# FOREIGN MARKET ENTRY STRATEGIES ADOPTED BY TIGO TO ENTER INTO RWANDAN TELECOM MARKET

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# DECLARATION

This research project is my original work and has not been presented for the award of degree in any other university or institution for any other purpose.

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REG NO: D61/73030/2012

This project has been submitted for examination with my approval as the University supervisor

Signature…..……………Date …………………

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# DEDICATION

This work is dedicated to my mother Tumusabe Marie Josée and my father late Ruzigana Joseph who have sacrificed much during my formative years and ensured I have excelled in life in all aspect,

Ngabitsinze Jean Chysostome family for their unwavering support and encouragement, may the Lord Almighty bless you forever.

To my Brothers and sisters who have braved me and supported me, they make life worth living.  Above all to the almighty God with whom I would not have come this far.

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# ABSTRACT

The increasing globalization of business, the changing face of global political landscape, increased diffusion of political boundaries and the changing forms of governance structures for international firms motivated by innovations in the information technology necessities the need to focus on how international business firms undertake their business activities abroad. Foreign market entry has been accelerating over the years and has since attracted researchers worldwide seeking to find out the strategies used by firms. The literature on internationalization has revealed a number of barriers business face in their attempt to enter foreign markets. They have no choice but to evaluate and choose strategies that will enable them penetrate and gain competitive advantage. The study therefore sought to identify foreign market entry strategies adopted by Tigo to enter in Rwandan telecom market. The purpose of the study was to establish the foreign market entry strategies adopted by TIGO to enter in the Rwandan telecom market, establishing the strategies used by TIGO to enhance its competitiveness in Rwandan telecom market and to determine the challenges faced by TIGO in implementing these strategies.

The methodology employed in this study was a case study. The tool mainly used was interview and secondary data. The major findings from the data collected were that Tigo used foreign direct investment to enter Rwandan telecom market by opening its own branches in all districts of Rwanda, targeting new market, penetrating the existing market and developing new channels of distribution. However, Tigo Rwanda Ltd faces a number of negative challenges like Fiscal policy, economic elements such as exchange rate, inflation and income level. The efficiency of infrastructure is also another negative challenge that Tigo Rwanda ltd had to deal with, the fact that approximately 92% of the population lives in rural area, the issue of rule and regulation such as labor regulation of the host country, and the problem of unskilled labor were also others challenges impacted Tigo Rwanda Ltd in implementing theirs strategies. Finally the study reveals a numbers of competitive strategies employed by Tigo Rwanda Ltd for enhancing its competitiveness. Those competitive strategies include differentiation strategy, Cost Leadership strategy, diversification strategy and focus strategies.

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# LIST OF ABBREVIATIONS

OLI: Own, Localization and Internalize Model

MNES: Multinational Enterprises

TCE: Transactional Cost Economic

RURA: Rwanda Utilities Regulatory Agency

ICT: Information and Communication Technology

GPD: Gross Domestic Product

FDI: Foreign Direct Investment

TCA: True Cost Accounting

UNCTAD: United National Conference on Trade and Development

MNC: Multinational Corporation

ATM: Automated teller machine

Ltd: Limited Company

KCB: Kenya commercial Bank

USD: United State dollar

GSM: Global System Mobile

CDMA: Code Division Multiple Access

TDMA: Time Division Multiple Access

UMTS: Universal Mobile Telecommunication System

GPRS: General Packet Radio Service

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the study

The World business environment has changed dramatically through the globalization of economies, Regional integration, and removals of trade barriers have shaped the world as a global village. The increasing globalization of business, the changing face of global political landscape, increased diffusion of political boundaries and the changing forms of governance structures for international firms motivated by innovations in the information technology necessities the need to focus on how international business firms undertake their business activities abroad (Sarkar and Cavusgil, 1996). Foreign market entry strategy decision involve several international managerial decision, key issues of concern include understanding international business environment in totality like political legal environment, social cultural environment, general macro-economic factors like population national income, level of Economic development and resource endowment of the various countries of interest (Mabruki, 2005).

Foreign market entry has been accelerating over the years and has since attracted researchers worldwide seeking to find out the strategies used by firms. The literature on internationalization has revealed a number of barriers business face in their attempt to enter foreign markets. These include both endogenous and exogenous factors. By the nature of their size, resource constraint, both tangible and intangible, has often been cited as one among the endogenous factors inhibiting small firm internationalization. Markets have become increasingly complex and hyper-competitive. Globalization, rapid and increasingly disruptive innovation, accelerate commoditization, and excess capacities are drastically altering opportunities and competitive space (Dunning, 1987).

Rwanda's industry sectors are still in a nascent stage, when compared to the rest of the world. Shortage of raw materials and 90% of the population being involved in agriculture in rural areas has impacted the growth of industry severely in the nation. Given that imports are far higher than exports, the fact that the Government of Rwanda is eager to take steps to create a lasting infrastructure is a very good sign for foreign investors. The government embarked on a policy that aimed to increase connectivity as a spur to development. This meant that the sole state-owned telecommunication company at the time, Rwandatel, would be treated differently by setting up an independent regulatory body known as the Rwanda Utilities Regulatory Agency (RURA), and altering the ICT market structure. Telecommunications reforms were aimed at increasing the competitiveness of the telecommunications industry and attracting foreign investment. Rwanda is amongst the few African countries that developed an integrated ICT policy in the late 1990s with a clear vision of making ICTs a critical part of its socio-economic development plan. The hope was that the country would move from an agricultural-based economy to a knowledge-based economy through the development of competitive service-based industries. To reach this end, Rwanda sought to dominate what at the time seemed a niche market in the region by becoming a telecommunications hub in partnership with the private sector ,(***www.economywatch.com***).

### 1.1.1 Foreign Market Entry Strategies

Entering a new market involves a big risk since firms cannot be certain on the outcome, but it may also be dangerous for a firm to stay away from a new market (Valerie and Bertrand, 2005).The entry strategy is especially important, as it will restrict the number of strategic and tactic alternatives open to the firm in future. Entry strategies are crucial to the survival of new firms as they ensure that the firms are moving on the correct track right from the start without deviating from their goals (Parasuraman, 1988).The chosen market entry strategy is important as it determines the manner in which multinational enterprises (MNEs) develop and implement marketing program, coordinate business activities both within and across markets, and ultimately the MNEs success in foreign markets (Malhotra et al., 2003). A firm's managers need to consider the influence of numerous factors both internal and external to the firm in deciding when and how to enter a market with a new product. For a given foreign market a firm can use different modes for different products, depending on competitive advantages that may be gained.

Before moving into the new market careful selection of the foreign markets is important for success, a good market is one which matches the firm, that is, a market whose circumstances or environment fits the resources of the firm.

The mode of entry depends on firm specific variables which include firm's objectives and policies, degree of control desired of a foreign market, firm's resources, risk which includes economic, financial and political risks, flexibility, familiarity with the foreign market, corporate strategies. For worldwide activities requires high-control entry modes, size of the firm transferability of resources like brand names and patens can easily be transferred to other firms through licensing as an entry mode. Scholars such as Chen and Chen (1998) recognize benefits to overcoming entry barriers to foreign markets, and describe that firms can “tap into strategic resources in a foreign market, such as market intelligence, technological know-how, management expertise, or simply reputation for being established in a prestigious market”. In this same vein, Luo (2003) acknowledges that “according to the resource dependence theory, a foreign market environment is a source of scarce resources.

Firm enter into new market either through Green field investment or Brown field investment (Slangen & Hennart, 2007). Green field investment is an investment in a manufacturing, office, or other physical company-related structure or group of structures in an area where no previous facilities exist. The name comes from the idea of building a facility literally on a “green” field, such as farmland or a forest .Greenfield investing is usually offered as an alternative to another form of investment, such as mergers and acquisitions, joint ventures, or licensing agreements (Slangen & Hennart, 2007). Greenfield investing is often mentioned in the context of foreign direct Investment ( Kogut, 1996). Brownfield investment refers to investing or venturing into a new market using an already existing business. It can be inform of Joint Ventures, Strategic alliances, Mergers, Consolidation, Wholly owned foreign subsidiary (Jonquieres & Field, 1990).

### 1.1.2 Telecommunication industries in Rwanda

Rwanda’s history of mobile telecommunication companies was pioneered by MTN Rwandacell which received a license in 1998 to provide GSM services for both post and prepaid subscribers. At the time, Prices and tariffs of both cellphones and calling respectively were high and thus MTN had less number of subscribers. With Rwandans' increased GPD per capita at $540 as of 2010 according to and increased mobile services like GPRS, EDGE, 3G and zero facebook, the South African based company, MTN now boasts with 2,900,264 subscribers (www.rura.gov.rw). MTN's monopoly in Rwanda lasted for 10 years after which Rwandatel (80% owned by LAP Green networks of Libya) joined the mobile market. Rwandatel's introduction of 3G networks before MTN did, quickly attracted subscribers reaching over 100,000 in less than 2 months of operation. At this time, Revolution into Rwanda's mobile communication had just begun, with faster data communications and internet through handheld PCs and mobile phones.

3rd to enter the mobile communications market was Millicom named Tigo (owned by Luxembourg) which was licensed to carry operations late 2009. With intensive marketing (public transport buses were painted Tigo colors with overwhelmingly cheap call costs of 300Rfr per 24 hours) and rapid coverage of networks countrywide, Tigo has secured 1,523,825 as of November 2011.In April 2011, Rwandatel had its license revoked by Rwanda's telecom regulator RURA due to a failure to meet licencee obligations such as coverage, planned investment targets and quality of service.Not long ago, Late 2011 Bharti Airtel (Indian owned) secured a license to provide 2G and 3G cellular services. The company plans to invest over USD100 million over the next three years, including USD30 million for the purchase of the operating license. (www.rura.gov.rw)

### 1.1.3 Tigo Rwanda Ltd

Millicom International Cellular, also known as Tigo, is a Multi-National Telecommunications Company. Tigo head office is situated in Nyarugenge district in Kigali urban province, with successful operations across Central America, South America, South-east Asia, and Africa, using GSM, CDMA and TDMA on Africa and Asia, GSM and UMTS over Central America and South America, Tigo also found it possible to have a successful operation in Rwanda.

Tigo Rwanda Ltd was established in capital Kigali 2008 and has launched commercially in Rwanda under the Tigo brand- making it the country's third national telecom in 2009.(www.togo.co.rw)

However, during the subsequent months, there was a tariff reduction on both Talk Time and pre-paid package, new tariff plans on each payment option were out and the company further opened a dealer center in order to increase the effectiveness of distribution channels as it is from that center that more than ninety (90) dealers collect their stock to sell at a number of outlets countrywide. The major aim of the center's set up was to meet the dealer's needs since failure to meet their needs would ultimately damage the company's reputation with the end user. Beyond telecommunication TIGO Rwanda Ltd offer the service of TIGO cash transaction of sending and receiving money using mobile phone through agents its offer other service of other service called Tigo-Matic This is a state of the art automated teller machine enabling customers to purchase electronic airtime, recover their SIM cards (SIM swap) and perform Tigo Cash transactions. TIGO Rwanda Ltd contributes on social responsibilities activities and introduces some tariff reductions both its pre-paid, post-paid and tolk- time packages in search of its mission to deliver benefits to society and make telecommunication services accessible to boarder population. The company Continues to expand its network, offer new and innovative packages and services and keep up with the latest trends in communications while maintaining affordability.(www.togo.co.rw)

## 1.2 Research Problem

For an international firm to enter to the foreign market is a function of various parameters some of which are firm specific others are influenced by the foreign business environment, while others are influenced by the very context in which the decision is being made. The rapid growth of Rwandan Economic and Liberalization of trade barriers has increased the opportunities for foreign investments and market entry in the country. Entry mode are very challenging to international business managers, wrong decision on entry mode choice can be very costly to the organizations in terms of time and resources (Root 1987). Research shows that a firm's foreign market entry strategy is directly related to the firm's performance. An appropriate strategy can be an important source of competitive advantage in a new market and on the other hand can be competitive liability leading to a competitive disadvantage ( Pearce and Robinson, 2005).

A number of the studies on foreign market entry strategies has been done. For instance, Tan (2009) examined foreign market entry strategies and post-entry growth. The study focused on acquisitions and Greenfield investments. Managerial resources are a key binding constraint on subsidiary growth in foreign markets. Foreign market entry strategies differ in their use of managerial resources. Acquisitions save on the use of managerial resources when interdependence within the MNE is weak and modifiable, whereas Greenfields are better in this regard when interdependence is strong and complex. On the other hand, Kagabo, (2012) examined foreign market entry strategies adopted by Kenya commercial bank limited in Rwanda. The research findings indicate that Kenya Commercial Bank decided to open a fully owned subsidiary in Rwanda in order to have full control of the operations of the subsidiary. The bank also chose the strategy since there was encouragement from the Rwandese government for foreign direct investment. There were also other prevailing conditions that were favorable to KCB that made it possible to establish a wholly owned subsidiary

Murenzi, (2011) conducted a study on Customer care and its impacts on business performance of TIGO Rwanda Ltd; Ndagijimana, (2012) carried out a study on the impact of sales promotion on sales of Telecommunication companies in Rwanda: case study of TOGO Rwanda Ltd. However, no study has been done on foreign market entry strategies used by foreign firm to enhance its competitiveness in Rwandan Telecommunication industry. The study therefore seeks to establish the foreign market entry strategies used by TIGO to enter in Rwandan telecom market and the challenges faced by TIGO in implementing these strategies?

## 1.3 Research Objectives

The objectives of the research are

i. To establish the foreign market entry strategies adopted by TIGO to enter in the Rwandan telecom market

ii. To establish the strategies used by TIGO to enhance its competitiveness in Rwandan telecom market.

iii. To determine the challenges faced by TIGO in implementing these strategies

## 1.4 Value of the Study

The study is valuable to stakeholders of TIGO to have a better understanding and appreciation of the prospects of development strategies that related to the telecommunication industry, the formulation and implementation of ideal competitive strategies distinguish a company from the others. To international firms the study will act as a reference point with regard to market entry strategies to enter Rwandan market and both the challenges in their implementation and the strategies they can adopt to be competitive.

The research study will enable practitioners and academicians both in public and private to have a wider knowledge on the concept of foreign entry strategies as well as contribute to the existing body of knowledge in the area of international business to carry out similar studies as a point reference for related research topics .The government agencies whose interested lies in upgrading the country's economy by increasing the revenues earned through global trading and creation of investor confidence can use the finding and recommendations of this study to act on the challenges facing firms intending to enter at the foreign market.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This chapter sought to place the study within the context of other past studies by reviewing other scholars' perspective of Foreign Market Entry strategies to gain a wider understanding of the research area under study and identify the knowledge gaps. The research drew materials from several sources which are closely related to the theme and the objectives of the study.

## 2.2 Theoretical foundation of the study

Theories on foreign market entry strategies emerged from economic theories of foreign direct investment and Internationalization theory of the multinational enterprise. Studies made so far have explained international expansion activities of firms under two theoretical streams namely the internationalization process models (Vernon 1966, Johnson & Wiedersheim-Paul 1975) and internationalization theories (Buckley & Casson 1976, Dunning 1980). Initial attempts to explain foreign market entry modes was that of Veron 1966), which focused on the effect of product cycle on investment in foreign markets by USA firms. Vernon argued that initially firms focused on exploiting the advantages of the country of origin, but subsequently, as the products become more mature and completion become more intense, firms tended to shift production abroad. A four-phase trade cycle was posited for most international products consisting of export dominance in the first phase, production in the foreign country in the second phase, foreign firm competition in foreign markets in the third phase, and foreign firm competition in the home market in the fourth phase. Dunning 1998) developed a comprehensive framework, namely, electric paradigm, which integrates ownership, location, and internalization advantages.

It is one of the first attempts to understand, from an integrative and general point of view, the determinants the drive MNE managers from specific home country to undertake FDI in different groups of host countries. The theory explained that the engagement of any enterprise in international production will depend on the presence of these three groups of advantages, with each group of variables acting interdependently (Dunning, 2003). Dunning state that firm will choose the most appropriate entry modes to enter the foreign markets based on how much OLI advantages a firm possesses. He concluded that the more OLI advantages a firm possesses, the greater the probability it will adopt an entry mode with a high control level such as wholly owned venture. Buckley and Casson (1976) and Hennart (1982) have used the concept of 'transaction cost economics' (TCE) to explain why firms from one country prefer to invest in production facilities in another country instead of just engaging in contractual transactions with foreign firms. They saw foreign production as a market-replacing activity and proposed that firms would prefer foreign production if the net benefits of using cross-border markets to organize the transactions of goods and services were perceived to be lower than those of hierarchical

Anderson and Weitzs (1986), constructed a framework using transaction cost theory to analyze vertical integration and marketing productivity problems. Hill et al. (1990) integrated both environmental and strategy factors into the TCA framework. Klein et al. (1990) extend the TCA by integrating production costs and by dividing external uncertainty. Erramilli and Rao (1993) modified the framework of the TCA to suit for service industries by assuming that firms prefer high level of control unless proven otherwise. Lu (2002) put forward institutional theory as complementary to TCA theory by claiming that the latter is static and unable to explain the evolution of entry mode. Brouthers (2002) extended the TCA to institutional, cultural and transaction cost theory. He claimed that institutional factors refer to the conditions that undermine property rights and increase risks in exchange and that cultural factors tend to influence managerial costs and uncertainty evaluation in the target market.

Johnson and Wiedersheim Paul (1975) and Johanson and Vahlene (1977) have put forward a sequential incremental approach to expansion of foreign commitments of firms that has came to be known as the 'Uppsala School'or  the 'stage'model. They proposed that a firm would expand its operations in the following stages: No regular export, Export through independent representatives or agents, Establishment of sales subsidiaries and Production/ manufacturing plants. Foreign market entry is viewed as a reactive, incremental learning process. The internationalization process of firms is driven by a firm's experiential knowledge. A firm's foreign market entry is explained as a process of increasing accumulation of experiential knowledge about business partners, and committing resources. Experiential knowledge is important in the detection of opportunities and risks (Kogut and Singh, 1988).

## 2.3 Market entry strategies

Agarwal and Ramaswami (1992) noted that the entry mode decision as a critical strategic decision since the initial entry mode choice can be difficult to change without considerable loss of time and money. In order to lay the foundation for success in a new market the assumption is that the best entry mode is one that aligns the entrant's strengths and weaknesses with the local market's environment as well as with the firm's structural and strategic decisions Brown, Dev, and Zhou (2003). According to UNCTAD (2007) foreign direct investment is defined as investment involving long-term relationship and reflecting a lasting interest and control by a resident entity in one economy other than that of foreign direct investor. This can happen either by buying part or full interest in a local company or by building its own facilities. If the ownership is complete this is referred to as sole venture or wholly owned subsidiary. Establishing a subsidiary abroad comes along with high investments in new properties, marketing and human resources (Bradley, 2005). Differences in language, culture taste, logistics and lows need to be analyzed in order to start and conduct successful business on foreign market especially when FDI is chosen as an entry strategy ( Verwaal and Donkers, 2002).

Cavusgil Et al, (2009) define exporting strategy as the strategy of producing products or services in one country (often the producers) home country and selling and distributing them into customers located in other countries. Kieti (2006) observes that this trade mode is the first natural step for foreign expansion in international business. According to Daniels Et al (2002), companies will usually export before engaging other modes of international business because exporting "requires the least commitment of and least risk to their resources. Sharan (2003) classifies exporting into two types: direct and indirect export. Direct export is “where a company takes full responsibility for making its goods available for the target market by selling to the end users normally through its own agents.”Sharan (2003). On the other hand he says describes indirect exporting as where the exporting company sells its products to intermediaries who in turn sell the same products to the end users in the target market. This is the buying of products and services from foreign sources and bringing them into the home market. Importing is also referred to as global sourcing, global procurement or global purchasing.

Joint Venture Strategy ,This is where a local firm creates and jointly owns a new legal entity through equity investment or pooling of assets; partners form joint ventures to share cost and risks, gain access to needed resources, gain economies of scale and pursue long term strategic goals (Cavusgil et al, 2009. This type of agreement gives the international firm better control over operations and also access to local market knowledge. The international firm has access to the network of relationships of the franchisee and is less exposed to the risk expropriation thanks to the partnership with the local firm. This type of agreement is very popular in international management. Its popularity stems from the fact that it permits the avoidance of control problems of the other types of foreign market entry strategies. In addition, the presence of the local firm facilitates the integration of the international firm in a foreign environment Kagabo, (2002).

Licensing is a contractual transaction where the firm, the licensor, offers some proprietary assets, such as technical innovation, manufacturing process, trademark, patent, trade secret and brand or corporate image, to a foreign company, the licensee, in exchange for royalty fees (Cavusgil Et al, 2009) It is an arrangement by which a firm transfers its intangible property such as expertise, know how, blue prints, technology and manufacturing design to a firm located abroad (Sharan (2003). The advantage of licensing is that it allows the licensor to enter a new market at little risk and can gain production expertise or a well-known product or brand name. (Kolter 2006). However, the disadvantage of licensing is the problem of controlling the licensee due to the absence of direct commitment from the international firm granting the license. After few years, once the know-how is transferred, there is a risk that the foreign firm may begin to act on its own and the international firm may therefore lose that market (Lambin, 2007).

Franchising strategy is an ongoing business relationship where one party (The franchisor) to another (The franchisee) the right to distribute goods or services using the franchisor's brand and system in exchange for a fee. Franchising agreements tends to be longer and the franchisor offers a broader package of rights and resources which usually includes: equipment, managerial systems, operation manual, initial trainings, site approval and all the support necessary for the franchisee to run its business in the same way it is done by the franchisor. In addition to that, while a licensing agreement involves things such as intellectual property, trade secrets and others while in franchising it is limited to trademarks and operating know-how of the business (Hoy and Stanworth, 2003). Douma, (1997) defined strategic alliance as a contractual, temporary relationship between companies remaining independent, aimed at reducing uncertainty around the realization of the partners' strategic objectives (for which the partners are mutually dependent )by means of coordinating or jointly executing one or several of the company's activities.

Each of the partners is able to exert considerable influence upon the management or policy of alliance. The partners are financially involved and share the cost, profits and risks of the strategic alliance (Douma, 1997).

## 2.4 Competitive strategy

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson and Stickland 2002). Competitive strategy therefore earns competitive advantage by establishing a favorable and sustainable position against the forces that determine industry competition (Porter, 1985). Porter (1980) defined competitive strategy in terms of the three generic strategies of cost leadership, differentiation and focus. Through cost leadership, a firm aims to achieve overall lower costs than its competitors without reducing the products comparable quality. This strategy requires "Aggressive construction of efficient scale facilities, vigorous pursuit of cost reduction from experience, right cost and overhead control, avoidance of marginal customer accounts and cost minimization in areas such as research and development, service sales force, and adverts".. A firm seeking to achieve industry wide recognition and superior products and services my adopt the differentiation approach whenever buyer's needs and preference are too diverse to be fully satisfied by standardized products or by sellers with identical capabilities. As Hunger and Wheelen, (2003) pointed out, differentiation is a viable strategy for earning above average returns because the resulting brand loyalty lowers customers sensitivity to price.

The basis of competitive advantage in focus strategy is through lower costs achieved by choosing to serve a niche only to the exclusion of others. Porter (1980) asserts the target segment must either have buyers with unusual needs or else, the production and delivery system that best serves target market must differ from that of the other industry segment". Firms may also choose to use a combination of these strategies, the price based or the no-frills strategy. In hyper competitive markets, market stability is threatened by short life and product design cycles (D' Aven, 1994).

## 2.5 Challenge of international management when entering foreign market

An international business is an entity which engages in between multiple countries. Whatever the size or nature of a firm, it is clear that an increasing number of managers are going to deal with international business in future and work force diversity. International management demands a contingency approach to complex and dynamic environments each of which has its own unique requirements (Deresky, 1997). Within the large context of global trends and competition, the rules of the game for the international manager are set by a country; its political agenda, its technological status and level of development, its regulatory environment, its comparative and competitive advantages and its cultural norms. The astute international manager will analyze the new environment; it may anticipate how it may affect the future of the home company and then develop appropriate strategies and operating styles (Deresky, 1997).

Deresky (1995) observes that managers of an international firm need to investigate the political risks to which they expose their company in certain countries and the implications of these risks for economic success of the firms. Allan & Richard (1993) suggest different ways of dealing with political risk. One is forecasting this risk by examining the political system and evaluating the overall risk. They can also examine the impact of this risk on company products and operations and determine the risk vulnerability. Michael & IIkka (2007) observe that a manager in making decisions about the firm's international marketing activities needs to concentrate on the political and legal circumstances of the home country; those of host country; the bilateral and multilateral agreement, treaties and laws governing the relations between host and home countries.

Other challenges of international firm to enter in foreign market is economic risk in the host country, the assessment of a foreign market environment should start with the evaluation of economic variables relating to size and nature of the market (Michael and IIkka 2007).The economic variables relating to the various market characteristics include population, income, consumption patterns, infrastructure, geography and attitudes towards foreign involvement in the economy. A country's level of economic development generally determines its economic stability and therefore its relative risk to a foreign firm. A country's ability or intention to meet its financial obligations determines its economics risks. (Deresky,1995). The capacity to invest in plants and facilities either in domestic or foreign markets is an economic vitality to the firm (Philip, 1996).

New technology represents a key competitive advantage to firms and challenges international business to manage the transfer of diffusion of proprietary technology with its attendant risks (Deresky, 1995). An MNC can enjoy many technological benefits from its global operations. Advances resulting from cooperative research & Development can be transferred among affiliates around the world and specialized management knowledge can be integrated and shared (Deresky, 1995). The risk of technology transfer and piracy is considerable and costly. Philip (1996) observes that not only is technology the key to economic growth, but for many products it is the competitive edge in today's global market. Michael and IIkka (2007) observe that culture is one of the most challenging elements of international market place. A manager needs both factual and interpretive knowledge of culture. Complications stems from the fact that we cannot learn culture, we have to live it. Internationally successful companies have to be patient and not rush into situations but rather build their operations carefully by following the most basic business principle. Philip (1996) comments that its imperative foreign marketers learn to appreciate the intricacies of culture different from their own if they are to be effective in a foreign market. The culture of society comprise the shared value, understandings, assumptions and goals that are learned from earlier generations, imposed by present members of society (Deresky,1995)

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter consists of the research methodology that was used in the study. This includes the research design, data collection method, and research instruments and data analysis. The chapter also looked at the data analysis techniques that were used in analyzing the data that was collected.

## 3.2 Research Design

The research design was a case study on the foreign market entry strategies adopted by TIGO to enhance its competitiveness in the Rwandan telecom market. A case study allows an investigation to retain the holistic and meaningful characteristics of real life events. They also allow for probing thus increasing chance of accuracy in responses Yin (1994). Kothari (1990) describe a case study as a form of qualitative analysis that involves a careful and complete observation of a social unit which may be a person, family or institution. This gave the required observation of the foreign market entry strategies adopted by TIGO.

## 3.3 Data collection

This research was relay on primary and secondary data, Primary data is qualitative in nature and were filled by the senior managers of TIGO Rwanda Ltd and was collected using interview guide with open ended questions. The interview was addressed on 6 managers from the following departments: Corporate service and customer operation department, Marketing department, Business Risk department, Distribution center department, Legal affairs department and ICT department. Each respondent was asked to respond to the best of their knowledge. Secondary data was collected by use of desk research from published report and other documents.

## 3.4 Data Analysis

Data analyzed was using content analysis. Content analysis examines the intensity with which certain words have been used. It is a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate to trends Content analysis systematically describes the form or content and or spoken material (Kombo and Tromp, 2006) According to Kothari (1990), content analysis consists of analyzing the contents of documentary materials such as books, magazines, newspapers and the contents of all other verbal materials which can be either spoken or printed. It is a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate to trends

# CHAPTER FOUR

# DATA ANALYSIS AND INTERPRETATION

## 4.1 Introduction

This chapter presents the data analysis, interpretations and discussions of the findings of the research study. The purpose of the study was to establish the foreign market entry strategies adopted by TIGO to enter in Rwandan telecom market, the strategies used by TIGO to enhance its competitiveness in Rwandan telecom market and the challenges faced by TIGO in implementing these strategies. Primary data was collected from six managers at the TIGO Rwanda ltd at the company's headquarters in Kigali, Rwanda .The second data was also used to support the data received from the interview.

## 4.2 Foreign entry strategies

One of the objectives of this study was to establish the foreign market entry strategy adopted by TIGO to enter in Rwandan telecom market. The information gathered through the interview guide, the respondents were of opinion that the strategy of FDI was adopted by the company. Tigo Rwanda ltd started its operations through opening its own branches in all districts of Rwanda, it targeted new market, penetrate the existing market and developing new channels of distribution. The ease of penetration was important for TIGO Rwanda ltd after noted that the Rwandan telecom market was a good market, the level of demand for telecommunication services was very high and as such, more returns were expected. FDI entry strategy, has many advantages some like the ownership of proprietary product or technology, decreasing of administrative overlap, better integration of new product development, experience to enhance the advantage in managerial processes, operational flexibility and innovativeness, size of the firm, availability of the managerial expertise, level of involvement in international market through affiliates and financial commitment for maintaining direct or indirect operational control over its wholly owned subsidiary and speedy execution of strategically priorities. International business literature and studies have emphasized that proprietary knowledge is positively related with high control entry modes (Contractor, 1990), and so is the degree and intensity of the technical requirement of the product.

## 4.3. Competitive strategies adopted by TIGO Rwanda ltd to be competitive

The study sought to determine from the respondents the types of competitive strategies that are used at TIGO Rwanda Ltd. They were indicated that they use differentiation strategy focuses on firms innovating products that appear different from their competitors and is aimed at making them earn a competitive advantage over others. This strategy has been intensely adopted by the company and has developed a range of products which include Tira Tigo (Borrow, Talk now Pay later), Tigo- matic, Unlimited packages browsing which has daily premium internet packs and weekly premium, Bundle packages composed by surf all day and surf all week, Phone packages, Vuga pack, SMS Pack and Tigo cash. To insures that the differentiation strategy adopted by Tigo Rwanda ltd is considerable sustainable, the company opened up offices in various locations that are accessible to customer and undertakes aggressive marketing on all its products to increase the awareness of the products in the market. The respondents also identified cost Leadership strategy as a competitive strategy used by Tigo Rwanda ltd to maintain and keep their service offer lower price than the others with the aim of increasing their revenue. Tigo Rwanda ltd is doing this by offering internet packs tariff on affordable price where you pay 800 Rwf and get daily 1.5 GB bundles or weekly premium internet on 4500 Rwf. It was offering also phone packages where you pay 150 Rwf and you get daily 30 MB or 100 Rwf and you get 25 MB plus free 3 minutes of call.

The per second call is the other technique of Tigo Rwanda ltd where you can by 600 seconds on 100 Rwf, 900 seconds on 150 Rwf or 15000 seconds on 500 Rwf this helps the firm to attract and keep most of the new and existing customers who wishes to pay on the basis of the usage time spend. Per second system adopted by Tigo Rwanda ltd made the customers feel that they are just paying for what they have consumed while the others competitors in the market having a constant per minute rate. The other low cost leadership strategy that has been employed by Tigo Rwanda ltd is by, minimizing of operating expenses, control of labor cost, reduction of input costs, lower distribution cost, tight control of cost and overheard, outsources some key services like information technology, procurement and management consultancy in order of maintaining quality and reliable services. The interviewees confirmed that the company was found to use Diversification strategy as competitive strategy to support the main activities of voice and data service. Tigo Rwanda ltd used this strategy by offering the service of Tigo cash which is the new way of sending and receiving money using your Tigo phone. You can send money to anyone on any network in Rwanda, quickly, easily, any time of the day or night, through their agents which you can found elsewhere in the country and this service is available also in the shopping centre.

They offered also a service off managing your bank account by use of mobile phone. Tigo Rwanda ltd also diversify their service by offering the service called Tigo- matic works like ATM machine of banks where you can withdraw money by using your Tigo cash account, The machine is easy to use and you don't need to bother yourself carrying ATM cards or making long queues in the banks to get money, you just do it with your Sim card, Tigo Rwanda ltd ATM is its latest innovation and the first of its kind in Africa and has made Tigo to be competitive in the market. In additional to the other strategies adopted by Tigo Rwanda ltd is focus strategies to enhance its competitiveness. The respondents affirmed that Tigo Rwanda ltd uses focus strategies as a strategy and noted that the company seeks to enroll new subscriber on their network. Its aims at making the company target a particular segment of the market to capture unique characteristics. In this approach they focus on both cost and differentiation. The company segments the local market according to their various needs and want by so doing the company tailors their products to these unique markets. It categorized its customers to Corporate for marketing, executive representatives, phone and email and internet communication. The former segment of customers comprises of postpaid, prepaid and those of lower who can buy lower denomination calling card, they use both voice and data services for their day-to-day work and communication. The strategy is mostly done on the basis of product bundling and marketing campaign.

## 4.4 Challenges faced by TIGO in implementing their strategies

The study found that they were several challenges that companies entering foreign markets encounter. These challenges determine the success that is achieved by a company when is entering a foreign market. For instance the study established that the company had to tackle the problem of Fiscal policy, it is one of the factors that can hinder the increasing of revenue of a company. The respondents agreed to the fact that corporate and personal taxes are part of tax regimes in Rwanda were deemed to be more challenging and one of the impediments that resulted into increasing of company's expenses. The challenges of economic elements like exchange rate, inflation and income level had impacted Tigo Rwanda ltd. As Rwanda's industry sectors are still in a nascent stage, 90% of the population being involved in agriculture in rural areas has impacted the fluctuation of exchange rate which directly also affect the inflation rate.

The efficiency of infrastructure like road, availability and cost of electricity is also another challenge that Tigo Rwanda ltd had to deal with. The fact that approximately 92% of the population lives in rural areas was also a major challenge. This meant that the company had to devise strategies of expanding its services to reach several customers, and handicapped the company to increase its market share. The services of competitors were also the major problem of Tigo Rwanda ltd had to overcome; the company was the third company entered in Rwandan telecom market after MTN Rwandacell and Rwandatel. The respondents conformed that the issues of market-seeking, trends and growth in the market size, pricing, and setting channels of distribution were set among the big challenges faced by the company in implementing their strategies. The country was initially French speaking and this was also a challenge to the subsidiary whose parent company is from an English speaking country. This was more of a challenge to company's expatriates who had to work in Rwanda .

Many others issues also had challenged the company in implementing its strategies like the issue of rule and regulation specially labor regulation of the host country, the problem of unskilled labor where the Tigo company immigrated the local Rwandese employees in the other country where it has the branches for special courses and trainings this had increased the company's expenses

# CHAPTER FIVE
# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

This chapter presents a summary of findings on the foreign market entry strategies adopted by Tigo to enter in Rwandan telecom market. The chapter also gives the summary of findings, conclusion of the study, limitations as well as recommendations made based on the findings from the study.

## 5.2 Summary of findings

This study sought to find out which foreign market entry strategies adopted by Tigo to enter in Rwandan telecom market. This study had three objectives to achieve, the first objective was to establish the foreign market entry strategies adopted by TIGO to enter in Rwandan telecom market, the second was to establish the strategies used by TIGO to enhance its competitiveness in Rwandan telecom market and while the third objective addressed the challenges faced by TIGO in implementing these strategies. It used primary data which was collected using interview guide and the second data which was collected using desk research from published report and other documents. It was clear from the findings that Tigo has used foreign direct investment strategy to enter in Rwandan telecom market by opening its own branches in all districts of Rwanda, targeting new market, penetrating the existing market and developing new channels of distribution. The factors pushed the company to choose this strategy were firm specific advantage like ownership of proprietary product or technology to reduce administrative overlap and better integrate new product development and launch initiatives.

The study found out that the numbers of competitive strategies are being employed by the firm. Those competitive strategies include differentiation strategy focuses on firms innovating products that appear different from their competitors and is aimed at making them earn a competitive advantage over others competitors. Cost Leadership strategy also come out strongly as a competitive strategy used by Tigo Rwanda ltd to maintain and keep their service offer lower price than the others competitors with the aim of increasing their revenue. Diversification strategy has been employed by Tigo Rwanda ltd as competitive strategy to support the main activities of voice and data service. Tigo Rwanda ltd uses this strategy by offering the service of Tigo cash and Tigo matic which is the new way to send and receiving money using your Tigo account. The company use also focus strategies to enhance its competitiveness. The respondents affirmed that Tigo Rwanda ltd uses focus strategies to target a particular segment of the market for capturing unique characteristics. In this approach they focus on both cost and differentiation.

The former segment of customers comprises of postpaid, prepaid and those of lower who can buy lower denomination calling card, they use both voice and data services for their day-to-day work and communication. However Tigo Rwanda ltd faces a number of strategies implementation challenges like Fiscal policy, it is one of the factors that can hinder the increasing of revenue of a company. The challenges of economic elements like exchange rate, inflation and income level had impacted Tigo Rwanda ltd. The efficiency of infrastructure like road, availability and cost of electricity are also another challenge that Tigo Rwanda ltd had to deal with. The fact that approximately 92% of the population lives in rural areas was also a major challenge. Many others issues also have challenged the company in implementing its strategies like the issue of rule and regulation specially labor regulation of the host country, and the problem of unskilled labor.

## 5.3 Conclusion of the Study

This section will give a summary of the key conclusions made from the findings of the study as discussed in chapter four. From the study, the researcher concludes that Tigo Company moved into Rwanda through foreign direct investment for a number of reasons: the encouragement from the Rwandan government for foreign direct investment, it’s found this strategy to be less costly and helped the company to create its own distribution network and offices. This insured that the company picked on the best entry strategy for successful operations of the firms after noted that the Rwandan telecom market was a good market and the level of demand for telecommunication services was very high. The company found and as such, more returns were expected. The study has established that Tigo Rwanda ltd faced a numbers of challenges while implementing its strategy like fiscal policy which determined how much the company would be taxed and how this reflected on the business, The economic elements like exchange rate, inflation and income level were impacted the profitability of the company .

Population size and distribution affected the location of the branches and the decision of which products to promote. Tigo Rwanda ltd faced also the challenge of lack of necessary infrastructure like road, availability and cost of electricity which affected the operations of the company. The issues of rule and regulation like labor regulation of the host country, the problem of unskilled labor which limited the access to qualified human capital who could deliver services to the standards demanded by the company were also affected the company. For it to be competitive, company set the strategies which helps the company to search for a favorable competitive position in the industry, to establish a profitable and sustainable position against the force that determine industry. Tigo Rwanda ltd is trying to differentiate itself with the other players in the market by making their product more unique, the cost leadership strategy was visible in the company, Focus strategy and Diversification strategy are frequently used within the company to respond to the intensity competition in the telecom industry.

## 5.4 Recommendation

**T**his study makes several recommendations for policy implementation and also suggestions for further research.

### 5.4.1 Recommendation with policy Implication

The study established that Tigo Company has been successful in using foreign direct investment to enter in Rwandan telecom market. The strategy has been successful since the company has enhancing its competitiveness. It is therefore recommended that the telecom company also uses the same strategy in establishing its presence in other countries. The study found out that the company has create a sustainable position in the market, is there recommended that they continue innovating and coming up with unique products which will compete with other companies' products and at the same they should do aggressive marketing in order to attract more customers.

From the observation made on the challenges affected the company, the central bank of Rwanda should make the nation's currency stronger and stable against global currencies thus enabling the country to have fairly fiscal policy. The government should further improve the country's infrastructures to reduce the cost of doing business thereby reducing challenges due to the infrastructure.

### 5.4.2 Suggestions for Further Research

There is need to conduct a study to establish the reasons why Tigo Rwanda ltd chose to use foreign direct investment while entering in Rwandan telecom market, this will assist in comparing whether the same reasons can be applicable in other countries or applicable to the other multinational company who look to invest in Rwanda. Further research needs to be done on effect of various entry strategies on the performance of the firm. There is need to conduct a comparative study on the success of the strategy as compared to the other foreign market entry strategies that have been applied by other telecom companies elsewhere in the globe.

## 5.5 Limitation of the study

This study only focused on foreign market entry modes at a particular point in time the study did not observe the changes in ownership over time. This study has a limitation regard to time that was available to the respondents; many managers were not available at the appointed time led to a lot of rescheduling and time wastage.

The study was limited due to the fact that none of the respondents was willing to be recorded in the course of interview all details information were not captured. The researcher relied on short notes in order to keep up with some interviewees.

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# APPENDIX I: INTERVIEW GUIDE

Q 1: What specific advantages did Rwanda has to be an attractive choice for your operations?

Q 2: What strategy did you use in entering in Rwandan Market?

Q 3: How effective was this strategy to your company?

Q 4: Are this strategy common while entering in other African market?

Q 5: Foreign market entry strategies choice depend on various factors, what factors do you consider when choosing an entry mode?

Q 6: How does each of those factors influence your firm's choice of entering mode?

Q 7: Why does TIGO been successful as a multinational company in Rwanda? What are the key drivers for success?

Q 8: What are the key challenges that were you faced while entering Rwandan market?

Q 9: Are there operational and non operational challenges affects your company in implementing your strategies?

## APPENDIX 1I: LETTER OF INTRODUCTION

**ISHIMWE JOSETTE**

**UNIVERSITY OF NAIROBI**

**PO BOX 30197**

**Dear Respondent,**

**RE: INTRODUCTION LETTER**

I'm a post graduate student pursuing a Masters Degree in Business Administration at the University of Nairobi. As partial requirement of the award of the degree, am conducting an international business research project title "*Foreign market entry strategies adopted by Tigo to enter in Rwandan telecom market".*

I kindly request for an interview with you to facilitate the research. I enclose an interview guide to give you an insight of the areas that will be of interest. I assure you that any information provided will be used at most confidentiality and will be used for only this research.

Yours Faithfully,

ISHIMWE JOSETTE