bargaining point for the buyers.

Bargaining power of buyers is the relative ability of parties in a situation to exert influence over each other. If both parties are on an equal footing in a debate, then they will have equal bargaining power, such as in a perfectly competitive market, or between an evenly matched monopoly and monopony. In today's business environment the fight is to retain customers and clinch market share. Buyer's attitude towards company, extended demands and availability of options create pressure so they move on (Borenstein, Severin and Bushnell, 1999).

The study indicated from 92% of the respondents that products that are not differentiated do not weaken the buying capacity of the buyer but weakness the selling capacity of the business. The analysis indicated uneducated buyers also have got challenges in buying and also weaken the buying power of the buyer especially when what he wants to buy is very technical and requires education. Finally the study found that Buyer purchases comprise large portion of seller sales do not weaken or affect the buyers bargaining power.

The study agreed with the findings by Borenstein, Severin and Bushnell, (1999) that bargaining power of buyers is the relative ability of parties in a situation to exert influence over each other. If both parties are on an equal footing in a debate, then they

will have equal bargaining power, such as in a perfectly competitive market, or between an evenly matched monopoly and monopony. In today's business environment the fight is to retain customers and clinch market share.

Buyer's attitude towards company, extended demands and availability of options create pressure so they move on. The supplier power stems from supplier switching costs, degree of input adaption, strength of the distribution channel, scarcity of suitable suppliers, ability of suppliers to vertically integrate, importance of quality/cost etc mobile operators choose to offer and thereby also exercise power over mobile operators.

The power possessed by different buyer groups also comes from different sources. In addition to consumers' capability to influence mobile operators, their power also stems from their facility and tendency to switch the brand whenever they see necessary while the operators are generally tied to longer-term contractual obligations towards the manufacturers.

## CHAPTER FIVE

### SUMMARY, DISCUSSION AND CONCLUSION

#### 5.1 Introduction

The purpose of this study was to analyze the competitive strategies adopted by mobile telephony companies in Kenya. Therefore, this chapter presents a summary of the main findings of the study, giving conclusions and recommendations that reflect the answers to the specific questions for possible action and suggestions for further research.

#### 5.2 Summary

The study made the following recommendations after making the analysis, discussion and interpretation of the collected data. The study findings were made per the objectives of the study.

##### 5.2.1 Existing rivalry

The analysis found that existing rivalry in the market is one of the challenge and factor affecting the competitiveness the mobile telephony companies in Kenya. The study found that the forces of competitive rivalry faced by the telephony companies in Kenya are observed in different levels. The study found from 42% of the respondent that competitive market rivalry faced by telephony companies is very high, 25% of the respondents indicated that its High, a small number of respondents, specifically 8% were not sure about the specifics of the competition in the market while 17% indicated that the level of competitive percentage had gotten low. The study however found that a small percentage of respondents (8%) further found felt the level of competitive rivalry is very low.

### **5.2.2 Threat of New Market Entrants**

The analysis found that there are so many forces of new market entrants in the mobile telephony companies in Kenya. The study found that the market entrants in the mobile telephony however require a lot of financial stamina to launch such a new business. Nevertheless, the study found that the threat of market entrants is very high as presented by 42% of the respondents, 25% felt the threat of new market entrants is high, while 8% of the respondents were not clearly sure about the force of new market entrants in the mobile telephony in Kenya.

It was indicated by 25% of the respondents that the threat of new market entrants very low. The level of threat of market entrant in the mobile telephony was found to be very high from majority of the respondents, after the Kenyan governing commission the Communication Commission of Kenya (CCK) identified that there were many companies willing to venture into Kenyan mobile telephony market and theretofore took measures to avoid flooding of mobile telephony companies in Kenya.

### **5.2.3 Threat of Substitute Products**

The analysis found that there are currently many substitute products in the market and actually technology products specifically from banks and other mobile telephony companies that have affected the mobile telephony business at a very great extent. The study indicated that substitute of products and services are very important in ensuring that market and companies provide exceptionally good products in the market.

According to the analysis, there are very high challenges that were found to be posed by the substitute of services in the mobile telephony industry, the study found from

50% of the respondents that substitute products and services pose a very challenging environment for the mobile telephony companies, while 25% of the respondents indicated that the substitute products and services pose a challenging environment. However, the study found from 8% of the respondent that the substitute products and services pose a less challenging threat in the mobile telephony services while 17% indicated that there is no challenge or threats posed by substitute products and services in the mobile telephony industry in Kenya

#### **5.2.4 Bargaining Power of Buyers**

The mobile telephony company buyers are very critical important and actually core in the development of the business development. The study indicated that bargaining power of the buyers is strong when the buyer has got critical information about the market; the buyer has got a variety of choices to make in the market sellers and has got different opportunities that what the seller is providing.

According to the analysis, 33% of the respondents indicated that that bargaining power of buyers in the mobile telephony industry is very low, 25% felt that the bargaining power of buyers in the mobile telephony companies is low while 17% of the respondents indicated that the bargaining power of buyers in mobile telephony companies is high and very high respectively and independently. Nevertheless, the study found from 8% of the respondents that they were not sure about the range of bargaining power of buyer in the mobile telephony service companies

### **5.3. Conclusion**

After the data analysis and presentation of the findings, the study came up with following conclusions;

The study concluded that existing competitive rivalry among the mobile telephony companies are the one of the major factor that have affected the mobile telephony markets triggering price wars and eventually drop in profitability The study concluded the mobile telephony companies are currently engaging in negative market rivalry and this has contributed to court battles among the companies which subsequently leads to negative publicity of the companies.

The study concluded that there should be acceptable levels of market rivalry in the mobile telephony companies in Kenya. The concluded that due to high levels of profitability in the mobile telephony companies, there is a high feel of market entrants in the mobile telephony industry .Due to high levels of profitability in the mobile telephony companies, there is a high feel of market entrants in the mobile telephony industry, that if not monitored the substitutes in the mobile telephony products and services, the companies would be reeling with great loss of profitability to the competitive substitutes and that the bargaining power of buyers is pegged to the information available to the buyers and the strength of the buyer over the sellers

The study concluded that if not monitored the substitutes in the mobile telephony products and services, the companies would be reeling with great loss of profitability to the competitive substitutes. That there should be proper arrangement on how substitute of products should be countered to ensure they don't affect the business of Mobile telephony companies in Kenya.

The study concluded that the bargaining power of buyers is pegged to the information available to the buyers and the strength of the buyer over the sellers. That there should be proper analysis of the buyer strengths and weaknesses to determine the bargaining power and develop a counter strategy for the same in the mobile telephony companies.

#### **5.4 Discussion**

The study agrees with scholars in the literature review that there is great need for the companies to assess the competition of the market and keep a keen eye on the strategies that should fit the market at the time. This helps companies to be competitive, not easily debugging from the market share and eventual success in the current and future operations. The study agrees with studies Coyne (2008) that Competition has become the most important aspect that all the stakeholders in any industry need to be alert on if they are to make it and succeed.

Organizations therefore have to continually assess the competitive environment in which they operate and their own strategy. Nevertheless, a study by Barth, H (2003) indicated that Trend analysis can be important in deciding whether company strategy should be directed toward heading off a substitute strategically or accepting the substitute as a key competitive force.

#### **5.5 Recommendation**

The study made the following recommendations after developing the analysis and the findings of the study;

The mobile telephony companies should adopt positive competition and positive rivalry in the line of business and this will create a very good image both for the Company and the business in the mobile telephony industry. The study recommends that there should be a clearly set line of competition in the mobile telephony business and price war should not be the only method for rivalry.

There should be a control on the number of market entrants in the mobile telephony companies in Kenya. It was recommended that there should be also set amount of capital base that the person or groups willing to engage in mobile telephony business should pay to the central bank to ensure a success and not failure dealing with customers and in the nation.

The study recommended that there should be known importance of the products introduced in the market specifically in the mobile telephony companies to avoid introducing products that are less important to the customers. It was recommended that substitutes should be monitored in the market to ensure they have got more value, more quality and lesser prices than the existing products and avoid vague products existing in the market as substitutes.

The study recommended that mobile telephony companies should be aware that customers and buyer of their products are now well inform and that they can have more bargaining power than the sellers. Therefore they should be prepared for some more other better bargaining power than what they have already. The study finally recommended that business need to be well versed with what the customers need, what they prefer, how they prefer it, and even how much they are willing to pay in.

### **5.5.1 Area for Further Research**

The study was not conclusive but it gave an opportunity for more studies to be carried out on the relationship between competitive strategies and performance of the mobile telephony companies in Kenya. The future scholars therefore should do more to understand the effects of strategic marketing and planning of performance of mobile telephony companies in Kenya.

### **5.6. Implication on Policy, Theory and Practice**

The study will be of great important to the policy makers, the county and the business world in general. The study will also provide the basis at which major policies relating to the management of competition in the mobile telephony companies can be done how to ensure that the new market entrant in the mobile telephony companies do not affect the business and also how to promoter the bargaining power of the mobile telephone companies customers and buyers.

The study adds more knowledge to the existing theory provides more literature on market competition and enhances more information theoretically concerning the competitive strategies adopted by mobile telephony companies in Kenya and across the world. This further increases the capability to practically shift the knowledge from theory to practice through implementation of such strategies in the mobile telephony companies.

The study will finally bring along a lot of enthusiasm in the practical management of competition through the use of different strategies at different times when a need for each strategy arise hence sustaining mobile telephony companies at a competitive edge and improving their profitability it will help the management and interested parties in the telephony industries in Kenya by offering new statistics, and findings about competitive environmental forces, which will help to improve the service in the bid to command a more better competitive edge. The companies will have an advantage of using the recommendations made, conclusions and suggestions to improve their competitiveness.

### **5.7 Limitations of the Study**

The study was limited to four mobile telephony companies, which are the major players in the Kenyan market. This therefore means that information from other players was not included in the study and therefore the findings, conclusion and recommendations made are only as per findings from four mobile telephony companies in Kenya only.

Getting information from the respondents was also as uphill task, due to the tight schedules and busy work environment at Kenya's mobile telephony companies. The researcher had to be patient even with short period constraint between data collection and analysis for final presentation and eventual graduation. This was hover successful after giving out the questionnaire and collecting them later after two weeks.

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# APPENDICES

## APPENDIX I: Questionnaire

### COMPETITIVE STRATEGIES ADOPTED BY MOBILE TELEPHONY COMPANIES IN KENYA.

#### INTRODUCTION

All responses will be treated with utmost confidentiality and for the purpose of this study alone. Please do not write your name anywhere on this questionnaire.

There are no wrong or right answers (Your answer is the right answer).

#### SECTION A

#### RESPONDENT'S BACKGROUND

Respond by putting a tick (✓) in the box next to your correct answer.

1. Name of the company.....
  
2. For how long has the company been in existence in Kenya (as registered?)  
.....
  
3. Name services provided by the company.....  
.....
  
4. What is your Job Position in this business?  
Corporate Strategy Managers     [   ]  
Business Development managers   [   ]  
Marketing Managers                    [   ]

**SECTION B: DRIVERS OF INDUSTRIAL COMPETITION**

**PART 1: EXISTING RIVALRY**

5. How would you rate the forces of competitive rivalry faced by the telephony companies in Kenya?

Very High [ ]

High [ ]

Not Sure [ ]

Low [ ]

Very Low [ ]

6. To what extent would you rate the use of the following competitive strategies to cope with the forces of competitive rivalry faced by the telephony companies in Kenya.

**Degree of effects Key: 1 – Very high; 2 – High; 3 – Fair; 4 – Low; 5 - Very Low;**

STRATEGIES	1	2	3	4	5
Market penetration					
Product development					
Market development					
Diversification					

7. In reference to question 5 above which strategies does your company apply to manage competitive environmental forces in telephony industry?

.....

.....

.....

**PART II: THREAT OF NEW MARKET ENTRANTS**

8. How would you rate the force of threat of new market entrants faced by the mobile telephony in Kenya?

- Very High [ ]
- High [ ]
- Not Sure [ ]
- Low [ ]
- Very Low [ ]

9. To what extent would you rate the use of the following competitive strategies to cope with the forces new market entrants faced by the telephony companies in Kenya.

**Degree of effects Key: 1 – Very high; 2 – High; 3 – Fair; 4 – Low; 5 - Very Low;**

STRATEGIES	1	2	3	4	5
Market penetration					
Product development					
Market development					
Diversification					
Focus					
Cost leadership					
Differentiation					

10. In reference to question 9 above which strategies are in place in your company to cope with new market entrants forces in telephony industry?

.....

.....

.....

.....

**PART III : THREAT OF SUBSTITUTE PRODUCTS**

11. How would you rate the challenge posed by threat of substitute products and services in telephony industry

- Very Challenging [ ]
- Challenging [ ]
- Less Challenging [ ]
- Not Challenging [ ]

12.To what extent would you agree with the following statements on strategic methods to block new market entrants in telephony industry in kenya?

**Remarks Key: 1 – Strongly Agree; 2 – Agree; 3 – Don’t know; 4 – Disagree; 5 – Strongly Disagree;**

	1	2	3	4	5
Telephony companies use product differentiation					
They diversify their products					
The penetrate in different markets					
They develop strategies- Grand strategies to guide the company					
Creating objectives with clear time lines on when to achieve them.					

#### **PART IV: BARGAINING POWER OF BUYERS**

13..How would you range the bargaining power of buyers that affects the competitive environmental forces in telephony industry?

Very High [ ]

High [ ]

Not Sure [ ]

Low [ ]

Very Low [ ]

14..How would you rate the effects of customer bargain power on competitive environmental forces in telephony industry?

Very High Effect [ ]

High Effect [ ]

Fair Effect [ ]

Low Effect [ ]

Very Low Effect [ ]

15.Rate the following statement about the bargaining power of buyers in telephony industry in Kenya by stating whether the statements are **TRUE** of **FALSE**?

<b>Buyer Power is Low/Weak if:</b>	<b>TRUE</b>	<b>FALSE</b>
Buyers are price sensitive		
Buyer switching costs are high		
Substitutes are cause bargaining power		
Product is undifferentiated		
Buyer is uneducated regarding the product		
Buyer purchases product in low volume		
Buyer purchases comprise large portion of seller sales		

**Thank You for Your Cooperation**

## APPENDIX II: Letter of Introduction

University of Nairobi  
School of Business

Dear Respondent,

My name is Fiona Mutisya, am an MBA student in the school of Business Studies, University of Nairobi, Conducting a research on strategic strategies adopted by mobile telephony companies in Kenya.

In order to undertake this research, I will need some information which i humbly request your assistance as one of the people whom have been selected to take part of the study. Kindly note that this information shall be treated with strict confidence and is purely for academic purpose.

Your assistance and co-operation in this exercise will be highly appreciated.

Yours faithfully,

Fiona M. Mutisya  
MBA Student

Dr.Awino Zachary  
Supervisor

### **APPENDIX III: List of Mobile Telephony Companies in Kenya**

1. Safaricom Ltd
2. Yu Ltd
3. Airtel Ltd
4. Orange Ltd
5. Telcom Kenya
6. Ecowireless