PERCEIVED INFLUENCE OF INTERNET TELEVISION AS AN EMERGING TECHNOLOGY ON PERFORMANCE OF PAY TELEVISION FIRMS IN KENYA

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF SCIENCE IN MARKETING, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

2018

DECLARATION

This research project is my original work and has not been submitted for any award in any other institution or university.

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

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ACKNOWLEDGEMENTS

I am grateful to God for his unlimited grace and for enabling me to start and complete my studies without a hitch. I would like to express my gratitude to all the Lecturers at the School of Business, University of Nairobi. Much gratitude to my supervisor Dr Catherine Ngahu for all the insights that made this project a success. I also wish to appreciate the support and encouragement of my family and friends during the writing of this work. They made it possible for me to create a balance. Special mention to my spouse for the encouragements and my daughters for their unwavering support.

DEDICATION

I would like to dedicate this research project to my late grandfather Pius Ogwang Omanje, who valued education very much. I wish you were around to see the milestones. Rest with the angels' grand pa.

ABBREVIATIONS AND ACRONYMS

CAK -Communications Authority of Kenya

FCC - The Federal Communications

FTA - Free to Air decoders

OECD - The Organization for Economic Co-operation and Development

ITU-International Telecommunication Union.

OTT- Over the Top –this refers to an APP or service that transfers audio visual content via the internet.

PAY TV- Television broadcasting in which viewers pay subscription to watch a particular channel.

SVOD-Subscription Video On Demand

WI-FI –Wireless Frequency

ABSTRACT

The study sought to find out the perceived influence of internet TV as an emerging technology and its influence of performance of Pay TV firms in Kenya. The study adopted quantitative data collection method which allowed for numeric analysis of data, structured questionnaires was used as Primary data collection tool and respondents were sampled from pay TV subscribers in Kenya. Performance of pay TV firms is impacted by the high level of customer churn with a large number of subscribers having more than one pay TV decoder or either having a free to air decoder. The major game changer in the pay TV industry in Kenya will be access to exclusive live sports content and news content.Technological improvements and new consumer trends of the late 20th and early 21st century have evolved rapidly; the television firms have passed through extensive transformation. Television (TV) is closely associated with digital exploits. Video content and viewing screens have become inseparable and today's viewers have a lot of options about how they will view content; they just expect that they can get content anywhere, anytime and on anyscreen'. Thus, the division of content forms and viewership continues, while the types of devices used to view content diversify. Video has also become a social butterfly, attracting new audiences and revenue, and pollinating new platforms as it flies well beyond the living room. There has been an emergence of content outside the traditional pay TV systems. Consumers are now in control they want to dictate the kind of content they watch and on the type of devices they view it from.

The onslaught of pay TV cord cutting is being led by younger generation who are more knowledgeable on technology matters. The pay TV incumbents in Kenya currently are not affected by the emergence of internet TV due to the slow and cost of internet acquisition but the disruption will definitely catch up with them and they will have to adapt by improving their content delivery especially sports and come up with internet-based applications or be rendered useless.

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CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Technology is quickly revolutionizing our way of life while causing extensive disruptions across various industries. For instance, in the automobile industry, we have electric car technology changing the world's perspective on the fuel powered cars while Uber on the other hand is disrupting the traditional taxi business as we used to know it. The technology revolution has since caught up with the broadcasting industry and leading to some amazing product innovation like internet television. Indeed, the audio visual industry globally has been undergoing a transition. Opinion among researchers and industry analysts is divided about the disruption taking place in the broadcast technology. Some contend that the TV industry is diminishing and is slowly being substituted by the Over the Top (OTT) industry while others believe that incumbent linear TV is revamping into internet dependent platform.

To understand the emerging end user adaptation as result of the disruptions and how end users are expected to experience these preceding changes, the study explored disruptive innovation and diffusion of innovation. To understand the significance of these developments, Porter's Five Forces theory provided framework for analysis.In this respect, the study delved into the distinguishing factors of both the internet TV (the ability to watch audio visual device via the internet) and the linear TV (the traditional way of depending on antennae or dish to receive content) in Kenya television sector. It highlighted the disruption caused by online services to the conventional television services, and the expected future developments in the audio visual industry with a zoom focus on the performance.

Internet Television and the linear traditional pay TV are subscriptions dependant service, i.e. subscribers must pay to watch their content. In this case both are in competition for the same limited pocket share. The distinguishing factors in both is that for Linear TV infrastructure is needed to be able to transmit television signals either via satellite, terrestrial or internet protocol and also for their client to receive they must have a fixed television set with either antennae or dish. Compared to the flexibility offered by internet television in terms of device needed and at times wireless connection, (Berman et al. 2011).

1.1.1 The Concept of Emerging Technologies

The emergence of new technological breakthroughs is persistent and taking place at an alarming rate while disrupting the normalcy. It is looked at in terms of potential monetary implications and ability to cause waves in the industry (Veletsianos, 2010). Disruptive technologies typically show increased rate of change in their capabilities in terms of price or use in comparison to other previous ways of doing things they provide distinctive innovations that push the rate at which things were being done before providing capacities that were not witnessed before. To make economic sense, an innovation must disorient existing firms that were providing the same services or goods by giving rise to superior quality products that the incumbents cannot be able to match.

One of the most impactful technologies in the world currently is the advent of mobile internet; this technology through innovation could have an impact on five billion people by creating a new crop of entrepreneurs .The Internet of Things (IOT) technology which is the ability of devices to communicate is able to connect a lot of devices globally. This would have profound impact on nearly all spheres of life as we know it currently in areas

such as health, safety and interactions of the human race. The importance of emerging technologies is that they have the potential to change our day to day lives from how we live, work, interact with one another, transform businesses and drive countries gross domestic product, (Robertson et al, 2016).

1.1.2 Internet Television

Internet technology can be said to be one of the most profound invention of all times. The discovery and its subsequent application have revolutionized almost every facet of our lives as we know it today. In this regard, one of those realms that has been greatly impacted is the entertainment industry. The invention of internet technology among other things led to the emergence of internet television also referred to as OTT in this context. This development has created a disruption in the broadcasting industry whose players since inception relied upon traditional broadcasting technology like satellite and terrestrial services to deliver home entertainment.

However, while the internet television took root in the developed countries much earlier, the waves of change are finally reaching the shores of developing countries like Kenya.

Consequently, Kenya's broadcasting industry has undergone number of tremendous changes since the invention of broadcasting technology was diffused to developing countries. Before the advent of internet television, we had the digital migration which involved moving terrestrial TV services from analogue to digital technology broadcasting (Muvaka, 2015). The migration process which caused quite an upheaval in the Kenya's broadcasting industry started way back in 1990s during 90's during a United Nations International Telecommunications Conference (ITU). However, it was not until the year 2006 when the ITU made a resolution for member countries to migrate to digital

transmission. This move is considered to be the greatest single technological leap in the history of television (Taylor, 2013).

In 2015, analogue signals in Kenya were switched off and there was transition from a largely free-to-air TV into a pay-to-watch era. The migration had many implications for both the broadcasters and the customers alike. This was mainly because the existing technological gap that existed i.e. analogue broadcasting technology. The technology transition required either: customers to purchase digital television with inbuilt receivers buy set up boxes (digital-analogue signal converters) to connect to their television sets. TV viewers had to buy digital tuners or subscribe to pay television GOTv a subsidiary of Multichoice, Azam TV from Tanzania, Zuku owned by Wananchi group , DSTV ,StarTimes, and Kwese (Tabu, 2013). In hindsight, the disruption hit hard low income earners who couldn't afford the cost of digital migration.

Recently, there has been a lot of changes attributed to technological advancements and new consumer trends, the television industry has undergone great amount of changes. These new developments have resulted in the formation of internet television as a formidable force in the entertainment sector. Consumers have transitioned from limited choices to unlimited choice.

Currently, the available options for viewers are numerous, flexibility in programming watch what they want whenever they want, and the disruption has caused broadcasting incumbents enormous challenges. As a matter of fact, the inception of internet based content transmission and viewing service has caused waves in the industry therefore disrupting the normality in when compared to the old established incumbent traditionally established television industry.

In Kenya currently, OTT market is at the introductory stage and it's a relatively new product while in developed world it's in growth phase globally. The statistic to measure the market share of OTT in Kenya is fairly inaccurate at this stage. According to Sheffer (2015), market dominants, not in any particular order, are ShowMax, Youtube, Amazon Prime and Netflix. The shared main source of earnings in the pay television industry as a whole is subscriptions based but they do have other sources such advertisements which is dependent on the ratings they.

1.1.3 Pay TV Industry in Kenya

Pay TV refers to subscription based service whereby viewers pay monthly or daily rates to watch predetermined collections of channels. The pioneers in this industry in Kenya are the South African based Satellite company; Multichoice limited has been around since the year 1995. According to Taabu (2013), Multichoice enjoyed monopoly in Kenya until the advent of digital migration which opened up the Kenyan market to competition from StarTimes, Zuku which is an Internet Protocol TV, Kwese and Azam who provide satellite TV. The government through its subsidiary Kenya Broadcasting corporation started Signet, tasked with distributing Free to air Content. Communication authority of Kenya also licensed Pan African Network Group to distribute Free to air content. Local Media companies started their own distribution arm after a protracted court battle with CAK. Kenyan airwave is awash with pay TV and free to air content.

Pricing is the major lever used to attract subscribers by Pay TV operators. Penetration of Pay TV is still in its nascent stage; it has a lot of scope but needs to be priced properly. The strategy for Pay TV operators to move forward is to focus not only on the number of channels and content people are familiar with, but also content people want to watch, which is not available on free-to-air channels. Exclusive content has been a major

competitive strategy used by pay TV companies, especially sports content is major add on to subscribers who keep renewing their subscriptions (Tabu, 2013).

1.1.4 Concept of Organizational Performance

There has been a lot of attention towards the concept of organizational performance in the recent decades. To this end, managers have been increasingly under pressure to demonstrate value for money in terms of performance. In mitigating the challenge, most organizations have developed their own tool kit to measure attainment of their objectives against the outcomes achieved at the end of the specified period. For instance, Kenya Institute of Management (KIM) came up with Organization Performance Index (OPI) which has been adopted by a number of companies. While there are multiple angles for looking at performance, objective vis a vis outcome underlies the organizational performance measures.

In the broadcast media and entertainment industry at large, financial performance is not the only consideration when a comparison is being done between a company and its competitors. Some of the factors looked at are: ARPU (Average Revenue per User) This is the average amount of revenue that the pay TV firm receives from each subscriber spread across the entire customer base. If growth of subscribers is plotted on a graph and its flat then ARPU can still be seen as an area of improvement by a firm. RGU's (Revenue generating units) is the number of subscribers or households generating regular income. If the number of RGUs is high it means the business performance is doing great and if the number of RGUs is low it means the business survival is at risk, (Baccarne et al, 2013).

Customer churn is the number of customers who have left for competition at any given period. No operator can claim to maintain all their subscribers, some will 'churn up' to

competition, or even some will 'churn down' (or 'cord cut') i.e. move to a lower package and others might leave altogether due to dissatisfaction. Marketing activities play an important role in reduction of churn.Net acquisitions refers to the number of RGU's acquired within a given period under measurement and bad debt refers to the number of subscribers who fail to renew their subscriptions (Baccarne et al, 2013).

1.2 Research Problem

The high level of innovation as scientists pursue breakthrough solutions to global problems has led to myriad of emerging technologies that are changing the way we do business and live our day to day life. These emerging technologies have disrupted industries and existing players are looking onto ways of surviving the revolution. In the realms of broadcasting technology, a lot has changed since the invention of satellite broadcasting technology as well internet technology. These changes have resulted to widespread disruptions within the television industry. In this respect, a number of studies have been done around entertainment and broadcasting technologies with first voices emanating from global researchers.

A study conducted by Macnamara (2010) foresaw the fall of Tv industry, he found out that in the TV industry there was no innovation going on in the industry and there was a "me too" kind of mentality as everyone was doing the same thing using the same business model for an extended period of time. Television industry just produced content and pushed it to consumers and they only got their revenue through advertisement. Berman et al. (2011) and Maclean's (2013) foresaw disruption with the rate in which technology was advancing with portable devices coming up and the whole entertainment ecosystem would be changed by advent of portable devices.

A study conducted in Europe by Fontaine (2013) on television sectors and similar survey carried out in US by Waterman et al. (2012) showed the emergence of over the top as an industry disruptor. They concluded that traditional TV was on its death bed and OTT was driving the nails in the coffin, they concluded that the traditional pay TV needed to adapt or die. Baccane et al (2012) postulated that incumbent transmission of audio visual content .i.e. TV is being run down by the following new established internet based platforms that are able to transmit audio visual content, namely (1) peer-to-peer interaction for example social media sites, (2) OTT solutions on software and applications for example Netflix, ShowMax etc, and (3) video website platforms such as YouTube.

According to a study conducted by Digitalsmiths' (2015) incumbent broadcasters could be all together wiped out by internet based transmission sites which is capable of showing real time television and pre recorded television. To adapt incumbent broadcast television firms were advised to revamp their broadcast approaches and look for new ways to improve customer journey (Berman 2011) and to help tackle the onslaught being promoted by the over the top industry and for their own survival.Of the contrary opinion was Lima et al. (2015) who found out that the TV industry was ailing, instead he was of the idea that it was transforming. In support Perren (2013 and Baccarne et al., (2013) posits that incumbent could be looking into ways of changing their models by converging into platforms and that internet based transmission service will be a mix of old school television and the new emerging digital media. Without disregarding all these studies that look down upon the trajectory being taken by internet TV as an emerging industry, there is no contrary opinion that the OTT transmission trajectory was on ascending path and

users are increasingly relying on online streaming as source of entertainment. The level of consumer control courtesy of OTT as compared to the incumbents offers a great degree of user experience endearing most of their user (Maclean, 2013).

Analysis of Netflix development and impact on television industry in Hong Kong found that customers were moving from traditional Pay-Tv to OTT and Pay TV companies were losing on subscription, (Chan et al., 2016). Study conducted by Ooyala in 2018 on the state of broadcast in the United States of America found that Netflix's U.S. subscriber base has now passed that of cable TV a clear signal that consumer viewing tastes have changed in favor of OTT. Factors driving these trends were; ubiquitous consumer desire for content choice, convenience and lower costs, and the advancements in technology.

In Kenya, various researchers have probed various issues around television industry. Githinji (2013) conducted a study on challenges and accessibility issues faced by residents of Makadara constituency as a result of digital migration and found out that unavailability/unaffordability are the major challenges facing residents of Makadara constituency. This study only focused on Makadara constituency. Njaaga (2013) conducted a cross-sectional survey on dimensions of competition in the television media industry in Kenya and factors affecting choice of competitive. The study found that content and customers were dictating the direction and competitive strategies adopted by media houses in Kenya and this was also dictating the advertisement revenue the firms were getting. In another study by Tabu (2014) investigated the consumer attitude and found out that their attitude was favorable towards the change in broadcasting from analogue to digital in Langata sub County. The study established that there was a huge support for digital technology.

However, none of the studies looked into the perceived influence of internet television on the performance of Pay-Tv service in Kenya yet. This study therefore sought to determine the influence of internet television on the performance of pay TV firms in Kenya, it was guided by the changes seen in the TV entertainment industry and result in the question what influence does internet television have on preference of pay TV industry?

1.3 Research Objectives

The objectives of the study sought to:

i. determine the performance of Pay TV Practioners in Kenya

ii. study the perceived influence of internet television on performance of pay television practioners in Kenya.

1.4 Value of the Study

The recommendations and findings of this research would be of significance to, OTT service providers, Pay-TV operators, Pay-TV subscribers, manufacturers of set-top-boxes, the regulatory body and researchers. The study is of primary importance to Internet TV and Pay-TV operators. From the findings, they will learn how to survive the onslaught brought about by internet TV. The study will also point out recommendations having examined the coping strategies being used by Pay-TV service providers. This will be a double sword as the Internet TV providers will be able to pick up ideas on how to respond to the coping mechanism by Pay-TV. Internet-TV operators may respond with operations strategies that ensure they remain productive and increase efficiency through designing demand-led products and services.

Regulatory authorities might find this study useful in making policy reforms and development of industry standards that promote quality and the provision of value for money to consumers as well as consumer protection from exploitation. Further,

researchers wishing to extend studies on the operation of Internet TV and Pay-Tv in Kenya might use this study as a reference point. The study will identify further areas of research that might be useful to future scholars

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The purpose of the chapter will be to review the theories that guided the study and also look at the available literature. The study was mainly anchored in the theory of disruption and underpinnings by diffusion of innovation theory which focused on the adoption rate of consumers. To understand the incumbents Pay-Tv company options the study looked at Porters Five forces.

2.2 Anchoring Theories of the Study

2.2.1 Disruptive Innovation Theory

According to Christensen (1995), a disruptive innovation is the steps in which a new service or product starts from a simple idea not well known, affordable and easily accessible and then it becomes widely accepted and its uptake increases finally displacing incumbents in that line of industry. Disruptive innovation theory has four building blocks. The first building element shows the disruptor moving a long a trajectory of innovation, the second element the pace of sustaining the innovation along the trajectory of the proposed value maintaining the proposition outperforms the customers' comprehension. Thirdly, the industry incumbents have the capacity to arrest the trajectory of the innovation but fail to exploit. Lastly, due to the disruption caused by the innovation and its uptake the incumbents dwindle away.

The main shortcoming of this theory is that not all cases involve sustaining innovation, not all incumbents over shoot customers expectation, not all cases involve incumbents

failing to respond to the disruption and not that all incumbents are displaced by new technology (Schumpeter,2014).

2.2.2 Diffusion of Innovation Theory

This theory was postulated by Rogers in the year 1962, the theory tries to explain the how, the why, and at what rate new ideas and technology unroll through societies. The process is divided into two stages .i.e. macro and micro process. Macro process is concerned with the way in which the idea or product considered as new transmits from the originator to the intended users and how it is taken up by the consumers (Rogers, 1962).

The micro process is concerned with the different phases the consumer passes when making a decision on whether to take up the new product or drop it all together. For a new product to be taken up, Rogers espoused the theory that there are four main elements that influence the transmission of a emerging product or service: the nature of the innovation, communication method used .i.e. word of mouth, advertisements, time of release of the new product for instance is the product important to be able to satisfy an emerging gap, and a social system such as year of birth, culture, and level of study of the intended users. The level of acceptance of an innovation must be huge for it to stand the test of time (Rogers, 1980).

There are several division of adoption of a new idea and they are categorized into five: The innovator category is the first category ,this is a group which are easily excitable and are risk takers, they always want to be the first to try out an invention; Early adopters are the second category ,this category is larger than the innovators and they are the opinion leaders, if a product gets a good review from this category then the chances of success of

the process is very high; Early majority are the third category and they take up new ideas faster than an average person; Late majority are the fourth category ,this group are resistant to change and will only adopt a technology after it has been taken up by a great number of people; Laggards are the final group and just as their name suggest they are the last group to take up an innovation mainly because they have no other option than to take up an innovation.

2.2.3 Porter Five Forces

Porter's 5 forces analysis shows the competitive force model. It is an important tool that can provide guidelines on how a particular industry is looking .i.e. industry attractiveness. According to this theory there are five factors to look at when determining the marketing environment and profitability of an industry (Porter, 1985). The five factors postulated by Porter were:

The first of Porter's Five Forces is the scare brought by of entry by potential competitors (companies that are not currently doing business in the industry). It is very difficult to anticipate the changes that new entrants would bring in the environment as their strategy would be more aggressive and customers would switch. To remain competitive a firm must differentiate is product offering in such a way that customer remain loyal to them thus forming brand loyalty. The barriers to entry can be increased in terms pricing if the incumbent enjoys economies of scale they can be able to lower their prices to wade off competition, improving on brand loyalty can also be used as a strategy by increasing their customer experience and thus reduce switching cost..

The second of Porter's Five Forces is the intense business fight among established companies. In a highly divided industry where everyone determines their own prices they

are more prone to disruption compared to consolidated industry where there is unity of purpose. If there are a lot of companies producing the same thing this can result in a market glut making companies to reduce prices so as to remain in business. If factors of production in an industry are high in order for firms to remain competitive there will be a tendency to have aggressive sales in order to remain profitable. There could also be exit pitfalls in an industry preventing firms from winding up such a government policies and emotional attachments to the business (Porter, 1985).

Bargaining power of buyers is the third of Porter's Five Forces. When buyers are powerful in a sector they can have an upper hand in determining prices and also the level of service they expect. This can happen in situation whereby buyers have capacity to buy in large quantities and can use this influence to negotiate on the pricing. The fourth of Porter's Five Forces is the bargaining power of suppliers. Suppliers can be powerful when they enjoy monopoly and the product has no substitute and it is very important to the buyer. In this scenario suppliers can even threaten to enter their customers market and take over from them.

The fifth and final force in Porter's theory is the threat of substitute products: If there are different products that can satisfy the same need then there is a reason to worry .This threat can come from firms in different industry that can be used in the same way or it could be firms in other sectors in which your customers have a soft spot for and feel that they can be able to take up your spot.

2.3 Empirical Studies

The disruption taking place in the television industry has seen, attracted a lot interest from various scholars locally. Njaaga (2013) conducted a cross-sectional survey on dimensions of competition in the television media industry in Kenya and factors affecting choice of competitive strategies by media industries. The study found that content and customers were dictating the direction and competitive strategies adopted by media houses in Kenya and this was also dictating the advertisement revenue the firms were getting.

Githinji (2013) conducted a study on challenges and accessibility issues faced by residents of Makadara constituency as a result of digital migration and found out that unavailability/unaffordability are the major challenges facing residents of Makadara constituency. The findings of the study were only limited to the Makadara constituency.

Tabu (2014) investigated consumer attitude in Langata Sub County towards the move from analogue to digital broadcasting technologies in Nairobi County. The study established that there was a high level of awareness of digital television migration as well as devices that necessitate migration to digital technology. The reasons for this preference was guided by the fact that most of the respondents who are consumers in this cases know the attributes of digital technology that is clear picture, sound, multiple channels, clear signal, more entertainment and also presence of programme guide.

Kirui (2014) investigated the impact of media digitization on diversity in content generation in local video production. It concluded that independent producers are widening their scope on local content production by trying out new themes. The use of

vernacular or indigenous languages more than before which are acquired by local FTA and Pay TV channels for example Maisha Magic East as well as SVOD platforms such as BuniTV, Ronga TV and Showmax and online platforms such as YouTube channels and Facebook. Due to media digitization new niche markets have been created as time of viewership seems to be shifting from traditional broadcasters to V.O.D platforms as new audience niches are being created every day.

Millennial are dropping cable TVs altogether because of OTT and more than 78% of Americans have more than OTT provider ,this is according to a study on implications on advertisements on the rise of over the top content (PWC,2015).

2.4 Adaptation of Firms in a Competitive Industry

Business environment is an aggregation of factors (forces and conditions) that surround and affect an organization in its day-to-day existence. Understanding the influence of factors not within the business immediate control is of paramount importance for the survival of business amidst the cut throat competitive world. To understand the influence of macro environment on survival of firms, PESTEL model provides the ability and analysis necessary for a firm to start to map out the factors it will need to address in order to develop a successful survival strategy in a given industry (Valipour, et al 2012). PESTEL is an acronym used in change management, strategy, planning, new product development and it stands for Political/ Economic/ Social/Technological/ Legal/ Environmental respectively. In this regard, the key function of PESTEL is to discover important issues that are likely to impact the normal functioning of a business by establishing where these issues emanate from and how they are likely to affect the business goals.

It is an important tool in business, strategic planning, marketing planning, organizational change, business and product development. Political factors are very dynamic and are associated with the landscape brought about by political institutions in a country and at the end have a strong influence on government policies which in turn can impact businesses. Economic factors shows the influence of economic policies, inflation rates, business cycles, money supply, unemployment, economic structures and the level in which the economy impacts firms. Social factors is associated with age profiles, family structures, education levels, distribution of income, cultures , attitude formation, people beliefs, that can have an impact on people ability and willingness to purchase company's products or service and day to day operation of the firm. Technological factors show the rate in which changes in technological aspects, innovations, barriers and incentives, and to what level these affect businesses. Legal matters is associated with countries regulations, laws and legislature that have an impact on the way the business operates, for instance digital migration in Kenya was successful due to government policies. Environmental factors are associated with nature, environment, and ecology concerns that affect people's ability and willingness to purchase products or service and day to day operations of a business.

2.5 Strategies Used by Television Firms

The competitive advantage of either television or online streaming companies is pegged on their cost leadership and/or differentiation strategies. Netflix is one of the pioneering OTT that has successfully used both strategies in their American market. According to Porter (1980) differentiation strategies requires a firm to adapt to its current environment in order to have an upper hand over new entrants by clearly marking their territory. This

differentiation strategies is achieved when firms create superior product offering in terms of quality, proper product positioning amongst competition (Akpoyomare, 2012). Cost leadership as survival strategy is when firms try to obtain operational efficiency (Banker et al., 2014). According to Valipour et al (2012), in the television industry this is achieved over time through experience, proper utilization of resources and keen monitoring of the cost of business operations. To achieve this kind of cost leadership, it must be incorporated into the corporate culture whereby it's inculcated in all employees, (Schiff, 2014).

Opponents of cost leadership postulate that the strategy is easy to imitate and is short term and cannot be able to withstand the test of time where the business is interested in long term sustainability of profits (Banker et al., 2014). According to Duică and Duică (2014) if a firm is interested in maintaining its cost leadership strategy they have to increase their productiveness at the same time reduce their supply cost. In the broadcasting industry companies, an interdependency has come up whereby they pass over their re runs to competitors as a source of extra revenue (Auletta, 2014). This strategy was demonstrated when Netflix an OTT provider aired reruns of popular TV shows on their platform.

The strategy of cost leadership is thought by some authors not to be full proof and can easily be copied and therefore cannot be relied upon for long term sustainability of profits for a firm. Netflix, an OTT provider, aired reruns of popular TV shows on their platform and this way broadcasting, content owners got additional revenue and their rating improved and they got extra eyeballs for the current seasons (Auletta, 2014).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This part of the study expounded on the research design, population sampling and sample design, data collection and data analysis. With the aim of gaining a more thorough understanding of online streaming media and Pay-Tv competitive strategies in Kenya and also the consumer attitude towards the disruption.

3.2 Research Design

The study adopted descriptive research design. Through this research design, it will be possible to investigate the various variables and demonstrate the relationships that exist between them. For instance the impact of marketing strategies used by Internet TV providers on the coping strategies put forth by Pay-Tv companies in Kenya. Further, it will provide the basis to examine the nexus of the prevailing attitudes towards both television services and the impact of strategies being executed. Njaaga (2013), successfully conducted a study on competitive strategies used by media houses in Kenya using the same research design.

3.3 Population

The target population for the study was all Pay TV subscribers in Kenya namely Multichoice Ltd, Azam TV, Mwananchi Group, StarTimes, and Kwese and the consumers who use internet TV services such as ShowMax, Youtube, Amazon Prime and Netflix. In this context pay TV service providers were companies that charge customers to view their TV content, while consumers in this context will be people who have arranged to receive or access a service at a fee.

3.4 Sample Selection

In selecting Pay-Tv subscribers, convenience sampling was used. This sampling technique confered advantage of ease in accessing respondents for the study. The latest number of decoders stands at 969,092 for Free-to-Air set top boxes (FTA STBs) and 4,451,278 for Pay Tv, (CA, 2017). Using this as the basis of population size, the sample will be computed as below:

$$\frac{P}{1+ (P*e^2)}$$

Where:

e is the desired level of precision (i.e. the margin of error),

p is the (estimated) proportion of the population which has the attribute in question,

Thus:

$$5,420,370 \, / \, 1+ 5,420,370 \, (0.05)^2 = 400$$

The sample of subscribers intended for the study was 400

3.5 Data Collection

This study adopted quantitative data collection method which allowed for numeric analysis of data. For quantitative data collection, structured questionnaires were used as Primary data collection tool. The internal validity that is the ability of data to produce consistent result and reliability which is interested in replicabality of the data collected and the response rate where the number of completed responses will rely on, on the design of questions, the structure of the questionnaire, and the rigor of pilot testing. Pilot testing was conducted on the questionnaire to ensure that the questionnaire measures the

intended variable of interest and the questions were actually understood by the intended respondents.

Internal validity of the questionnaires will look at the way the questionnaire to measure what it was intended it to measure. This meant that what was found with the questionnaire actually represented the situation on the ground. Reliability of the questionnaire will look at the ability of the questionnaire used to measure the contrast of interest and whether it can be replicated, in particular, whether or not it produced firmness of data at different periods and under different circumstances, such as with different lot or, in the case of an interviewer-administered questionnaire, with different interviewers. Questionnaires are most useful as a data collection method especially when large numbers of people are to be reached and due to its ease of coding.

The survey was conducted using self administered questionnaires form due to its ease of transmission and ability to reach many people within a short time.The questionnaires contained text boxes where respondents entered information, check boxes that list the choices available to the respondent allowing them to 'check' or 'tick' one or more of them, and drop-down list boxes that restrict the respondent to selecting only one of the answers specified. Prior to using the questionnaire to collect data it was pilot tested. The purpose of the pilot test was to refine the questionnaire so that respondents had no problem in answering the questions and there was no problems in recording the data. In addition, it enabled the researcher obtain assessment of the questions' validity and the likely reliability of the data collected. Preliminary analysis using the pilot test data was undertaken to ensure that the data collected enabled the researcher investigative questions to be answered.

3.6 Data Analysis

Quantitative data in a raw form, that is, before these data have been processed and analyzed, conveyed very little meaning to most people. These data, therefore, needed to be processed to make them useful, that is, to turn them into information.When conducting data analysis the objectives was to get a general trend for the data, testing the quality of data, and examining the answers to questions developed for the research. The general trend for the data gave preliminary ideas of how good the scales are, how well the coding and entering of data had been done.

The quantitative data collected was edited, coded and categorized according to the variables of interest then the researcher used SPSS to enter quantitative data and analyze data using descriptive statistics to generate frequencies, percentages, and mean scores. The data was presented in form of tables, and pie charts. To get feel for the data, central tendency and the dispersion was checked . The mean, the range, the standard deviation, and the variance in the data gave the researcher a good idea of how the respondents had reacted to the items in the questionnaire and how good the items and measures were. Establishing the quality of data lent credibility to all subsequent analyses and findings. Hence, getting a feel for the data became the necessary first step in all data analysis.

CHAPTER FOUR:

DATA ANALYSIS, FINDINGS AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter presents the analysis of the data collected and discusses the research findings on the perceived influence of internet television as an emerging technology on the performance of pay television firms in Kenya. The specific objectives were to determine the performance of Pay TV Firms in Kenya and to examine the perceived influence of internet television on performance of pay television firms in Kenya.

4.1.1 Response Rate

Among the 400 respondents targeted, 316 completed and returned the questionnaires giving a respondent rate of 79%. Mugenda and Mugenda (2004) assert that a response rate of more than 50% is adequate for analysis. Babbie (2004) also asserts that a 60% return rate is good and a 70% return rate is very good. Information obtained from the questionnaires was adequate for analysis.

4.2 Demographic information of the respondents

The research sought to identify demographic characteristics of the respondents which included their gender, age, education level and income. The findings and interpretation is represented in the following subsections.

4.2.1 Gender of the respondents

From the data collection tool, respondents were required to indicate their gender and the findings are represented in the Table 4.1

Gender		Frequency	Percent
	Male	187	59.2
Valid	Female	129	40.8
	Total	316	100.0

Table 4.1 Gender of the Respondents

Source: Primary Data

From table 4.1, 41% of the respondents were female and 59% were male, it shows that the number of male respondents was more compared to female respondents.

4.2.2 Level of Education of Respondents

The Respondents were asked to indicate their highest level of education attained. The results are as shown in Table 4.2

Table 4.2 Level of education of Respondents

Education level	Frequency	Percent
No Education	2	.6
Primary	2	.6
Secondary	17	5.4
Diploma	83	26.3
Undergraduate Degree	164	52.1
Post Graduate Degree	47	14.9
Total	315	100.0

Source: Primary Data

From Table 4.2, 14.9% of the respondents were found to having attained post graduate degrees, undergraduate degrees were 51.9% , diploma holders were 26.3% and O- level of education holders were found to be 5.4% and those with primary level of education or no education at all were found to be 1.3 %. It is evident that majority of the respondents had university degree. This shows that most respondents were able to grasp the research questions posed.

4.2.3 Age Distribution of the Respondents

The Respondents were asked to indicate their ages in the range provided. The results are as shown in Table 4.3.

Table 4.3 Ages of the Respondents

Age	Frequency	Percent
18 - 24	76	24.1
25 - 32	167	52.8
33 - 40	47	14.9
41 - 49	19	6.0
Over 50	7	2.2
Total	316	100.0

Source: Primary Data

From the table 4.3,which shows age distribution of the respondents, respondents between ages 18-24 years were 24.1%,ages 25-32 were 52.8%,respondents between the ages 33-40 were 14.9%,respondents between the ages 41-50 were 6% and respondents over the 50 years were 2.2%.The results show that majority of the respondents were between the ages 25-32 years which represented 52.8%,followed by 18-24 years at 24.1%,respondents

between the ages 33-40 years were at 14.9%, and those between ages 41-49 years were

6% and respondents over 50 at 2.2%

4.2.4 Occupation of the respondents

The respondents were asked to indicate their nature of occupation whether business or

employment. The findings are represented by the below Table 4.4

Table 4.4 Occupation of the respondents

Occupation	Frequency	Percent
Unemployed	55	17.5
Business	34	10.8
Employed	225	71.7
Total	314	100.0

Source: Primary Data

The results from table 4.4, revealed that 71.2% of the respondents were in gainful

employment, whereas 10.8 % were engaged in businesses and 17.4 % were unemployed.

This show that majority of the respondents had some form of income.

4.2.5 Household Income

The study sought to find out household income of the respondents. The results are as

shown in Table 4.5

Table 4.5 Household income

Income Range	Frequency	Percentage
Up to 15,000	36	12.1
16,000-30,000	71	23.8
31,000-50,000	57	19.1
51,000-80,000	45	15.1
81,000-99,000	18	6.0
100,000 and above	71	23.8
Total	298	100.0

Source: Primary Data

The results from table 4.5 on monthly household income, show 23.8% for respondents who earn between Ksh 16,000-30,000 and also 23.8 % for those respondents who earn Ksh 100,000 and above at 23.8. Respondents with a household income of between Ksh 31,000-50,000 were at 19.1%.Those with an household income of between Ksh 51,000-80,000 at 15.1%. Respondents with Ksh 15,000 and below were represented at 11.4%.

4.3 Consumer Awareness Level of Pay Television entertainment

The respondents were asked to indicate their level of awareness of pay television on a likert scale. The level of awareness was put on a five point scale whereby, very aware was (1) which represented 0-0.9, Fairly aware which represented 1.1-2.0 (2), Neither Aware Nor unaware which represented 2.1 to 3 on the likert scale (3), Fairly Unaware which was represented   3.1 up to 4.0 on the likert (4) and very Unaware represented by4.1 to 5.0 (5).The results are as shown in Table 4.6

Table 4.6 Awareness level of Pay TV service

Descriptive Statistic	N	Range	Mean	Std. Deviation	Variance
Level of Awareness of Pay Television	297	4.00	1.7003	1.14539	1.312
	297				

Source: Primary Data

The findings on table 4.6, show that subscribers were fairly aware with Standard deviation of 1.14 and mean score of 1.7

4.3.1 Number of Decoders Owned

The respondents were asked to indicate how many decoders they had. The results are as shown in Table 4.7.

Table 4.6 Number of Decoders Owned

No of decoders owned	Frequency	Percent	Cumulative Percent
1 Pay Tv decoder	137	47.2	47.2
1 pay TV and 1 Free to Air decoder	65	22.4	69.7
More than 1 pay Tv decoder	70	24.1	93.8
Others	18	6.2	100.0
Total	290	100.0	

Source: Primary Data

The results obtained from the respondents showed that 47.2% had one pay tv decoder,24.1% had more than one decoder from different companies and 22.4% had 1 pay tv decoder and 1 free to air decoders.6.2% of respondents had other forms of decoders.

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4.3 .2 Pay TV Firms Market Share

The respondents were asked pay TV firms they subscribed to. The results are as shown in the table 4.7 below.

Table 4.7: Pay TV market share

Pay TV Firm	Frequency	Percent
Go TV	91	30.8
StarTimes	98	33.2
Zuku	30	10.2
Dstv	48	16.3
Kwese	12	4.1
Azam	1	.3
Other	15	5.1
Total	295	100.0

Source: Primary Data

From the table 4.7 above on pay TV market share,Go TV has 30.8%, StarTimes had the 33.2%,,Zuku has 10.2%, DSTV has 16.3%, Kwese has 4.1%,Azam has 0.3% and While 5.1% of the respondents had other forms of pay TV decoder they subscribed to.This shows that StarTimes had the largest number of subscribers closely followed by Go TV.

4.3.3 Online and Offline Rate

Subscribers with pay TV were asked whether they had an active subscription to know the online and offline rate. The results are as shown in table 4.8.

Table 4.8: Online and offline Rate

Active Subscription	Frequency	Percent
Yes	212	67.3
No	103	32.7
Total	315	100.0

Source: Primary Data

From Table 4.8, Majority of the respondents at67.3% of had an active subscription whereas 32.7% were offline although they had a pay TV.

4.3.4 Amount Spent Monthly on Pay TV subscription

Respondents were asked the amount they spent on pay TV subscription on monthly basis. The results are as shown on Table 4.9 below

Table 4.9 :Amount Spent on Pay TV subscription Monthly

Amount Spent	Frequency	Percent
Up to Ksh 300	48	17.3
Between Ksh 301-500	44	15.9
Between Ksh 501-1000	95	34.3
Between Ksh 1001-1499	27	9.7
Between Ksh 1500-3000	17	6.1
Between Ksh3000-5000	37	13.4
Above Ksh.5000	9	3.2
Total	277	100.0

Source: Primary Data

From the results in table 4.9, majority of the respondents at 34.3% spent between Ksh 501-1000 monthly on their subscription, 17.3% spent up to Ksh 300 monthly on their

subscription,15.9% of the respondents spent between Ksh 301-500 monthly.13.4% spent between Ksh 3000-Ksh 5,000,9.7% of the respondents spent between Ksh 1001-1,499 for their monthly subscription, 6.1 spent between Ksh 1,500-3,000.The least popular subscription amongst the respondents was subscription above Ksh 5,000.

4.3.5 Devices used to view Pay TV services

The respondents were asked to devices they used to view pay tv services and the results are as shown on table 5.0.

Table 5.0 Devices used to view Pay TV

DEVICE	Frequency	Percent	Cumulative Percent
Television	205	70.7	70.7
Computer/Laptop	33	11.4	82.1
Tablet	8	2.8	84.8
Phone	44	15.2	100.0
Total	290	100.0	

Source: Primary Data

From Table 5.0, on devices used to view Pay TV content,70.7% of the respondents viewed pay TV using a television ,those respondents who viewed content using computer or lap tops at 11.4 %,respondents who used tablets at 2.8%,mobile phones usage for pay TV content viewing was at 15.2%.This shows majority of subscribers at 70.7 % used television set to view pay TV services , followed by mobile phones at 15.2%,then computer or laptops at 11.4%, and the least popular device used to view pay Tv service are the tablets at 2.8%.

4.3.6 Favorite Pay Tv content

The study sought to find out the most viewed pay TV content. The results are as show in Table 5.1.

Table 5.1: Most viewed Pay Tv content

Content Type	Frequency	Percent
News	61	20.6
Sports	70	23.6
Comedy	30	10.1
Cartoon	32	10.8
Nigerian movies	17	5.7
Music	7	2.4
Telenovelas	14	4.7
Western Movies	19	6.4
Local content	18	6.1
Documentaries	28	9.5
Total	296	100.0

Source: Primary Data

According to Table 5.1 on most viewed pay TV content, the study shows that; 23.6 percent of the respondent watched sports content, News followed at 20.6 % of the respondents most viewed content, cartoon at 10.8%,comedy at 10.1%,documentaries at 9.5 %,western movies at 6.4 %,local content at 6.1 %,Nigerian movies at 5.7%,Telenovelas at 4.7% and music at 2.4%.

4.3.7 Time spent watching pay TV service

The study sought to find out the amount time respondents used to view pay Tv content. The results are as shown table 5.2.

Table 5.2: Amount of Time in Hours spent watching Pay TV content

Time Spent	Frequency	Percent
Less than 30 Minutes	29	9.8
Between 1-2 hours	167	56.6
Between 3-4 hours	76	25.8
More than 4 hours	23	7.8
Total	295	100.0

Source: Primary Data

From Table 5.2 on the amount of time spent watching pay TV content, 9.8% of the respondents viewed pay TV content for less than 30 minutes,56.6% of respondents viewed pay TV content for between 1-2 hours, and those who viewed pay TV content for between 3-4 hours were at 25.8%, and finally those who viewed pay TV content for more than 4 hours at 7.8%.This shows that majority of the respondents at 56.6% viewed pay TV content for between 1-2 hours, 25.8% respondents viewed pay tv content for between 3-4 hours,9.8 % viewed pay TV content for less than 30 minutes and 7.8% of the respondents viewed pay TV content for more than 4 hours.

4.3.8 Pay TV service with Internet Application

To adapt to the evolving market needs Pay TV firms have developed internet based application service in which their subscribers are able to view Pay TV service on the go and on various devices. Respondents were asked whether they were aware of the availability of internet based application service from their pay TV service provider. The results are as shown on Table 5.3

Table 5.3: Awareness level of Pay TV service with Internet Application

Awareness level	Frequency	Percent
Yes	108	36.6
No	133	45.1
Completely unaware	54	18.3
Total	295	100.0

Source: Primary Data

From Table 5.3 on awareness whether the pay TV they subscribed to had an internet applications ,the results show that only 36.6% of subscribers were aware of availability of internet based application from their pay TV provider,45% denied availability of internet based application   from their pay TV service provider and 18.3% were completely in the dark of existence of such a service.

4.3.9 Pay TV Attributes

The study sought to find out the most important attributes that subscribers derived from their pay TV service provider and which one they considered most important.The attributes where : on whether they considered the cost charged as affordable,content provided was exciting,pay TV offered flexible programming schedule,whether they had issue with signals,the quality of picture and sound,the convenience offered by the pay TV The respondents were given the statements on a Likert scale where they were asked to indicate the extent they agree with the statement. This was measured by a five-point Likert scale. The range was from 5 to 1 where; 5 = Strongly Agree (SA), 4 = Agree (A), 3 = Neither Agree Nor Disagree (N), 2 = Disagree (D) and 1 = Strongly Disagree (SD).The results are as shown in Table 5.4, Since the scales ranged from 1 to 5 making an interval of 4 between the two extremes; the following allocation keys were developed:

strongly disagree was given the range 1 – 1.8, disagree was given the range 1.81 – 2.6, neither agree nor disagree was given the range 2.61 – 3.4, agree was given the range 3.41 – 4.2 while strongly was assigned the range 4.21 – 5. The results are as shown in Table 5.4.

Table 5.4: Pay TV attributes

Descriptive Statistics	N	Mean	Std. Deviation	Variance
Affordable Cost	284	3.6901	1.19293	1.423
Exciting Content	274	3.7482	.99380	.988
Flexible programming	267	3.5880	.97078	.942
Availability of signal/stream	265	3.9057	.96657	.934
Quality Picture and Sound	268	4.0224	.97509	.951
Convenience	276	3.8949	1.03389	1.069
Valid N (listwise)	257			

Source: Primary Data

From Table 5.4, where the following attributes were looked at cost, content, programming, signal availability, quality of picture sound and convenience offered. The most important attribute to the respondents was the quality of picture and sound this is shown by mean of 4.02 with a standard deviation of 0.98,availability of signal was the second most important attribute with a mean of 3.9057 and a standard deviation of 0.96657,convenience offered was the third important attribute with a mean of 3.8949 and a standard deviation of 1.03389 ,the type of content was second last attribute with a mean of 3.7482 and a standard deviation of 0.9938.The least popular attribute was the cost of subscription which had a mean of 3.6901 and a standard deviation of 1.19293.

4.4 Level of Awareness of Internet TV

To understand whether there was any influence of emergence of internet TV on the incumbent Pay TV service, respondents were asked to indicate the level of awareness of internet TV. This was measured by a five-point Likert scale. The range was from 1 to 5 where; 5 = Very unaware , 4 = Fairly unaware , 3 = Neither Aware Nor Unaware , 2 = Fairly aware 1 = Very aware).The results are as shown in Table 5.5, Since the scales ranged from 1 to 5 making an interval of 4 between the two extremes; the following allocation keys were developed: Very Aware was given the range 1 – 1.8, Fairly aware was given the range 1.81 – 2.6, neither aware nor unaware was given the range 2.61 – 3.4, fairly Unaware was given the range 3.41 – 4.2 while very unaware was assigned the range 4.21 – 5.

Table 5.5: Awareness level of internet TV

Descriptive Statistics	N	Mean	Std. Deviation	Variance
To what extent are you aware of the internet Television entertainment?	304	1.9145	1.17703	1.385
Valid N (listwise)	304			

Source: Primary Data

From table 5.5 on level of awareness, shows that the is high level of confusion as majority of respondents level of awareness was neither aware nor unaware ,this was exhibited by mean of 1.9145 with a standard deviation of 1.177.This shows that the respondents

4.4.1 Internet TV online Rate

The study sought to find out the percentage of respondents who had an active internet TV subscription. The results are as shown on table 5.6

Table 5.6: Active internet subscription

	Frequency	Percent	Cumulative Percent
Yes	136	45.3	45.3
No	164	54.7	100.0
Total	300	100.0	

Source: Primary Data

From table 5.6, on availability of active internet subscription, 45.3 % of the respondents had an active internet subscription and 54.7% did not have an active internet subscription.This shows that majority of the respondents at 54.7% did not have   internet subscription TV subscription .

4.4.2 Monthly spend on Internet TV

The respondents were asked the amount of money they spent on internet TV subscription on monthly basis. The results are as shown on Table 5.7.

Table 5.7: Amount spent on internet TV per month

AMOUNT	Frequency	Valid Percent	Cumulative Percent
Up to Ksh 300	56	26.4	26.4
Between Ksh 301-500	38	17.9	44.3
Between Ksh 501-1000	31	14.6	59.0
Between Ksh 1001-1499	23	10.8	69.8
Between Ksh 1500-3000	25	11.8	81.6
Between Ksh3000-5000	26	12.3	93.9
Above Ksh.5000	13	6.1	100.0
Total	212	100.0	

Source: Primary Data

According to table 5.7 ,which looked at the amount of time spent on internet TV, majority of respondents who represent 26.4% spent up to Ksh 300 per month on internet TV,17.9% of the respondents spent between Ksh 301-500 per month,14.6% of the respondents spent between Ksh 501-1,000 per month on internet subscription,12.3% of the respondents spend between Ksh 3000-5000 per month,10.8% of respondents spend between Ksh 1,001-1499 and 6.1% spend the most amount of money whereby they spend above Ksh 5,000.

4.4.3 Mode of Access of internet

The study sought to find out the way in which the respondents access the internet. The results are as shown on Table 5.8

Table 5.8: Mode of Access of the internet

Access Mode	Frequency	Percent
Cellular data	107	37.7
Wi-Fi	146	51.4
Fixed broadband	31	10.9
Total	284	100.0

Source: Primary Data

From table 5.8 which shows mode of access of internet by respondents shows the most common method of access of internet by the respondents was through Wi-fi, which was at 51.4%, followed by cellular data at 37.7%,then least common method was fixed broadband at 10.9%.

4.4.4 Devices used to Access Internet TV

The study sought to find out from the respondents the devices they used to access internet TV. The results are as shown in table 5.9

Table 5.9: Devices used to Access internet TV

Device	Frequency	Percent
Television	68	23.4
Computer/Laptop	86	29.7
Tablet	28	9.7
Phone	98	33.8
Android Box	10	3.4
Total	290	100.0

Source: Primary Data

From table 5.9 which shows the devices used to access internet TV, the results are television at 23.4%,computer or laptops at 29.7%,tablets at 9.7%,mobile phone at 33.8%.This shows that the most common device used to view internet TV was the mobile phone at 33.8% followed by computers or laptops at 29.7%,television was the third at 23.4%,tablets was at 9.7% and android boxes was the least popular at 3.4%.

4.4.5 Popular Online content Provider

The study sought to find out the most popular online content viewed by the respondents. The results are as shown on table 6.0

Table 6.0: Online Content Provider

	Frequency	Percent
Facebook/Instagram	63	21.3
YouTube	108	36.5
ShowMax	35	11.8
Netflix	68	23.0
IFlix	6	2.0
StarTimes App	8	2.7
Mobdro	4	1.4
Others	4	1.4
Total	296	100.0

Source: Primary Data

The results on online content viewed as presented on table 5.9 show that You Tube is the most popular online content provider at 36.5%, followed by Netflix at 23%,Facebook/instagram at 21.3% ,ShowMax at 11.8%,StarTimes App at 2.7%,iflix at 2 %, Mobdro at 1.4% and other forms of applications at 1.4%.

4.4.6 Time spent watching online content

The respondents were asked the amount of time they spent watching online content on daily basis. The results are as shown on table 6.1

Table 6.1: Time spent watching online content

Time	Frequency	Percent
Less than 30 Minutes	45	15.2
Between 1-2 hours	135	45.5
Between 3-4 hours	67	22.6
More than 4 hours	50	16.8
Total	297	100.0

Source: Primary Data

Table 6.1 which shows the amount of time respondents spent watching online content and the results show, 45.5% of respondents spent between 1-2 hours and this was the majority, followed by 22.6 % of respondents who watched online content for between 3-4 hours daily,16.8% of the respondents spent more than 4 hours watching online content and the least number of respondents at 15.2% spent less than 30 minutes.

4.4.7: Online Content Provider Attributes

The study sought to find out the most important attributes that subscribers derived from their online content. The attributes asked were if they considered the cost affordable, on whether the respondents considered the content relevant, availability of signal and quality of picture and sound. The respondents were given statements on a Likert scale where they were asked to indicate the extent they agree with the statement. This was measured by a five-point Likert scale. The range was from 5 to 1 where; 5 = Strongly Agree (SA), 4 =

Agree (A), 3 = Neither Agree Nor Disagree (N), 2 = Disagree (D) and 1 = Strongly Disagree (SD).The results are as shown in Table 6.2, Since the scales ranged from 1 to 5 making an interval of 4 between the two extremes; the following allocation keys were developed: strongly disagree was given the range 1 – 1.8, disagree was given the range 1.81 – 2.6, neither agree nor disagree was given the range 2.61 – 3.4, agree was given the range 3.41 – 4.2 while strongly was assigned the range 4.21 – 5.

Table 6.2: Online Content Provider Attributes

Descriptive Statistics	N	Range	Mean	Std. Deviation	Variance
Affordable Cost	268	4.00	3.4776	1.21918	1.486
Relevant Content	258	4.00	4.2605	.73405	1.132
Flexible programming	255	3.00	4.0235	.93459	.873
Availability of signal	252	4.00	4.0357	.95450	.911
Quality Picture and Sound	263	4.00	4.0601	.93201	.887

Source: Primary Data

From table 6.2, in which respondents were given a multi attribute list on a five point scale ,the attributes were on cost, content programming, signal availability, and quality of picture and sound. From the results affordable cost had a mean of 3.477 and a standard deviation of 1,219,flexible programming had a mean of 4.02 and a standard deviation of 0.934, relevant content had a mean of 4.26 and a Standard deviation of 0.73, availability of signal had a mean of 4.03 and standard deviation of 0.95, quality of picture and sound had a mean of 4.06 .From the results majority of respondents were of the opinion that relevant content was the most important attribute of online content, this was followed by

quality of picture and sound as the second important attribute of online content the other important attribute was the   flexible programming offered by online content providers other important attribute was availability of stream .The most disliked attribute of online video was the cost attribute .

4.4.8 Consumer Preference between Internet TV and Pay TV

The study sought to find out the preferred choice of entertainment between internet TV and pay TV services. The results are as shown on table 6.3

Table 6.3:Preference between internet TV and Pay TV

Preference	Frequency	Percent
Internet TV	197	65.4
Pay TV	104	34.6
Total	301	100.0

Source: Primary Data

From table 6.3, which portrays the comparison of preference between internet TV and pay TV shows that the   number of subscribers who preferred internet TV over pay TV was at 65.4% compared with those that preferred Pay TV   at 34.6%.

4.4.9 Cross Tabulation of the Different Age Groups and Preference of Internet TV and Pay TV

Across tabulation was done between the different age groups and their preference of internet TV and Pay TV and the results are shown on Table 6.4.

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Table 6.4: Cross Tabulation of the different age groups and their preferences

Cross Tabulation		Between Internet TV and Pay TV which one do you prefer?		Total	Percent
		Internet TV	Pay TV		
Age	18 - 24	51	20	71	71%
	25 - 32	109	55	164	66%
	33 - 40	28	17	45	62%
	41 - 49	6	8	14	42%
	Over 50	3	4	7	42%
Total		197	104	301	

Source: Primary Data

From the table 6.4 the results show preference of internet TV increases with lower age groups, respondents over 50 years preference of internet TV was at 42%,respondents between the age of 41-49 years preference was at 42%,respondents between the ages of 33-40 years their preference rate was at 62%,respondents of the ages between 25-32 years the preference was at 66%,and the youngest age category their preference of internet TV was at 71%.

4.5 Discussion of Findings

In general the study was to investigate the perceived influence of internet TV as an emerging technology on the performance of Pay TV firms in Kenya From the general objective, the following two specific objectives were derived; to determine the performance of Pay TV Firms in Kenya and to examine the perceived influence of internet television on performance of pay television firms in Kenya.

4.5.1 Performance of Pay TV firms in Kenya

The result revealed that the level of awareness of Pay TV was high this can be attributed to the advent of digital migration in Kenya in 2015 which opened up the airwaves and the advent of competition after the number of digital content provider increased. This has brought about stiff competition amongst Pay TV firms in Kenya and from the findings nearly half of the respondents owned at least one pay TV decoder, nearly a quarter of the respondents had more than one pay TV decoder, this could be attributed to the different types of content offered by the different pay TV firms appealing to different subscribers and the subscribers high affinity to churn. Another major challenge facing pay TV firms was the popularity of free to air content in which subscribers had a free access to their content.

From the study findings the most popular Pay TV content provider is StarTimes, followed by Go TV, then Dstv.The popularity of StarTimes and Go TV can be attributed to their pricing strategies which is appealing to a majority of price conscious subscribers. Most of the subscribers paid their subscription because of sports content which is the most popular content, followed by news, cartoon and documentaries. This shows that to improve their overall performance Pay TV firms need to improve on their live sports

content offering and the general family content which is the second popular content. The game changer in the pay TV industry is exclusivity of content which limits access from other pay TV firms and increases customer loyalty to the Pay TV firm.

The game changer in the TV industry from the study in which most of the respondents gave thumbs up is the image and sound quality offered by Pay TV firms and availability of pay TV signals .This was brought about by the shift from analogue to digital transmission in Kenya back in 2015 which enabled transmission of better quality image and sound. Major point of contention from the respondents was the cost of accessing pay TV content and the inflexibility of programming.

The major downfall of pay TV is lack of variety in content and from the research and will affect performance   is their rigidity in device access. Majority of the respondents felt that popular way of viewing pay TV content was through the use of television set which was immobile and inconvenient. They cannot be accessed on the go. TV set has also offered a lifeline to the pay TV industry in such that the TV viewing culture in Kenya was largely a family or social affair. This also portrayed that audiences still preferred a larger screen to watch video content on due to the image clarity.

From the study Pay TV firms had not popularized their alternative way of viewing their content through the downloadable applications with majority of the respondents being unaware of its existence or denying the availability of such a service. Popularizing this platform could offer an alternative way of viewing Pay TV content and thus appeal to younger audiences of between 18-40 years who spend less time in watching pay TV content and more time online.

From the study another major challenge facing Pay TV is the inconvenience they offered in their programming this can be attributed to the fixed schedules of Pay TV programming in which their content viewing was fixed to certain times of the day which might be inconvenient for viewers who would want to watch at their own convenience. Also as part of areas that affect performance of Pay TV is the choice of content, from the study pay TV viewers felt that the content being aired was not exciting enough and this is portrayed by subscribers having more than one decoder.

The findings also found out the time being spent watching pay TV was low and this can have major influence on advertisement revenue which is another source of revenue for pay TV firms, from the study younger audience spent less time viewing pay TV content compared to older audience.

4.5.2 Perceived Influence of Internet TV as an Emerging Technology on Performance of Pay TV Firms

From the study, pay TV still remains the most popular way of accessing video entertainment in Kenya, this has been demonstrated by the high number of respondents who still pay for their pay TV subscription due to image and sound clarity, availability of signal. This might change in future if the cost and accessibility of internet improves, majority used Wi-Fi and cellular data as compared to fixed broadband this was also demonstrated in the study by larger preference of internet TV as compared to pay TV. This shows that the perceived influence of internet TV on performance of pay TV cannot yet be of major concern and pay TV is not dying yet as envisioned earlier but a trend of cord cutting is slowly forming. According to the findings the level of awareness of

internet television is low and this can be attributed to the low penetration of internet within Kenya and the cost of access of internet.

Age is the most important demographic factor from the study that will affect performance of pay TV and leading the onslaught on Pay TV is the younger generation who are leading in cutting the cord, this is demonstrated by increase in the number of internet content viewers with the decrease of age. This trend can be attributed by increase in tech knowledge of younger audiences. From the study the preference of internet TV is higher than pay TV and this can be attributed to the ills of pay TV being solved by internet TV such as variety of content and flexibility in programming which is convenient to the viewers.

You tube is the most popular online content provider due to its free access and various content it offers both in short and long video making it convenient for any type of audience. However the emergence of Netflix and ShowMax , OTT providers cannot be ruled out as an online emerging video content provider, this can be attributed to the various types of content genres they offer their audience. From the study findings the third popular content provider is social media platforms such as Facebook and instagram. Pay TV providers need to up their game with their internet based applications if they are to compete for piece of the pie as their internet based applications are not popular or viewers are completely unaware of the convenience they offer.This can provide a lifeline to Pay TV firms by being part of their product differentiation strategies.

From the study the most popular way of accessing video content is via Wi-fi which is mainly free in public places in Kenya followed by cellular data which is costly. This can be a limitation in accessing video content as it increases the third party cost element

making access of internet video content expensive. When compared to ease of access of pay TV which is done either via satellite or terrestrial signal distribution platforms, pay TV firms have an upper hand as they have already invested in signal distribution mechanism and they do not charge extra third party cost to their subscribers. The speed at which fixed broadband is being rolled out in the country is slow making access of reliable internet a preserve of mainly urban dwellers.

From the study the younger generations are spending more time watching online content which has resulted in a new culture of binge watching. Binge watching is when you watch video content for more than four hours. This is due to the convenience offered by the multi device access of video content. According to the study the most popular mode of access of internet content was through mobile phones followed by lap tops this can be attributed to the flexibility brought about by this devices in terms of convenience whereby audiences can view their content whenever and wherever they are and in whatever device. This is a plus to internet TV when compared to rigidity of Pay TV which is found at a fixed location.

The Average Revenue Per User (ARPU) computed from the study shows that although it's still not very much, the ARPU generated by pay TV is still high comparatively . Internet TV as potential to affect and destabilize the revenue size of Pay TV and the major game changer in this industry will be content and the one firm that will come with catchy and exclusive content will be dominant one. Internet TV has empowered viewers who are now in control of their viewing habits offering flexibility in device and timing to view content.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarized the analysis in chapter four and underlined the key findings. It also drew conclusions and recommendations from the findings. Limitations of the study and suggestions for further studies were outlined.

5.2 Summary of the Findings

The objectives of this research was to determine the performance of pay TV firms in Kenya and also the perceived influence of internet TV on performance of pay TV firms in Kenya. From the findings it was evident that there is stiff competition amongst the key players in the Pay TV industry in Kenya and leading the foray was pricing strategies and pay TV content. In the television industry content is the one and only way to attract and retain viewers. The possibility of customer churn is very high as most customers have more than one decoder from different firms. Content exclusivity is the key to customer loyalty, the most popular content being sports content, followed by general family viewing content. For pay TV firms to have an upper hand they need to improve on their content offering.

From the research there is increased use of mobile phones, personal computers and internet-connected devices as tools for access of video content this shows that consumers are willing to accept the new forms of need fulfillment and by making content available on portable devices or through different websites video content is simply delivered through a different platform. This means that the innovation that has taken place in the television industry simply transfers the existing functionalities of TV to new platform

such as internet applications .The results also show pay TV firms in Kenya have failed in educating their subscribers on the availability of such functionalities in their internet based platforms. This can be due to fear of revenue leakage.

Due to the emergence of OTT service in Kenya such as Netflix and ShowMax and their ease of access the services of pay TV and internet TV firms are becoming more and more interchangeable in terms of fulfilling customer viewing needs. Therefore as result of these substitutes the two industries seem to converge in a competitive way, which often results in fall of average revenue per user and increase in customer churn. The threat brought about by substitute product as per Porters five forces cannot be down played and becomes a major concern to the incumbent Pay TV firms. As witnessed from the study younger audiences in Kenya are cutting the cord and switching to internet TV.

The disruption brought about by the emergence of internet TV although not significant at the moment in Kenya shows that the emergence of internet TV will create a new type of market values which will be inherently beneficial to viewers, although not large at the moment it as the ability to grow and supersede the existing model by offering cheaper and better quality. This is demonstrated by gradual increase in popularity of OTT service.

The major hindrance to penetration of internet TV is the cost of access of internet and the slow growth of reliable data fibre. From the study the most popular method of access of internet was through Wi-Fi which in unreliable. When compared to Pay TV access the ease of access of pay TV Signal in Kenya either through satellite or terrestrial signal distribution in which this firms have invested heavily.

5.3 Conclusion of the Study

From the findings, the following conclusion can be made. Perceived influence of internet TV as an emerging technology on performance of pay TV could not hold water at the moment and as to be considered as futuristic thinking. In regard to first objective performance of pay TV firms in Kenya, the study concluded that the performance of pay TV firms in Kenya will be greatly affected by review of cost of subscription and the exclusive content will be the game change in the industry. Sports and news content will determine the trajectory of growth of the pay TV industry. On the second objective of the perceived influence of internet TV as an emerging technology on performance of pay TV firms, the conclusion is that the influence of internet TV will be determined by the younger generation who are leading in the adoption of new technology. Although there is a growing number of cord cutter who are adopting OTT services, a cord-cutting scenario is not expected in the near future. with subscriptions migrating away from pay television, OTT consumption will enable cord-shaving in near term .The influence cannot be felt at the moment but will have a major impact in the future when the level of internet penetration within the country will be reliable. This will be driven by Improved customers with improved purchasing power , developed internet network infrastructure, growth of the younger generation to adults , Another issue that   needs to be looked at critically is the multi device access of internet content and the handover of control to customers who will determine what they want to watch and when they want to watch it.

5.4 Recommendation of the study.

The study found that even though the pay TV firms had internet applications, the popularity and uptake of the application was very low and pay TV firms need to aggressively popularize them as a way of product differentiation. This way there can be multi device access of pay TV content and increased functionalities whereby viewers could be able to interact with firm and not only being consumers.

The study also found out the amount of time people are watching TV is very low and pay TV firms need to improve their content delivery, a rich content repository, competitive pricing strategy, compelling user interface will determine the key market stakeholders .Exclusive and exciting content will increase growth and reduce customer churn since it was evident from the study that most customers in Kenya have access to more than one pay TV from different firms. Demand for live sports coverage is one of the driving forces for growth of Pay TV services, Pay TV providers will need to constantly update their content portfolio and retain the content partnerships to avoid churn in the highly competitive market. Without compromising their revenue pay TV firms need to come up with a creative approach on the amount of money paid as subscription and the value customers get in return. The strategy for Pay TV operators to move forward is to focus not only on the number of channels and content people are familiar with, but also content people want to watch.

From the study we also found out that as a result of new technological improvements, customers have developed new desirable values and as a result new industry is gaining popularity, the OTT industry, has emerged to serve this newly formed market and pay TV industry need to formulate a way of partnering with this developing segment they can

come up with hybrid viewing. OTT video services are gaining steam in a few broadband enabled markets. However, it is still nascent due to a multitude of infrastructural and economic limitations

5.5 Limitations of the study

The study was limited in depth and scope due to the resource and time constraints. The study sample therefore concentrated on subscribers within Nairobi and neighbouring counties of Machakos, Kajiado, Kiambu and Nakuru county . Respondents from far flung counties such as Turkana county and Wajir county were not factored in the study. Thus it did not cover respondents operating in the other cities and major towns in the country which could have given a more balanced view of the responses. Also due to time constrains the study did not seek opinions of pay TV industry players.

The researcher also faced major difficulties in getting the respondent to answer all questions in the questionnaires. This resulted into delays due the unwillingness of the respondents to fill the questionnaires promptly. The challenge was minimized by assuring the respondents of confidentiality of the information they gave.

5.6 Recommendations for Further Research

The study confined itself to Pay TV firms in Kenya and the findings might not be generalized to other sectors such as Free to Air content providers. It is therefore recommended for further research on the influence of Free to Air content on performance of pay TV firms in Kenya. A study can also be conducted on the marketing initiatives carried out by Pay TV firms and their influence on performance of Pay TV firms.The study can also be a futuristic study; research design can be modified to understand whether there has been any influence on internet TV in future on the performance of pay

TV firms. A study can also be conducted to measure the impact of piracy on the performance of pay TV firms in Kenya.

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APPENDICES:

APPENDIX I QUESTIONAIRE

Perceived influence Of Internet Television on preference of Pay Television Firms in Kenya

<u>**Section A: Demographics**</u>

a) Gender

1	Male	
2	Female	

b) Age

1	18-24	
2	25-32	
3	33-40	
4	41-48	
5.	Over 50	

c) Education Level

1	No Education	
2	Primary	
3	Secondary	
4.	Diploma	
5.	Undergraduate Degree	
6.	Post Graduate Degree	

d) Current Occupation

1	Unemployed	
2	Business	
3	Employed	

e) Household Monthly Income

1	Upto 15,000	
2	16,000-30,000	
3	31,000-50,000	
4	51,000-80,000	
5.	81,000-99,000	
6.	100,000 and above	

Section B: Pay Television

a) To what extent are you aware of the Pay Television entertainment?

Level of Awareness	Very Aware	Fairly Aware	Neither aware nor unaware	Fairly Unaware	Very Unaware
	1	2	3	4	5

b. How many decoders from different firms do you currently have in your homestead

No Of decoders owned	
1 Pay TV decoder	
1 pay TV and 1 Free to Air decoder	
More than 1 pay TV decoder	
others	

c. Which pay TV firm do you subscribe to

Pay TV firm subscribed	
Go TV	
StarTimes	
Zuku	
Dstv	
Kwese	
Azam	
Other	

d) Do you have an active Pay TV subscription?

Code	Active Pay TV Subscription	Response
1	Yes	
2	No	

e) How much do you spend for your pay TV subscription per month?

Code	Pay-Tv Subscription	Response

1	Up to Ksh 300	
2	Between Ksh 301-500	
3	Between Ksh 501-1000	
4	Between Ksh 1001-1499	
5.	Between Ksh 1500-3000	
6.	Between Ksh3000-5000	
7	Above Ksh.5001	

f) Which type of device do you use to view Pay-Tv service?

Code	Channel Use	Response
1	Television	
2	Computer/Laptop	
3	Tablet	
4.	Phone	

g) Which Pay TV content do you watch most?

Code	Pay-TV Content	Response
1.	News	
2.	Sports	
3.	Comedy	
4.	Cartoon	
5.	Nigerian movies	
6.	Music	
7.	Telenovelas	
8	Western Movies	
9.	Local content	
10	Documentaries	

f) How much time do you spend watching Pay TV per day?

Code	Internet Video Provider	Response
1.	Less than 30 Minutes	
2.	Between 1-2 hours	
3.	Between 3-4 hours	
4	More than 5 hours	

f) How would you rate your favourite Pay-Tv service provider according to the following attributes on a scale of 1 to 5? Where; 5 = Strongly Agree (SA), 4 = Agree (A), 3 = Neither Agree Nor Disagree (N), 2 = Disagree (D) and 1 = Strongly Disagree (SD).

		5	4	3	2	1
	Pay TV Attribute	**SA**	**A**	**N**	**D**	**SD**
1.	Affordable Cost					
2.	Exciting Content					
3.	Flexible programming					
4.	Availability of signal/stream					
5.	Quality Picture and Sound					
6.	Convenience					

Section C: Internet Television

a) To what extent are you aware of the internet Television entertainment?

Level of Awareness	Very Aware	Fairly Aware	Neither Aware Nor unaware	Fairly Unaware	Very Unaware
	1	2	3	4	5

b) Do you have an active internet TV subscription?

Code	Active Internet TV Subscription	Response
1	Yes	
2	No	

c) How much do you spend per month on internet TV?

Code	Internet Subscription	Response
1	Up to Ksh 300	
2	Between Ksh 301-500	
3	Between Ksh 501-1000	
4	Between Ksh 1001-1499	
5.	Between Ksh 1500-3000	
6.	Between Ksh3000-5000	
7	Above Ksh.5001	

d) How do you access internet on your device?

Code	Internet Access	Response
1.	Cellular data	
2.	Wi-Fi	
3.	Fixed broadband	

e) Which type of device do you use to view internet entertainment service?

Code	Channel Use	Response
1	Smart TV	
2	Computer/Laptop	
3	Tablet	
4.	Phone	
5.	Android box	

f) Which online video content provider do you watch?

Code	Internet Video Provider	Response
1.	Facebook/Instagram	
2.	YouTube	
3.	ShowMax	
4	Netflix	
5.	IFlix	
6	Buni Tv	
7	StarTimes App	
8	Mobdro	
9	Other	

g) How much time do you spend watching online content per day?

Code	Internet Video Provider	Response
1.	Less than 30 Minutes	
2.	Between 1-2 hours	
3.	Between 3-4 hours	
4	More than 5 hours	

h) How would you rate your favourite Internet Tv service provider according to the following attributes on a scale of 1 to 5? Where; 5 = Strongly Agree (SA), 4 = Agree (A), 3 = Neutral (N), 2 = Disagree (D) and 1 = Strongly Disagree (SD).

	Internet TV Attribute	5 SA	4 A	3 N	2 D	1 SD
1.	Affordable Cost					
2.	Relevant Content					
3.	Flexible programming					
4.	Availability of signal					
5.	Quality Picture and Sound					

Section D: Consumer Intention

a) How likely are you to recommend a friend to get internet subscription and watch internet TV in the near future?

Current intention to recommend	5	4	3	2	1
	Very Likely	Likely	Not Sure	Unlikely	Very Unlikely

Section E; Consumer preference

a. Between Internet TV   and Pay TV which one do you prefer?

CONSUMER PREFERENCE	
Internet TV	
Pay TV	

Why………………………………………………………………………………………
………………………………………………………………………………………………
.

Thank you for your cooperation

APPENDIX II: PAY TV COMPANIES IN KENYA

1. Startimes Media Kenya Ltd

2. Multichoice

3. Kwese

4. Azam

5. Wananchi Group