COMPETITIVE STRATEGIES ADOPTED BY THE TELECOMMUNICATION MOBILE SERVICE PROVIDERS IN KENYA: A CASE OF TELKOM KENYA

BY

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DECLARATION

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

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

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DEDICATION

I wish to dedicate this project to my family for immense support and most importantly my Dad who has been a great source of support and inspiration.

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I wish to thank God almighty for making things work out for good, for provision of resources, inspiration and required connections.

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ABBREVIATIONS

ICT	Information, communication technology.
TKL	Telkom Kenya Limited
CAK	Communications authority of Kenya.
CCK	Communication Commission of Kenya.
LTE	Long Term evolution
3G	Third generation
2G	Second Generation.
CDMA	Code Division Multiple Access
SWOT	Strength, weaknesses, opportunity and threats
PESTEL	Political, economic, social, technological, environmental and Legal.
KP&TC	Kenya post and telecommunication Corporation
GDP	Gross domestic product.
TR	Total Revenue
TC	Total cost
MR	Marginal revenue.
MC	Marginal cost.
TV	Television.
SMS	Short message service.
MVNO	Mobile virtual network operator.
TKL	Telkom Kenya Limited

ABSTRACT

Competitive strategy involves undertaking offensive and defensive moves that position an organization and enables it to successfully compete in the market. It also enables an organization to build core and distinctive competencies in response to the five competitive forces. Telkom Kenya (Orange) has been formulating several competitive strategies in order to build competitive advantage, increase market share and consequently profitability. Given the competitive nature of the Kenya telecommunication industry, the firm has had to continuously monitor their strategies on the basis of organizational goals as well as in response changes in external and internal environment. The environment within which Telkom Kenya (Orange) operates is characterized by fierce competition among existing firms, threat from new entrants, high bargaining power of consumers, readily available substitute products as well as relatively high bargaining power of suppliers. The study sought to establish the competitive strategies that Telkom Kenya (Orange) is adopting to gain competitive advantage and increase its profits in the long run. Case study research design was used where primary data was collected from the firm's top management while secondary data was collected from published reports and other documents including company periodicals, economic survey reports and statistical abstracts. The data collected was qualitative in nature hence content analysis was used by examining the key words, phrases, sentences and themes that matched the objective of the study. From the findings, the competitive strategies adopted by Telkom Kenya (Orange) are; cost Leadership, best cost provider and focused differentiated strategy. Cost leadership strategy has been achieved by leveraging on existing infrastructure, infrastructure sharing, tight control of cost and overheads, improving efficiency in operations, reduction of input costs, tight control of labor costs, use of information systems and lowering distribution costs. The focused differentiated strategy by TKL is achieved mostly by offering differentiated products based on their mobile money platform while best cost provider strategy has been achieved by offering slightly differentiated products at a cost better than rivals specifically in mobile data. In addition, other supplementary strategies that TKL has implemented are outsourcing and strategic alliance. The supplementary strategies have played a key role in improving the effectiveness of the generic strategies. These strategies have enabled TKL to compete in the industry, steadily gain market share as well as build brand loyalty. Based on the findings, cost leadership is the most effective of all strategies .As much as positive gains have been made, TKL is still faced by many challenges such as high competition, massive losses, low brand loyalty, rapid technological change etc. As a result, this study recommends efforts to be made towards increasing the effectiveness of the other strategies in order to increase market share as well as strive to be a market leader. Such efforts should be directed towards effectively utilize its brand, infrastructure, human resource as well as other resource in order to develop highly differentiated products. Further research is recommended on a comparative study to be done on the effectiveness of competitive strategies among firm in the Kenyan telecommunication market where an in-depth study be should done on the impact of the adopted strategies in order to understand the reason for disparity in profitability among the existing firms.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

A company's strategy is management's action plan for running the business and conducting operations. The crafting of a strategy represents a managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations, and improving the company's financial and market performance (Thompson Jr, Strickland, and Gamble , 2007). The theory of the firm begins with a simple assumption- firms try to maximize their profits. The theory uses this assumption to explain how firms choose the amounts of labor, capital and raw materials that they use for production and the amount of output they produce (Pindyck and Rubinfeld, 2009).Hence based on the assumption of why an organization exists, profit making is one of the key objectives.

Organizations manage to increase their profits by performing activities such as innovations which may include introduction of new commodity or a new quality of goods, introduction of new methods of production, emergence or opening of new market, finding sources of raw material and organizing the industry in an innovative manner with new techniques. Porters five force theories provides a framework for analyzing and industry by identifying various competitive sources in an industry. Innovative profit theory and game theory on the other hand describe the aspect of rivals tending to outdo each other by adoption of unique strategic moves. Whether a company's market is broad or narrow and whether the company is pursuing a competitive advantage linked to low cost or product differentiation, five distinct competitive approaches stand out i.e. low cost

provider strategy, broad differentiation strategy, best-cost provider strategy ,focused strategy based on low cost and focused strategy based on differentiation.(Thompson Jr., Strickland, and Gamble , 2007).

Telkom Kenya (Orange) is one of the mobile service providers in the Kenyan telecommunication sector. The other operators are Safaricom and Airtel Kenya. Initially there was an addition of other operators namely Flashcom, Popote Wireless and Essar Telekom which are no longer in operation due to a variety of reason where failure to maintain profitability is one of them. The environment within which the industry operates has been changing thus presenting threats and opportunities to the organizations. Such changes are pressure from government to lower calling rates, rapid change in technology, stiff competition etc. The stiff competition has resulted from liberalization of the telecommunication industry which has opened the market for various service providers to fight for the Kenyan market share.

1.1.1 Competitive strategy

Competitive strategy is taking offensive or defensive actions to create a defendable position in an industry, to cope successfully with the five competitive forces and thereby yield a superior return on investment for the firm (Porter, 1998).Every firm competing in an industry has a competitive strategy, whether explicit or implicit. This strategy may have been developed explicitly through a planning process or it may have evolved implicitly through the activities of the various functional departments of the firm (Porter, 1990). A well formulated competitive strategy regardless of which type is the one that seeks to build a distinctive competence in some key activity and then uses it to create

competitive advantage over other firms. According to Ritson (2011), two broad types of competitive strategies enable the firm to build competitive advantage at the business level: low-cost leadership and differentiation. He further postulates that these strategies are known as generic strategies. Generic strategies are strategies that are applicable to multiple organizations within an industry or entire industry.

Porter (1998) argues that in coping with the five competitive forces, there are three potentially successful generic strategic approaches to outperforming other firms in an industry: overall cost leadership, differentiation and focus (Porter, 1998). Cost leadership means producing at the lowest cost per unit in the industry relative to rivals. This ultimately means that a low cost producer within a highly competitive industry despite the low profits, the provider is able to realize higher profits relative to the rivals. Differentiation on the other hand refers to producing goods with unique features as compared with the rivals. This can be realized through various means such as unique design, brand image, unique features, application of new technology, innovation etc. Specialization or focus strategy refers to an organization concentrating on a niche market and being either a low cost or differentiated provider. The approach chosen in a particular niche market depends on the existing opportunities to exploit or threats.

Based on porters 3 generic strategies, Thompson, Strickland and Gamble (2007) have expanded them to five strategies. Based on Porter's low cost provider, differentiation and focus, five distinct competitive strategy stands out which are low cost provider, broad differentiation strategy, best cost provider strategy, focused strategy based on the low

cost and focused strategy based on differentiation. In addition to the generic strategies supplementing strategies are adopted in order to fully exploit prevailing strengths and address the threats. Such strategies are collaborative partnerships, mergers and acquisitions, backward and forward integration, outsourcing, employing offensive and defensive moves.

1.1.2 Telecommunication industry in Kenya

The earliest form of telecommunication in Kenya can be traced back to 1888 where eastern & South African Telegraph Company laid a submarine cable between Mombasa, Zanzibar and Dar salaam basically for telegraph communication. Later on the network was extended to Lamu. In 1896, the network grew into the interior of the country parallel with the railway line construction. Fast forward, the telecommunication industry in Kenya was a government monopoly under the KP&TC up to 1990s (*www.vii.org/papers/tyler.htm*)

Over the last few years, Kenyan telecommunication industry has been dominated by five operators i.e. Safaricom, Airtel, Orange-Telkom and the recently closed down Essar Telekom. Based on the CAK quarter 2, 2015 report, Safaricom Limited recorded the largest share of 67.4 per cent gaining 3.2% percentage points from the previous quarter. Airtel Networks Limited followed with a market share of 22.6% after increasing by a substantial margin of 40.9 percent from 5.4 million subscriptions recorded in the previous quarter. Telkom Kenya (Orange) total subscriptions gained 11.3 percent to reach 3.3 million from 3.0 million recorded during the last quarter (www.cck.go.ke).

Telecommunication development in Kenya has led to growth of organizations that support the industry. Such organizations are equipment vendors, contractors, infrastructure owners etc. Threats and opportunities experienced by the service providers in Kenya spill down to the above named organizations. As a result, some organizations have managed to survive the highly competitive environment while others have gone under. The organizations in the telecommunication industry are monitored by CAK formerly known as CCK. CAK formulates the policies that govern the telecommunication sector in Kenya as well as offer licenses to the qualified organizations.

1.1.3 Telkom Kenya (Orange)

Telkom Kenya Limited was established as a telecommunications operator under the Companies Act in April 1999 to provide integrated communications solutions in Kenya. In 2000, Kenya liberalized the telecommunication sector thus allowing other service providers to enter the market. According to International finance Corporation (2013), TKL performance was deteriorating between the year 2000 to 2008 as a result of competitive pressure from private mobile service providers. Hence privatization process began in 2006 and finalized in 2008 where France Telecom operating under the brand name Orange acquired 51% shares in Telkom Kenya Limited. .The government's objective was to address TKL's deteriorating balance sheet as well as losses.TKL was also at that time characterized by overstaffing (a problem that had been accumulated over the years since it monopoly years) hence adequate compensation for redundant employees was required as well as define new term for remaining employees

By the time it was being acquired by France Telkom, TKL was providing mobile voice and internet on their CDMA network and fixed line services on the old copper infrastructure. Telkom Kenya (Orange) despite entering the market with optimism especially after launching the GSM service, the competitive nature of the industry has made it difficult to attain the projected market share. This is as a result of entering an already competitive market as well as accrued financial and structural challenges from old TKL. This was also coupled by the dynamic nature of the industry as well as political and technological factors.

1.2 Research Problem

Strategy is the mediating force between organization and the environment (Hofer and Schendel, 1979).Given that the environmental conditions within which an organization operates is constantly changing thus creating threats and opportunities, an organization has to constantly formulate strategies in response to the changes in order to realize their objectives. Profitability is one of the key objectives as it ensures survival of organizations in the long run. In addition, other objectives an organization may have depend on how much profit is realized. Thus Strategy is about competing differently from rivals doing what competitors don't do or, even better. Hence every strategy needs a distinctive element that attracts customers and produces a competitive edge.

Liberalization in the telecommunication industry in Kenya has opened avenues for multi players within the industry and as a result competition for the same market share has increased. Such players are government though ministry of ICT and CAK, service providers, equipment vendors, contractors, infrastructure companies etc. The mobile

service sector in particular has experienced pressure from the government to lower their service rates. In addition technology is changing rapidly forcing the organizations to update accordingly by constantly investing in costly infrastructure. For example the organizations that were previously on 2G technology have had to upgrade to 3G and LTE. This creates a problem since the return on investment on the infrastructure is not realized by the time a new technology comes to market. Such a problem prompts organizations in the mobile service sector to find ways of maximizing their profits in order to survive in the industry where revenues are diminishing.

A research paper on Competitive Strategies of Telecom Operators in Post-3G Era Based on Industry Chain Value Stream (Wei, Jianming, and Yang, 2013) observed that there are four main strategies which telecom operators can adopt: network evolution, terminal customizing, industry chain cooperation and platform mode. Arbin, Holmberg and Jönsson (2006) in their paper 'Strategies in the Colombian Telecommunication Market', found that operators in Columbia have used a differentiation strategy with the factors retailer, coverage, price and technique to increase their position on the market. Olmsted and Jamison (2001) in their paper; Rivalry Through Alliances: Competitive Strategy In the Global Telecommunications Market concluded that there are five distinct strategic patterns, focus, product differentiation, customer-solutions orientation, lock-in, and strategic alliances.

Other recent local studies have been carried out in the past on the subject matter; Kithamba (2014) did a study on competitive business strategies adopted by mobile service providers in Kenya: a case of Telkom Kenya and found out that TKL employed

cost leadership, price leadership and outsourcing strategies. Kamande (2010) did a study on competitive strategies adopted by mobile phone companies in Kenya and found out that the mobile phone companies have adopted several strategies which include cost leadership, differentiation, marketing strategies, diversification, expansion, technology, customer service and corporate social responsibility. Mwikali (2009) on her study 'challenges of outsourcing strategy by mobile phone operators in Kenya' concluded that despite the many benefits of outsourcing, it is an expensive business strategy. The cost of hiring professionals is quite high and training staff to get more familiar with the outsourced service.

The above discussed available research on competitive strategies adopted by organizations in the telecommunication industry takes a general view hence they neither offer a detailed understanding based on a particular firm nor provide clear comparative analysis. Kithamba (2014) did competitive business strategies adopted by mobile service providers in Kenya: a case of Telkom. Though insightful, the researcher did not fully examine the competitive strategies at Telkom as was expected. In addition, the research was done a year ago and within that duration, a lot has changed in the telecommunication industry as well as within TKL. With this background, the study aimed at addressing the following: - What competitive strategies are being adopted by Telkom Kenya (Orange) to gain competitive advantage and increase their profits in the long run?

1.3 Research Objectives

The study aimed at achieving the following objective.

(i) Establishing the competitive strategies that Telkom Kenya (Orange) is adopting to gain competitive advantage and increase their profits in the long run.

1.4 Value of study

The study will benefit the academicians as well as researchers as it will expand the knowledge on strategy by providing in-depth understanding on what and how strategy affects competitiveness. The study will also enrich porter's generic strategies by outlining how they are implemented in the telecommunication industry. In addition, it will also act as a source of secondary data for researchers as well as form foundation for further research by addressing the research gap as well as recommended area for further research.

The research will also be of great help to managers in the telecommunication industry as it will provide new insight and information about the state and nature of competition in the sector. It will also shed light on the strategies that can be adopted in order to gain competitive advantage.

The government as well as regulatory bodies will benefit from the study as they will understand the effect of their role in the industry and as a result manage to formulate policies that will favor its growth. Clear understanding of how the industry circumvents environmental threats and opportunities in order to survive will offer a basis for government to create conducive environment favorable to the industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other research work done in the same or related field of study. The specific areas covered here are the theoretical perspective and competitive strategies.

2.2 Theoretical perspective

An organization that has gained competitive advantage stands a chance of being profitable in the long run. Competitive advantage is anything a firm manages to do better than rivals and achieved through strategic management. David (2006) argues that strategic management is all about gaining and maintaining competitive advantage.

Several theories have been postulated that influence firms to pursue competitive strategy. Porters bring out clearly the five competitive forces that shape strategy given that there are other factors apart from direct competitors that affect performance of an organization. Innovation profit theory as postulated by Joseph Schumpeter talks about the measures policies that a firm adopts in order to reduce production cost as well as increase demand for their products. Game theory is also applicable in many fields including firms that are competing for business. It explores the behavior of players with regard to their response based on the set of actions by either player.

2.2.1 Porter Five force theory

Porter (1990) postulates that the five competitive forces are entry barriers, threat of substitution, bargaining power of buyers, bargaining power of suppliers and rivalry

among existing firms. He further argues that all the five competitive forces jointly determine the intensity of industry competition profitability. Hence the strongest force or forces are governing and become crucial from the point of strategy formulation.

Barriers of entry are factors that challenge the entry of an organization in a given market. Barriers arise from various sources such as economies of scale where an organization choosing to enter a market in large scale may face retaliation firms or when it chooses to enter in small scale it may end up making loses. Product differentiation as another source of barriers to entry means that existing firms already have brand identification and customer loyalty. As a result an organization has to heavily invest in brand recognition a move that leads to increase in start up loses. High capital requirement also tends to deter many firms where such capital may be to cover the advertising cost, research and design, Inventory, promotions etc. High switching cost also creates barrier since firms aspiring to enter the market may be forced to enhance their products or lower cost.

The other competitive force is barriers to entry. According to Porter (1990), rivalry among existing competitors takes familiar form of jockeying for position, using tactics like price competition, advertising battles, new product introduction and increased customer service and warranties. Any move by a firm may elicit retaliation from the competitors.

Substitutes are products that can perform the same function. Given that firms in a given industry produce related products, the flexibility with which prices can be escalated is minimal. This in turn limit the profits that a firm can realize .Majority of consumers are

price sensitive thus if an organization increases its price, the consumer will easily switch to a cheaper product.

In some markets, buyers dominate can heavily influence the market dynamics. Buyers in such a case tend to have a high bargaining power. This Bargaining power of buyers arises when buyers tend to buy in large volumes relative to seller or when the product in question is standardized or undifferentiated. Hence such buyers tend to influence price or threaten to switch to another supplier. The situation is made worse if such buyers have a high potential to integrate backwardly thus rising the tendency to bargain.

Suppliers also tend to exert bargaining power by threatening to raise prices or change quality. This happens when there are a few suppliers dominating a large number of buyers and there are few or less substitutes. Supplier power is also raised when their product is an important input to the buyers manufacturing process. In other scenarios, the buyer may gain bargaining power by making it difficult for buyers to switch due to the high cost involved as well as highly differentiated products.

2.2.2 Innovation profit theory

Innovation profit theory which is a part of compensatory profit theories describes the above normal profits that arise following successful invention or modernization. Organizations such as Microsoft have earned above normal returns as a result of pioneering the graphic user interface software as oppose to command based (Mark Hirschey, 2006).This theory revolves around the products a company offers and infers that organizations which produce highly differentiated goods and services tend to make above normal profits. Such compensatory profit theory describes above normal rates of

return that reward a firm for extra ordinary success in meeting customer needs, maintaining efficient operations and so forth.

Innovation is divided into two categories. The first type is those innovations that aim at reducing costs and the second category are those innovations aimed at creating demand. Costs can be reduced extensively by re-inventing the value chain and improving its efficiency. Demand for products on the other hand can be created through differentiation, customer service, increasing market share etc. Thus Profits are realized due to successful innovations where cost falls below the prevailing price of the product or the entrepreneur is able to sell more and at a better price than before. The profits in this case apply as long as the innovation is exclusive to the firm. Once other players manage to copy, then the profits start dwindling.

2.2.3 Game theory

Game theory helps us to understand situations in which decision makers interact. A game is a description of strategic interaction that includes the constraints on the actions that players can take and the player's interests but does not specify the actions that the players do take. A solution is a systematic description of the outcomes that may emerge in a family of games. Game theory can be applied in firms competing for business, political candidates competing for votes, jury members deciding on a verdict etc.

One model of game theory is strategic games. Osborne and Rubinstein (1994) observes that, strictly competitive game is sometimes called a zero sum if we have two players, i.e. player A and player B, then preference for A and B can be represented by $A+B=0$.If

player *A* chooses an action that is best for him, on assumption of whatever he does, player *B* will choose an action to hurt player *A* as much as possible.

2.3 Generic strategies for competitive advantage

In coping with the five competitive forces, there are three potentially successful generic strategic approaches to outperforming other firms in an industry; overall cost leadership, differentiation and focus (Porter, 1980).The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them lead to three generic strategies for achieving above average performance in an industry. The focus strategy has two variants, cost focus and differentiation focus. (Porter, 1985).

Based on porter's generic strategies, other scholars have supported his argument and further crystallized the generic approach. This has led to expansion of the three generic strategies in five. Whether an organization is pursuing a competitive advantage linked to low cost or product differentiation, five distinct competitive strategy stands out which are Low cost provider strategy, Broad differentiation strategy, focus based on low cost, focus based on differentiation and best cost provider strategy (Thompson and Strickland , 2008).The essence of formulating competitive strategy is relating a company to its environment (Porter, 1990).A company's competitive strategy deals with the specifics of managements game plan for competing successfully, its specific effort to please customers, its offensive and defensive moves to counter the maneuvers of rivals, its response to whatever market position and its approach to securing a competitive advantage vis-a vis rivals (Thompson, Strickland, and Gamble 2008).

Hence a competitive strategy is aimed at giving a firm competitive advantage over rivals. Competitive advantage can be achieved via various means which aim at providing superior value to consumers better than rivals, a combination of better quality, attractive pricing and quality of service. It also aims at gaining efficiency in performance of activities better than rivals.

2.3.1 Low cost provider strategy

A firm that chooses a cost leadership business strategy focuses on gaining advantages by reducing its cost below those of all its competitors (Barney and Hesterly, 2008).In reducing the cost, an organization has to ensure that it maintains the desirable quality level in the market place as poor quality can sabotage its positioning in the market and thus loose sensitive buyers to competitors. Organizations seeking the low cost provider strategy can approach the market with two options. Option one is to sell at a lower price as compared to the relative market price given that it has produced at low price and as a result manage to attract the price sensitive buyers. This is done with an aim of increasing the market share and or market growths while at the same time increase the revenues due to economies of scale.

The other option is to sell at the normal market price and take advantage of the increased profit due to reduction in the production cost. In order to gain competitive advantage as a low cost provider, an organization has to employ ways and means which are very difficult for rivals to copy. Porter (1985) postulates that the sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials etc.

Thompson, Strickland, and Gamble (2008) argue that there are two ways of accomplishing the low cost provider strategy.ie Cost-Efficient management of value chain activities and revamping the value chain to curb or eliminate unnecessary activities.

2.3.2 Broad differentiation strategies

Product differentiation is a business strategy whereby firms attempt to gain competitive advantage by increasing the perceived value of their products or services relative to the perceived value of other firms' products or services (Barney and Hesterly, 2008). Buyer needs are many and divers and hence an organization providing a standard product may need to think of differentiation if it's to attract customers. This is achieved through a thorough study of the needs and preference of the customers and thus incorporates the desired attributes in the product in a way that is different from the rivals. Differentiation thus allows an organization to fix a higher price on their product, attract new customers as well as build loyalty based on the brand. For differentiation to work, the customers must see the value ,accept and be willing to pay the premium price as well as it must be difficult, almost impossible for the rivals to copy the product and its attributes. Broad differentiation strategy hence involves developing unique products targeted for a large market segment.

According to Thompson, Strickland, and Gamble (2008), companies can take differentiation from many angles e.g. Multiple features (e.g. Microsoft Windows, Microsoft office);wide selection and one stop shopping (e.g. Home Depot, Amazon.com),superior service, availability of spare parts ,engineering design and performance, prestige and distinctiveness, quality manufacturing, technological

leadership etc .They also argue that differentiation yields longer lasting and more profitable competitive edge when based on product innovation technical superiority, product quality and reliability, comprehensive customer service and unique competitive capabilities.

2.3.3 Best cost provider strategies

If a firm can achieve cost leadership and differentiation simultaneously, the rewards are great because the benefits are additive, differentiation leads to premium prices at the same time that cost leadership implies lower cost (Porter, 1985). Best cost provider aims at giving the customer more value for their money. It involves providing superior quality products at a relatively low price. The consumer hence enjoys substantially differentiated products at relatively low price. Best cost provider takes out middle ground between being a low cost provider and being a differentiated provider targeting a broad or niche market. Thus best cost provider can be viewed as a hybrid strategy that optimizes the best of the other strategies.

A good example of a best cot provider globally is Toyota. Much as Toyota is a low cost provider in the car industry, it has managed to become a best cost provider with its models such as the harrier. The harrier model has superior features some of which are found in Mercedes and other high end brands. Toyota on the other hand has managed to market harrier at a relatively low price compared to the high end models. This it has achieved through efficiency in its value chain, elaborate marketing channels as well as brand recognition. Hence an organization needs to have the relevant resources and technical know how to incorporate the high end attributes at a lower cost than rivals.

2.3.4 Focused low cost strategy

Focused low cost strategy aims at providing goods and services at low cost and low prices within selected market segments. The low cost is achieved by ensuring that the value chain activities costs are kept to a bare minimum, eliminating activities that don't add value or reconfigure some value chain activities. Focused low cost strategy is similar to low cost provider and the major difference is that low cost provider targets the general market while focused low cost provider targets the niche markets.

Success in pursuing focused low cost strategy is contingent in availability or success of other factors. Given that it seeks to provide goods at a low cost, then the market segment must be large enough to ensure that the venture is profitable as well as hold great potential for growth. In addition a market where the industry leaders are not interested in targeting the niche market then focused low cost providers find it easier to penetrate.

2.3.5 Focused differentiation strategy

Focused strategy based on differentiation seeks to cater for a selected market segment or nice by providing products with special features or as per customers preferences. This strategy is made possible in situations where customers are looking for special features in a product or an organization has the capability and resources to develop highly differentiated products that give them a competitive edge within a given niche market. David (2002) observes that a successful differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty because consumers may become strongly attached to the differentiation features.

Focused differentiation strategy normally generates a lot of goodwill and loyalty drawn from the efforts of catering to the specialized needs of their customers. This in turn makes it difficult for a competitor targeting the same market. Organizations like Ferrari manufactures cars for sports enthusiast .The cars are manufactured based on orders and customization as per client wishes, are assembled by hand, built for speed and targets the high end consumers willing to pay a premium price for the vehicle.

2.4 Supplementary competitive strategies

In addition to the above strategies, there are other additional strategies that can be adopted. According to Thompson and Strickland (2008), the supplementary competitive strategies are strategic alliance and collaborative partnership, mergers and acquisition, forward and backward integration, outsourcing or performing in-house, offensive or defensive moves.

2.4.1 Outsourcing

Organization whether in production or service industry are often faced with make or buy decisions and thus have to decide whether to make in-house or outsource. Outsourcing strategies hence involve a conscious decision to abandon or forgo attempts to perform certain value chain activities internally and instead to allow them to be performed by specialist and strategic allies. According to Burnes (2004) outsourcing is the practice of seeking outside organizations to take over activities and services previously carried out within an organization like catering, security and IT. For example, when an organization like Coca cola outsources most of its bottling function to organizations all around the world.

When making the decision, thorough analysis on the trade offs to be made has to be carried. This is conscious of the fact that performing activities in house has advantages while at the same time outsourcing has its own merits too. Outsourcing allows the firm to focus on its core business thus providing better services. Other advantages of outsourcing are that is provides the firm flexibility should customer needs shift unexpectedly while at the same time allowing the firm to concentrate on other internal value chain activities critical to sustaining competitive advantage.

2.4.2 Mergers and acquisition

Mergers and acquisition is another common supplementary strategy.Merger is a combination of two organizations in which only one company survives and the merged organization goes out of existence and two organization form a new firm while acquisition refers to a situation where an organization takes over another firm's asset .A firm engages in acquisition when it purchases a second firm (Barney and Hesterly, 2008).The difference between merger and acquisition is based mainly on equity, management, control and financial arrangements.

Mergers and acquisition enables a firm to quickly build their presence in the market segment as compared to green field establishment. It also leads to improved capacity utilization, reduction in managerial staff, creates access to new suppliers, distributors, customers, products, and creditors, gaining new technology as well as reduction in tax obligations. In order for merger and acquisition to succeed, managers need to integrate well the two organizations' culture, products and systems in order to achieve synergy as well as manage debts or any other liability that may be existing after the merger.

2.4.3 Strategic alliances

Strategic alliances refer to co-operative agreements between potential or actual competitors (Hill, 2011). Barney and Hesterly (2008) further states that a strategic alliance exist whenever two or more independent organizations cooperate in the development, manufacture or sale of products or services. According to Thompson, Strickland ,and Gamble (2007), the organizations that merge benefit from each others strength in order attain a given goal by combining their resources. Thus strategic alliance enable organizations to easily enter a given market segment thus eliminating the bureaucracy as well as lengthy approvals required.

Alliances also bring together technology and skills that would otherwise have taken large amount of time and money for each individual firm to develop. For example alliance between Google and Huawei enabled the development of low to high end smart phone of Huawei phone running on android (Google) software.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The research methodology in this chapter provides an overview of how the study was implemented in order to address the research question governing the study objective. It outlines the research design, means by which the data was collected and the process that collected data was analyzed.

3.2 Research design

The research design was a case study. A case study is a scientific study done to describe a phenomena or an object. According Cooper and Schindler (2003), case studies place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations. As a result, it is useful in retaining the holistic and meaningful characteristics of real life event.

Hence from the questionnaire and published literature, the study sought to establish the description of the respondents' behavior, preference, contextual description and analysis in order to understand the phenomena under study. The research design was useful in identifying the competitive strategies adopted by Telkom Kenya (Orange).

3.3 Data collection

Data collected was qualitative in nature and was obtained from both primary and secondary sources. Primary data was collected through a questionnaire comprising of closed and open ended questions. The respondents targeted were 7 top managers from the organization named above, and drawn from technical, corporate affairs, sales and

marketing, operations, human resource and finance departments. Questionnaires were administered through drop and pick method as well as via email.

Secondary data was obtained through desk research from published reports and other documents including company periodicals, economic survey reports and statistical abstracts. These publications were sourced from government agencies such as CAK as well as independent entities.

3.4 Data analysis

Data collected was analyzed in accordance to the objectives of the study. The research sought to find out the competitive strategies that Telkom Kenya (Orange) is adopting to gain competitive advantage and increase their profits in the long run. Analysis was carried out by scrutinizing the data collected and comparing it with theoretical perspective discussed in the literature review in order to generate credible discussion.

Content analysis was used given the qualitative nature of data and aimed at examining out key words, phrases, sentences and themes that matched the objective. In addition, attention was paid to any new insights that arose from the data collected which was perceived to add value to the study. After analysis, in-depth discussion was made and credible conclusion in line with the topic of the study.

CHAPTER FOUR: DATA ANALYSIS RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the analysis and findings of the research as outlined in the research methodology. The study sought to achieve the following objectives; establishing the competitive strategies that Telkom Kenya (Orange) is adopting to gain competitive advantage and increase their profits in the long run.

4.2 Respondents profile

The study targeted 7 respondents who were involved in the management role in the organization. Out of the 7 targeted respondents, 5 managers participated in the study giving rise to a 70% percent response rate. This was sufficient given that according to Mugenda and Mugenda (2003), 70% and over is excellent. All managers had a minimum academic of a degree while a few had masters hence they processed adequate knowledge on the subject matter of the study. All had an average of 4 years at TKL and an average of 10 years in the telecommunication industry hence they clearly had sufficient knowledge on the state competition in the industry, competitive strategies adopted.

4.3 Competitive forces

Competitive forces are factors that either singly or together influences the nature and extent of competition in the market and they can also be referred to as sources of competition. Telkom Kenya (Orange) operates in the Kenyan telecommunication industry hence its subject to environmental factors facing the industry. This section of the study sought to find out the factors that influence the competition in the industry as far as TKL is concerned.

4.3.1 Rivalry among industry players

Bases on the respondents, there is great rivalry amongst the mobile service organizations in Kenya. This rivalry is majorly characterized by price wars, superior quality, strong brand image, bigger and better dealer networks and access to large capital resource. Most respondents observed that the price wars in the industry took the form of lower pricing where operators are cutting prices in order to attract customers and gain market share. With regard to differentiation, the respondents observed that there is little differentiation in the industry hence organizations are striving to improve on quality of service. In this particular attribute, the respondents observed that Orange Kenya has a strong brand that is associated with data. Most respondents agreed that a bigger and better network provides operators with great reach to the target audience and noted that their competitors such as Safaricom, Airtel and the new MVNO Equitel pose a larger dealer network. This attribute, drives up competition since services and products are readily available to consumers thus presenting them with various options. The also observed that most of their competitors have access to large capital resource. This as a result enables then to roll out services within a short time and at large scale. They observed that just like Orange Kenya, most players in the industry are multinationals or a large part of the shareholding is owned by multinationals. In addition the currently existing players as noted by the respondents have access to low interest rate financing a factor that drives up competition.

4.3.2 Threat of new entrants

The industry is constantly faced by the threat of new entrants in the market, The respondents noted that despite the fact that organizations like Essar Telkom, Popote wireless, Flashcom etc are no longer in operation, the industry is still very attractive to

potential entrants. They observed that although high cost of capital presents a barrier to many potential entrants, other factors have come in to counter such barriers. Example of such factors is technological advancement that allows new entrants to ride on existing platform and infrastructure and thus operate as MVNOs. The recent entrant (Equitel) aims to capture the mobile money, voice and data market by establishing a strong brand and riding on existing infrastructure. Equitel was observed as a threat given that is an organization under the Equity group hence it has a large pool of capital resource to draw from, large distributor network and brand recognition. In addition, the government has on the other hand favored new entrants by formulating policies that enable them to easily access the market. In addition, consumers can easily switch to a new entrant since the switching cost is low and in most cases it involves acquisition of new SIM card which can be bought at a small fee or freely distributed.

4.3.3 Bargaining power of Suppliers

When asked about the influence of suppliers on competition, the respondents agreed that suppliers have some level of upper hand given that the switching cost from one supplier to another is high. Discontinuing existing contracts may result to claims as a result of contractual agreement. In addition, some suppliers especially the equipment vendors are few in numbers leaving organization with limited options to select from. In addition their products and services are unique and critical to organizations operations. One respondent gave and example of software solutions, network and medium of exchange were unique to suppliers and they require specialize knowledge to install customize and maintain. Such attributes make it difficult to shift from one supplier to another. When asked if there was a threat of suppliers integrating forward and offering similar services, the

respondents were of the view that it was not a threat though emergence of MVNOs could be a challenge in future.

4.3.4 Bargaining power of buyers

As far as orange Kenya was concerned, consumers can easily switch from one service provider to another at little or no cost and this drives up competition in the market. This is further facilitated by the fact that some subscribers subscribe to more than one network and only utilizes a particular service from a network that offers the best price and quality of service. In addition, the respondents observed that buyers have full discretion on if and when to purchase and use products and services. In addition, the consumers are presented with a variety of product and services that are readily available. This way the buyer controls their spending making them unpredictable and as a result organizations have to curry out numerous market analysis in order to strategize accordingly.

4.4.5 Threat of substitutes

Organizations in the mobile service industry and in particular Orange Kenya are facing threat from substitute products. Such substitutes are voice over internet technologies that allow making phone calls using the internet as the conduit which in this case the only cost incurred by subscriber is internet cost, they also cited that another substitute product is online messaging platforms such as ‘Whatsapp’ that allows multiple messaging over the internet as well as making calls. Such products are very attractive and have the potential to reduce revenue earnings. Such substitutes pose even greater threat because they are not limited by the country of operation but the cost is standard worldwide. Whether a person is calling or texting within his own country or abroad the cost implication is the same.

Hence companies loose revenue generated from local and international interconnection charges. Another threat is the increasing integration and expansion of the fiber optic network that offers high speed internet connection. Such a service as observed by the respondents provides a platform for development of multiple products that act as substitute to mobile service such as VOIP, Video conferencing, online messaging etc. The respondents also noted that another product that can act as substitute is WIMAX which unlike mobile service offers high speed internet connection that can be used for applications similar to fiber optic platform. Another according to development that has potential of substituting mobile service particularly in the data area is the newly adopted digital TV broadcasting service. The ever increased convergence of technologies will make it possible to access internet through the digital TV receivers.

4.4 Competitive strategies adopted by Orange Kenya

This section sought to find out the competitive strategies adopted by Orange Kenya in response to the nature of competition as outlined in the previous chapter. The essence of formulating competitive strategy is relating a company to its environment (Porter, 1990).According to the respondents; TKL does have a Marketing and strategy department that over and above implementing business level strategy, they builds synergy with other departments in order to collectively oversee the functional level strategy in order to realize the corporate strategy.

4.4.1 Low cost provider strategy

Based on respondents’ assessment, TKL has done all within its power to gain competitive advantage based on low cost. The aim is to provide goods and services based at a lower cost compared to rivals while at the same time not compromise on quality. This increases the margin within which an organization can adjust their prices as well as maintain profitability even when prices drop. TKL has strived to be a low cost provider through leveraging on their existing infrastructure, infrastructure sharing, adoption of information system in their operations and adoption of low cost but highly effective promotion strategies. TKL is under the Orange Group from France and it acquired a 70% shareholding from the then Telkom Kenya. As a result, the incorporated Orange Kenya had at its disposal the infrastructure that Telkom Kenya had which included the towers and exchange sites, fiber backbone, the fixed line and CDMA network. Hence Orange Kenya in inception only introduced the GSM network service and as a result Orange Kenya had three distinctive services i.e. fixed line, CDMA and GSM. The Orange GSM mobile service was launched swiftly since existing infrastructure was used. In addition, Orange went into tower sharing with other operators in some sites and as a result the cost of owning and running a tower was reduced. Orange only had to build new towers where none existed and where no infrastructure is available to share. Orange has also invested in information system in order to efficiently manage their distributed tower sites and minimizing loss and wastage. Such systems are used to monitor inventory, fuel consumptions by generators in their distributed sites, maintenance scheduling as well as security. In addition, Orange has used its brand in order to leverage its marketing activities. Based on the respondents; Orange strives to used low cost but highly effective

campaigns and promotion. As a result, Orange Kenya has the lowest rates within and across networks as well as international.

4.4.3 Best cost provider strategy

A best cost provider strives to offer slightly differentiated products at lower cost than rivals. Orange Kenya offers wireless data via its 3G network at a competitive price compared to rivals and it prides in itself in providing good quality of service. It also offers bundled services for voice, data and SMS at relatively low prices. In addition, they have the best international calling rates compared to rivals thanks to their available infrastructure and partnership that guarantees cost effective charges on the international gateways. For example, major destinations like UK, USA, Canada etc. costs subscribers Ksh 3 per minute.

4.4.5 Focused differentiated strategy

This strategy aims at providing unique products within a niche market. According to the respondents, Telkom Kenya (Orange) has developed products for voice and data for the county governments which are customized according to their needs. They are also partnering with property developers in order to install infrastructure within buildings that can offer internet to home owners or tenants. In addition Telkom Kenya (Orange), has partnered with Insurance companies in order to offer unique insurance products through their mobile money platform. Last year, they partnered with CIC insurance to launch a mobile insurance called 'Orange Bima' that enables subscribers to insure their mobile devices with a sum of up to Ksh 40,000 as well as sign up for life cover for up to Ksh 100,000.The service costs a shilling a day and it is deducted from airtime making it so far

the lowest premium payment in the country. This service was available to the subscribers who bought devices from their shop outlets around the country. The respondents also noted that another differentiated product was Orange money Debit Card service that is available to subscribers who have registered for Orange money service. The service enables them to make transactions locally or international, withdraw cash at all Visa ATMs worldwide as well as make secure online payments.

4.4.6 Strategic alliances

The respondents observed that Telkom Kenya (Orange) has had various strategic alliances in many of its ventures. The alliances have enabled them to leverage on the strengths of each partner, roll out services faster as well as save cost. Example of such alliance is partnership between TKL and Equity banks on rolling out of the mobile money service. Another notable alliance is with CIC insurance in providing the earlier mentioned mobile based insurance cover for devices and life cover.TKL has also in the past partnered with equity Bank to provide TKL's customers with devices. Early this year, TKL partnered with Greenlight Planet in order to boost lighting in off-grid homes. The firms launched a competitive range of product bundles that include Internet enabled mobile handsets and solar lamps. These two-in-one packages provide for the triple objective of; Lighting up the home via clean energy, providing affordable mobile telephony with the low cost of the Internet enabled mobile device, eliminating high phone charging and kerosene costs (*www.orange/Latest.htm*). TKL has also been partnering with county governments in the country with an aim of fast-tracking the uptake of ICT solutions and products in the country by providing free Wi-Fi. So far rollouts have been

carried out in Bungoma and Nakuru County and the firm hopes to extend the service to other counties.

4.4.7 Outsourcing

According to respondents, TKL has been outsourcing some of its non-core activities to contractors in order maintain overall efficiency. Such activities are base station sites maintenance where organization like ZTE not only supply TKL with equipment but also undertake 'passive' and 'active' maintenance of network infrastructure.TKL also outsources new installations, constructions or upgrades. This strategy enables the firm to deliver services in a timely manner and at reasonable cost. This is made possible by the fact that outsourcing enables an organization to attain high level expertise without necessarily incurring the cost of training and maintaining such staff. In addition, the requirement of capital for acquisition of assets is lessened.TKL also outsources some of its marketing and customer service activities.

4.5 Discussion.

Competitive strategy is all about the way in which a firm competes in the market place, gaining competitive advantage by positioning itself better than rivals. Telecommunication industry in Kenya is very competitive a feature characterized by price wars, aggressive marketing as well as constant involvement by the regulatory body CAK. TKL has had to deal with this competitive pressure in order to position itself and make profits.

Porter five force theories gives a basis for establishing the various sources of competition in an industry which are rivalry among industry players, barriers to entry, threat of substitutes and high bargaining power of buyers and suppliers. The study established that

the intensity of rivalry in the industry is high and it's mostly characterized by price wars. This is in agreement with (Porter ,1980) who stated that rivalry among existing competitors takes the familiar form of jockeying for position-using tactics like price competition, advertising battles, product introductions, and increased customer service or warranties. From the findings, the barriers to entry in terms of regulations are low hence many firms can enter the market, the other competitive force playing out in the industry is the threat of substitutes that is facilitated by the low switching cost and further reinforced by the high bargaining power of consumers. David (2011) argues that competitive pressures arising from substitute products increase as the relative price of substitute products declines and as consumers' switching costs decrease. Hence based on respondents and the literature studies, all porter five forces are at play in the Kenya telecommunication industry.

Game theory on the other hand describes the interaction between players and the how the decision taken by one player affects and influences the reaction of the other. Based on game theory model of strategic games where there is a zero sum scenario, one player chooses an action that will hurt the opponent as much as possible. Game theoretic reasoning takes into account the attempts by each decision-maker to obtain, prior to making his decision, information about the other players' behavior (Osborne and Rubinstein, 1994).The study findings reveal game theory at play in the telecommunication industry. This is characterized by price wars, aggressive marketing, differentiation etc.TKL has had to react price changes by the competitors, new products introduced by the rivals as well as react to perceived threat by the new entrants such as Equitel.

Innovation profit theory states that above normal profits arise following successful invention or modernization. The aim of these innovations is to reduce cost as well as increase demand. The theory further explains that the costs can be reduced by re-inventing and improving the efficiency of value chain while demand is created by differentiation, customer service and increasing market share. From the findings, TKL has pursued a cost leadership strategy by tight control of cost, infrastructure sharing, elimination of wastage, lean staff etc. In addition, TKL has created demands for its product through aggressive marketing, focused differentiated strategy by providing unique mobile money services and expansion of the distributors' network.

In response to these competitive forces, the study found out that indeed Telkom Kenya (Orange) has been adopting various competitive strategies in order to remain competitive. Some of the strategies TKL adopts are cost leadership, best cost provider and focused differentiated provider. In addition, the study established that in order to improve the effectiveness of the above mentioned strategies, other supplementary strategies have been adopted which are outsourcing and strategic alliance.

Based on the views from the respondents, cost leadership has been one of the most successful moves. The cutting of costs has been achieved by having a lean staff, low cost but highly effective marketing strategies, infrastructure sharing as well as outsourcing some activities. This is in agreement with Thompson, Strickland, and Gamble (2008) argue that the two ways of accomplishing the low cost provider strategy are by cost-efficient management of value chain activities and revamping the value chain to curb or eliminate unnecessary activities.

With regard to best cost provider strategy, Telkom is the only telecommunication firm in Kenya that truly boasts as an integrated service provider. As a result, it is able to offer a variety of services on its platform. This strategy has been gaining positive momentum given that for example within less than a year, mobile data subscription has grown from 0.8 to 1.9 million, in addition the fixed wireless data grew from a market share of 11.8% to 11.9% as per CAK Sector statistics report Q1 2014-2015.Based on the respondents, best cost provider approach is beginning to give TKL competitive advantage based on statistics however they noted that the strategy could be easily imitated by the competitors. This arguments is collaborated by Porter (1980) who observed that that being the lowest cost producer and being truly differentiated and commanding a price premium are rarely compatible. Successful strategies require choice or they can be easily imitated. The firm stuck in the middle is almost guaranteed low profitability. It either loses the high-volume customers who demand low prices or must bid away its profits to get this business away from low-cost firms.

As far as focused differentiated provider strategy is concerned, the findings from the respondents reveal that the level of differentiation based on the products offered is very low and the possibility of competitors imitating them is very high. This finding is in agreement with Porter (1980) who noted that competitors find submarkets within the strategic target and out focus the focuser. In addition, the niche market where TKL offers these differentiated products is very small compared to the size of the market thus limiting success of this strategy. Ritson (2011) postulates that one of the ways to achieve success in a focused strategy is by ensuring that the specific niche market (segment) is large enough to sustain the business. Hence for focused differentiated strategy to be

effective, TKL should increase their market share and hence widen the scope within which to focus.

Supplementary strategies played key role in increasing the effectiveness of various competitive strategy. Outsourcing for example has played a key role in cutting cost, improving service delivery as well as facilitating faster rollouts. This finding is in agreement with David (2011) who observed that companies are choosing to outsource their functional operations more and more for several reasons: (1) it is less expensive, (2) it allows the firm to focus on its core businesses, and (3) it enables the firm to provide better services. This has enabled TKL to be a cost leader in the market. In addition, strategic alliance has been integral to TKL in the pursuit for differentiation strategy. This strategy has enabled TKL to offer products that would otherwise be impossible based on available infrastructure or core business. According to David (2011) Joint ventures and partnerships are often used to pursue an opportunity that is too complex, uneconomical, or risky for a single firm to pursue alone. Such business creations also are used when achieving and sustaining competitive advantage when an industry requires a broader range of competencies and know-how than any one firm can marshal.

CHAPTER FIVE: SUMMARY,CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter contains summary of findings, conclusion, recommendations and limitation of the study in line with the research question and objective. The research was aimed at finding out the competitive strategies adopted at Telkom Kenya.

5.2 Summary

As one of the mobile service provider in Kenya, TKL has made strides in terms of being a competitive player in the market. This view is on the basis on considering that before its privatization, TKL was on the verge of bankruptcy. In addition, by the time it was being privatized, much of the mobile market share had been taken by the other players who were already in existence. As a result, the launch of GSM service under the brand of Orange was more of a late entry. Hence in order to be competitive, TKL has had to adopt strategies such as cost leadership, best cost provider and focused differentiation. It has had to undertake outsourcing as well as strategic alliance in order to supplement their competitive strategies.

The findings on the cost leadership strategy has been achieved by leveraging on existing infrastructure, Infrastructure sharing, tight control of cost and overheads, improving efficiency in operations reduction of input costs, tight control of labor costs, use of information systems and lowering distribution costs. The research indicates that cost leadership is one of the most effective strategies employed by TKL and it is the basis that

the firm has been relying on to increase their market share by branding it as the firm offering the lowest calling rates both locally and internationally.

The focused differentiated product by TKL is achieved mostly by offering differentiated products based on their mobile money platform. This strategy is not very effective given the low number of subscription compared with the entire industry. In addition the level of differentiation is quite low and as a result competitors can imitate. The threat of substitutes is another key reason challenging the effectiveness of the strategy.

The best cost provider strategy approach by TKL on the other hand is all about offering slightly differentiated products at a cost better than rivals.TKL has achieved this service mostly in their international calling rates where calls to other countries at a relatively low price compared to rivals. In addition, TKL offers data on their 3G network at a relatively low cost compared to rivals. As a result, this strategy has immensely contributed to TKLs competitive advantage.

Outsourcing as well as strategic alliance strategic approaches have contributed immensely in reinforcing the effectiveness of the competitive strategies adopted. Outsourcing has been influential in improving efficiency and cutting on cost while strategic alliance has been important in focused differentiated provider strategy.

However, TKL faces a number of challenges in implementing the strategies. Given the nature of rivalry in the industry, the other players in the industry namely Safaricom and Airtel command a large market share compared to TKL. In fact Safaricom commands a market share of average 67% according to CAK sector statistics report Q3 (2014/2015).This automatically makes it a market leader hence TKL makes a strategic

move anticipating retaliation. In addition TKL is faced with potential threat by new entrant for example Equitel which is being anticipated to be a dominant player in the mobile money and related services. Another challenge is existence of substitutes with low switching cost hence subscribers can switch between operators with ease. As a result TKL finds itself with huge task of maintaining their market share due to the high bargaining power of consumers in the sector.

5.3 Conclusion

This study concludes that TKL indeed formulates and implements competitive strategies in order to effectively compete in the industry. The study established that despite the challenges facing the firm, some strategies are effective if the statistics from CAK are anything to go by; however TKL has a long way to go given that it's yet to report profits.

Based on the findings, the products offered by the industry (voice, data and mobile money) are few and the level of differentiation is limited. As a result, the chances of competitors easily imitating over time is high. In addition, the study found out that TKL has fewer distribution channels and brand visibility compared to rivals; this makes it difficult for potential customers to access information or service.

Although TKL has so far the lowest market share, there has been a slight increase in the last one year however this may be too early to ascertain that progress. This new observation can be attributed to adoption of competitive strategies discussed however; new strategies need to be formulated and implemented is TKL is to remain competitive. In addition, TKL needs to increase its market share in order to generate revenues enough to cover its large fixed cost as well as variable cost. If this doesn't happen, then the entry

of MVNO's could threaten it since they have relatively low fixed cost and that can make them be very competitive.

5.6 Implication of the study or policy and practice

The government through the ministry of ICT and regulatory body CAK should continuously monitor the sector to ensure that there exists healthy competition. The regulatory bodies should formulate policies that protect existing firms from dominant new players as well as check the tendencies of existing firms from becoming dominant. In addition, strict adherence to quality of service should be enforced to prevent compromise on quality of service in pursuit of a market share.

Based on the study, managers at TKL are recommended to formulate more unique strategies that will enable the organization to be a market leader and not a follower given its position as the first telecommunication company in Kenya. In addition, the organization needs to effectively utilize its brand, infrastructure, human resource as well as other resource in order to develop highly differentiated products. This is necessitated by the fact that there are several substitute products that have the potential of offering competition to the basic service of voice and data.

5.4 Limitation of the study

Much as the study conduction was a success; however several problems were encountered. Initially, some respondents were busy hence it took a while before they got time to fill the questionnaire as needed. Others provided answers that were generalized in nature thus denying the study articulate answers that it sought and some did not respond at all.

There were also those who were skeptical of the purpose of the study as they felt that some information disclosed could be used by their competitors. Hence it took a lot of convincing that the purpose of the study was purely academic.

5.5 Recommendation for further research

The Kenyan telecommunication market is highly dominated by Safaricom limited based on market share a well as profitability. All organization in the Kenyan industry adopts various competitive strategies but most fall short of the intended objective. This is characterized by varied success rates as reported in their financial reports as well as the disparity in their market share.

In light of this, further research is recommended on a comparative study to be done on the effectiveness of competitive strategies among firm in the Kenyan telecommunication market. In the research, an in-depth study be should done on the impact of the adopted strategies in order to understand the reason for disparity in profitability among the existing firms.

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APPENDICES.

Appendix A : QUESTIONAIRE.

Dear Sir/Madam,

My name is Paul Njoroge. I am student at university of Nairobi, pursuing a Masters degree in business administration. In order to adequately qualify, I am required to carry out a research where I am studying about the competitive strategies that organizations in the telecommunication mobile service industry are adopting in order to gain competitive advantage and I have selected your organization as a case study

The study will be useful in bringing out in-depth understanding of the telecommunication industry and strategies organizations to adopt in order to improve their profitability. Hence I have selected your organization for the basis of my study. With regard to the same, I am requesting you to kindly provide answers to the attached research questions. I wish to guarantee you that the information given will be treated with confidentiality required.

Thanks.

Yours Faithfully

Paul T. Njoroge.

SECTION A: (General information)

Basic information

1. Names ………………………… ……………………….. ……………………….
2. Position in the Organization…………………………………………………...
3. Which department do you work in?...
4. Duration of working in the at Telkom Kenya……………………………………..
5. Total Number of years worked in the Telecommunication Industry……………….
6. What services and products does your organization provide………..

SECTION B: Challenges in telecommunication industry.

1. Please describe the state of competition in the industry in terms of.

(a) Lower pricing……………………………………………………………………...

…………………………………………………………………………………………

…………………………………………………………………………………………...

(b) Differentiated products (*unique products*)……………………………………………...

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(c) Higher quality and better performance of products…………………………………….

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(d) Strong brand image and appeal………………………………………………………...

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(e) Bigger and better dealer network……………………………………………………….

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(f) Access to large capital resource…………………………………………………………

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(g) Ability to provide to provide buyers with custom made products……………………..

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(h) Low interest rate financing…………………………………………………………...

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2. Threat of new entrants in the telecommunication industry.

(a) Are the entry barriers in the industry low or high (***Please Explain***)…………………...

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(b) Are potential entrants (if any) perceived to poses immense resources (***Please Explain***)………………………………………………………………………………………

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(c) Are potential entrants (if any) perceived to possess high brand recognition and brand recognition (***Please Explain***)............……………………………………………………

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(d) Does government policy in any way favor new entrants in the industry (***Please Explain***)………………………………………………………………………………………

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(e) Is it possible for your existing customer base to switch to potential entrant's products without them incurring major switching cost (***Please Explain***)……………………………

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3. Bargaining power of suppliers.

Please explain the bargaining power suppliers in your organization or industry in terms of.

(a) Possibility of your organization incurring high cost if you decided to switching to an alternative supplier…………………………………………………………………
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(b) Are needed inputs short in supply……………………………………………..…
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(c) Suppliers have products that are highly unique and critical to your organizations provision of goods and services……………………………………………...…..
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(d) Threat of suppliers threatening to integrate forward………………………………..
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4. Bargaining power of Buyers.

Please explain the buyers' bargaining power in terms of.

(a) Buyers ability to easily switch to another provider

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(b)Buyers have discretion in whether and when they purchase the product………………..

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5. Threat of substitute products.

Please explain the threat of substitute products.

(a) Existing and readily available good substitutes……………………………………

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(b) Substitutes are attractively priced…………………………………………………..

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(c) Substitutes have comparable or better performance…………………………………………………………………… …………………………………………

SECTION C: Competitive strategies adopted to deal with the challenges.

1. Briefly explain how the following ***competitive strategies*** have been adopted to deal with various competitive forces.

(a) **Low Cost Leader**-Ability to produce goods and services at low costs.

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(b) **Differentiation**- Ability to produce unique products than rivals.

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(c) **Best cost provider** – Ability to provider good quality products at relatively Low price than rivals………………………………………………………………………..

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(d) **Focused low cost provider**- Ability to provide goods and services at low cost within a given niche market…………………………………………………………...

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(e) **Focused differentiated provider**- Ability to provide ***unique*** within a niche market………………………………………………………………………………..

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2. Among the competitive strategies listed above, please list those that have been most successful in your organization……………………………………………...

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3. Has your organization either now or in the past adopted **complementary strategies** like ***mergers and acquisition, Vertical integration, outsourcing, strategic alliance*** and how have they impacted profitability……………………….

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