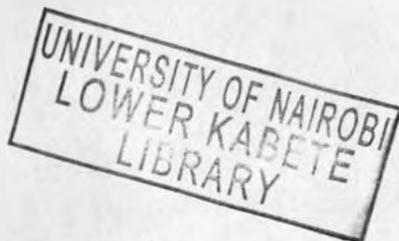


**THE EFFECT OF MULTIPLE COMPETITIVE STRATEGIES AT AIRTEL  
KENYA LIMITED**

**BY**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULLFILMENT OF  
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## DECLARATION

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

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

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## **DEDICATION**

**I dedicate this dissertation to my family, especially to my parents for instilling the importance of hard work, higher education and the support they have endlessly given me in education. To my sisters for the encouragement and assistance they have given me through the course.**

## ABSTRACT

According to Michael Porter there are three generic competitive strategies for outperforming other companies in a particular industry this includes low cost, differentiation and focus. From the three generic business strategies Porter stresses the idea that only one strategy should be adopted by a firm and failure to do so will result in the company being stuck in the middle. He discusses the idea that practicing multiple strategies will lose the entire focus of the organization hence no clear direction. Further research have shown that firms employing the multiple business strategies outperform the ones adopting one generic strategy which now challenged Porter's concept and further argued that successful combination of strategies will result in sustainable competitive advantage. Later on Porter revised his thinking and accepted the fact that hybrid business strategy could exist especially in the highly volatile and turbulent market. A case study has been done in Airtel Kenya which has been in such a turbulent environment and has been using multiple competitive strategies. This study is undertaken to shed further light into Porter's conclusion. The study used descriptive research design in design and methodology and primary data was collected. The data collection instrument was interview guide. The target population was drawn mainly from the top management and middle management. Qualitative analysis was employed on the collected data presenting the findings in figures and narratives. The findings were that the company has still not managed to gain competitive edge though they have been using multiple competitive strategies. This implies that for a firm to have a competitive edge, how strategies are laid down and implemented is a key factor. The researcher has suggested that a similar study could be done on the effect of changing competitive strategies frequently as this would therefore explain further why Airtel Kenya is still not able to maintain the competitive edge in the industry.

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## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the Study

Competition is at the core of the success or failure of firms. It determines the appropriateness of firm's activities that can contribute to its performance. Competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which the competition occurs. It aims to establish a profitable position against forces that determine industry competition. For a company to choose its competitive strategy it needs to know the attractiveness of the industry for long-term profitability as well as the factors determining it, it also needs to determine its relative competitive position within the industry.

Airtel Kenya competes in Kenya's mobile industry with companies including Safaricom Ltd, the nation's biggest mobile-phone company, and Telkom Kenya Ltd, a unit of France Telecom SA also Essar Telecom Kenya (Yu), Price Waterhouse Coopers (2009). It will not entirely peg its penetration solely on affordable calling rates, but through value added services such as banking, health, education and agriculture according to the Africa CEO. Bharti Airtel Africa (English speaking countries) Chief Executive Officer confirmed that Airtel Kenya would be leveraging on technical expertise gained in India to make the operator the market leader in the next five years.

Communications Commission of Kenya (CCK) came up with new regulations that gave CCK a broad range of powers that were geared towards ensuring a level playing field in the telecommunications sector. However, more specifically, the regulations were potentially to put safaricom at a serious disadvantage should CCK deem Safaricom to be using their market dominance for unfair competitive practices. The regulations were indeed far reaching in terms of

affecting how Safaricom will operate going forward. Not surprisingly, the new regulations were met with approval from the other telecommunications players who saw it as working in their favor to rein in Safaricom's market dominance.

### **1.1.1 Porter's Generic Strategies**

According to Porter (1990) there are three general types of strategies used by businesses. They are defined according to two dimensions which include strategic scope and strategic strength. Strategic scope is the demand side dimensions and look at the size and composition of market a firm is targeting while strategic strength involves the supply side dimension looking at the strength or core competency of the firm. When multiple strategies are employed, a business implements more than one different strategy simultaneously, each for a different market segment as it is possible for a business to occupy within two or more segments, they are difficult to implement but potentially rewarding. They can lead to greater volumes than the competition to be achieved and the margin still kept attractive because of the low cost base. Porter (1990) argues that firms that are able to succeed at multiple strategies often do so by creating separate business units for each strategy.

An organization can have multiple competitive strategies implying that it will be all things to all people hence becoming stuck in the middle with no distinctive competitive advantage. This is also called hybrid strategy when the company simultaneously seeks to achieve differentiation and a price lower than the competitors. The success of the strategy depends on the ability both to understand and to deliver enhanced value in terms of customer needs. Research suggests that in some cases it is possible to be a cost leader while maintaining a differentiated product.

Competitive strategies are strategies that strongly position the company against competitors and that will give the company the strongest possible strategic advantage which is the advantage over competitors gained by offering consumers greater value than what their competitors offer. Today's dynamic market and technologies have called into question the sustainability of competitive advantage. Thompson & Strickland (2007) argue that competitive strategy consist of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position. Competitive advantage in a company grows out of the way the companies organize and perform discrete activities. Airtel Kenya is using multiple strategies in order to beat of its competitors as it will be focusing on different market segments, including mass market, corporate clients as well as SMEs.

Competitive advantage is at the heart of a company's performance in competitive markets. It is about how a company puts the generic strategies into practice and it grows fundamentally out of the value the firm is able to create for its buyers (Porter, 1990). It may take the form of prices lower than competitors for equivalent benefits or the provision of unique benefits that more than offset a premium price. Competitive advantage is a company's ability to perform in one or more ways that competitors cannot or will not match. It describes the way a company chooses and implements a generic strategy to achieve and sustain competitive advantage over competition in an industry. Companies strive to build a sustainable competitive advantage. Those that succeed deliver high customer value and satisfaction leading to a high repeat purchases and therefore high company profitability (Kotler, 2004).

### **1.1.2 Telephony Industry in Kenya**

The telephony industry in Kenya, just like the rest of the world, has been going through profound changes. In the past decade, technological advancement and regulatory restructuring have transformed the industry. Markets that were formerly distinct, discrete and vertical have coalesced across their old boundaries with a massive investment of capital much of it originating from private sector participants. This resulted in new markets, new players, and new challenges leading into introduction of the world's best known telecommunication providers – Vodafone, France Telecoms and Essar Communications through their investments in Safaricom Limited, Zain Kenya limited (now Airtel), Telkom Kenya Limited and Econet Limited respectively being major players in the Kenyan market.

The Kenyan mobile telephony industry is currently experiencing cutthroat competition among the four main key players in the industry, with networks introducing various incentives to lure customers. The battle for supremacy and for subscribers among mobile phone operators was not only in the tariff platform but also on data and smart phone technology. The Kenyan mobile operators have been engaged in price war, which significantly reduced the mobile tariffs in the country. Mobile operators in Kenya are becoming more reliant on data for revenue after the industry regulator in August 2010 halved the rates that operators charge each other to connect voice calls across networks to 2.21 shillings, hence a round of cuts in call costs by companies to less than 2 shillings per minute and in some cases free calls during off-peak hours. Over the past six months, Airtel added 2 million customers, bringing the total to 6 million, as minute usage tripled. The company cut call rates to 1 shilling per minute from 3 shillings per minute.

According to CEO (International) and Joint Managing Director the main emphasis of Airtel Kenya is focusing on rural areas, investing as much as Sh24 billion to upgrade its network, and tap into this largely untapped market. It hoped to attract more subscribers to sustain its operations who are currently not captured.

Airtel Kenya largely credited for starting price war grew its share of the market to 13.5 percent by September from 9.1 in June. Its customer grew base by 1.14 million subscribers from 1.8 million in June to 2.98 million in September. Safaricom's market share declined to 75.9 percent from 80.7 percent in June, with 16.7 million subscribers as of September. Orange Kenya's subscriber base grew 58 percent to 875,592 subscribers during the quarter. Its share of the market went up to 4 percent from 2.7 percent in June. Essar Telecom, which trades under the brand Yu, lost both market share and subscribers to rival networks. The number of customers on its network reduced 1.7 percent to 1.46 million from 1.49 million in June. Its market share went down from 7.4 percent in June to 6.7 percent.

### **1.1.3 Airtel Kenya Limited**

Airtel Kenya, rebranded from Zain Kenya after Bharti's \$9 billion acquisition of most of Zain's African assets in June 2010. Bharti Airtel is India's largest mobile services company with over 62 million subscribers. It completed the largest ever cross-border acquisition in emerging markets to takeover Zain Africa operations in 15 countries. At an enterprise value of US\$ 10.7 billion, this is one of the largest global deals in recent times making it the world's number five mobile phone operator by subscriber base. It has over 200 million customers as of November 2010 across its operations with 50 million in Africa and \$3.6 billion in annual revenue. It has created a model approach to becoming successful in a market that has both extremes of wealth

and poverty, in a very diverse market. Airtel strategy is to share infrastructure with other operators in East Africa's largest economy and through its partnerships with service providers. It would be in a position to offer faster Internet to its subscribers by upgrading data from the current 2G to 3G (Bloomberg, 2010). The tariffs will remain low due to lower overall cost of operations as Airtel enjoy economies of scale through these partnerships. This package effectively removes the cost of entry for even the poorest people in the most remote areas (Telecompaper, 2010).

The holding company, Airtel in the last quarter had 27 per cent drop in profits. Analysts said the company was weighed down slightly by its African acquisition, and warned that lower margins in Africa could hit overall profitability in future quarters. Airtel would maintain its aim to net new customers and offer satisfaction. According to Airtel Kenya CEO profitability will not be the goal but a consequence of what happens in the market place and what the business model is all about. It has a very cost effective business plan that has worked well for the company over the years. He was optimistic the company's profits would pick up as soon as more customers make the switch to the Airtel brand.

## **1.2 Research Problem**

Competitive strategy involves developing a broad formula for how a business is going to complete what it goals and what policies will be needed to carry those goals (Porter, 1990). According to Porter (1990), it is important for the firm to be in a position that it can identify its strengths and weaknesses relative to the industry and their underlying causes have been diagnosed. This leads to the firm acting from a strategic standpoint in making crucial decisions.

Competition in the telecommunication industry is currently tight; Safaricom is incredibly strong in terms of market leadership and business performance. However, it only achieved this position through innovation, sound business practices and being market-focused. It also invested heavily and continuously offered a value proposition that was level above the competition, with the two late entrants on the Kenyan market Yu and Orange they have held their own market share. Airtel Kenya has been changing its strategies frequently as it has been changing its ownership. Since it began its operation with the Kencell brand name, it had one major strategy namely High Average Revenue Per User (HARPU), with subsequent brand names which include Celtel where it applied strategies namely mass market and HARPU, as Zain it applies the latter as well as a new inclusions namely Small and Medium Enterprises (SME). Also now as Airtel it still is enhancing what the predecessor had. When it was operating as Kencell it was the market leader, it then lost its position to Safaricom as has hence been second in the industry since then.

When a firm sustains profit that exceeds the average for its industry, it is said to possess a competitive advantage. Various studies have been carried on competitive strategies in a number of industries; Ilovi (2008) focused on competitive strategies employed by firms in the courier industry in Kenya found out that in the Courier Industry the firms used either of the three Porter's Generic Competitive strategies. The findings indicated that there is a blend of Porter's Generic Competitive strategies adopted by Kenya courier firms with cost advantage strategy being used by a bigger percentage then differentiation strategy and lastly focus strategy. A study by Wacuka (2006) focused on competitive strategies adopted by second hand motor vehicle dealers in Nairobi, Kenya found out that most car showrooms in operations for one to five years utilized cost leadership, focus and differentiation strategies interchangeably and to a moderate extent hence no unique competitive strategies in the industry. There are many companies that

have applied Porter's Generic Strategies and the successes differ from each company. There being no clear definition or explanation of the successfulness of the strategies in a firm. This study therefore is intended to investigate the application of Porter's Generic Strategies at Airtel Kenya Limited. Hence the question here is what is the application of Porter's Generic Strategies at Airtel Kenya?

### **1.3 Research Objectives**

- i. To determine how Airtel Kenya limited is applying Porter's Generic Strategies to cope with competition in the telecommunication industry.
- ii. To determine the effectiveness of the Generic Strategies adopted in coping with competition in the industry.

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

To the academicians they will benefit from the research and be able to challenge it further especially in situations where the companies don't have competitive advantage while using multiple strategies. This will contribute to the bridging of the knowledge gap by underscoring how competitive strategies can be used to maintain a competitive edge of a company as well it ensuring its leadership position.

To other players in the industries they will be able to learn and understand the competitive strategies that can be used together for them to have a competitive advantage over their rivals. This is because it will provide valuable information on the intricacies of competitive strategy in the telecommunication industry in general.

For the Airtel Kenya management this information will be helpful for the management to know the challenges they are experiencing. This will have a great impact on the company as the managers will be able to find out of area where they need to improve their performance on to ensure that they have competitive edge over their rivals. It shall help in development of the relevant policies and help to identify solutions to the challenges faced in competitive strategy development of the organizations.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter outlines the literature used to collect the information which is from secondary data as information collected is from written sources. It describes the entire topics that the researcher will use identify and analyze about the concept of competition and its challenges, concept strategy, competition strategies as well as their challenges.

### **2.2 Concept of Competition**

Competition is at the core of the success or failure of firms. Competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation. Competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. Companies focus on gaining competitive advantage to enable them responds to and compete effectively in the market (Johnson and Scholes, 2002). With increase in competition, companies are threatened with the attractiveness of an industry and reducing the profitability of the players. Competition acts as a force that would, in the long run, eliminate excessive profits and unsatisfied demand.

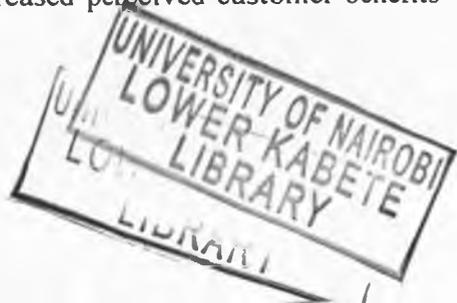
Many organizations are now faced with turbulent, fast changing uncertain businesses environments and increased level of competition. In such environments, competitive advantage is only temporary and will relate to a firm's ability to change, speed, flexibility, innovation and

disruption of markets. (Johnson, Scholes and Whittington, 2006). The Austrian and Evolutionary schools view competition as a dynamic discovery process in which entrepreneurs seek new profit opportunities set in a world of constant change. They are interested in change over the relatively long run.

### **2.3 Challenges of Competition**

Organizations achieve competitive advantage by providing their customers with what they want, or need, better or more effectively than competitors; and in ways which their competitors find difficult to imitate. Newman (1989) identifies challenges that may hinder a company not to implement its competitive strategies. They include high financial requirements that the company cannot afford, regulatory issues imposed by government and the industry to discourage industry from being flooded hence few players. Competitive advantage grows fundamentally out of value that a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price.

To achieve a competitive advantage, a successful firm must defend its superior market position from attack by competitors this is by prevention of imitation and creation of high customer switching costs (Walker, 2004). To maintain competitive advantage, a firm must have core competencies. Prahalad and Hamel, (1990) define a core competence as an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity. They have explained further that a core competence consists of three characteristics which include: Providing access to a wide variety of markets, increased perceived customer benefits and it also hard for competition to imitate.



A sustainable competitive advantage is the prolonged benefit of implementing unique value creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this (Barney, 1991). Competitive advantage is the position an organization develops vis-à-vis its competitors through its patterns of resource deployment. Organizations should aim to build a sustainable competitive advantage. Managers must understand their organizations industrial environment to be able to formulate good sustainable strategies. Sustainable competitive advantage is what will allow a firm to gain an edge over its rivals in attracting customers and defending against competitive forces in the long term. Investing in creating competitive advantage is a company's single most dependable contributor to above average profitability (Thompson et al, 2007).

## **2.4 Concept of Strategy**

A company's strategy is the management action plan for running the business and conduction operations (Thompson et al, 2007). It further said it is managerial commitment to pursue set of actions to grow business, attract and please customers, compete successfully and improving company's financial and market performance. It best indicates the company strategies which are actions in the market place and statements from senior managers about the company's current business approaches, future plans and efforts to strengthen its competitiveness and performance. According to Lynch (1997) achieving sustainable competitive advantage involves every aspect of the way in which the organization competes in the market place, prices, product range, manufacturing quality and service levels. Firms have to ensure that they have an edge apart from their competitors to avoid being imitated or replaced by other players in the market.

Chandler (2003) defined strategy as the determination of the long-run goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. It is the pattern or plan that integrates an organization major goals, policies and action sequences into a cohesive whole. A well formulated strategy helps marshal and allocates an organization resources into a unique and viable posture based upon its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents. Strategy is the pattern of objectives, purposes, goals and the major policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in or the kind of company it is or is to be. According to Andrew (1986) it is the sole purpose of strategic planning is to enable a company to gain as efficiently as possible a sustainable edge over its competitors.

According to Johnson et al (2002) strategy is likely to be concerned with the long term direction of an organization. One advantage is that a company is able to move before competitors hence making it difficult to be imitated by them also providing better value of money services than other providers also attracting support and funding. It ensures that a company has an effective position in relation to competitors so as to achieve advantage. Concept of strategy is the direction and scope of an organization over the long term which achieves advantage for the organization through a changing environment to meet the needs of market and to fulfill stakeholder expectations (Johnson et al, 2002). Strategy guides an organization to superior performance through the establishment of competitive advantages. It shows a company's awareness of how it should compete, when it should compete, whom it should compete against, where it should compete and for what purpose it should compete for (Pearce and Robinson, 2007). Mintzberg (1987) viewed strategy as a plan, it consciously determines intended course of action, as a ploy it

is a means of positioning a firm in its environment, as a perspective it consists of a position and an ingrained way of perceiving the worlds. Ohmae (1983) suggest that corporate strategy is only needed when an organization faces competitors.

Pearce et al (2007) defined strategy as large scale, future oriented plans for interacting with the competitive environment to optimize achievement of organizational objectives. While corporate strategy defines the market and the businesses in which a company will operate, competitive or business strategy on the other hand defines the basis on which a business will compete. Competitive strategy hinges on a company's capabilities, strengths and weakness in relation to market characteristics and the corresponding capabilities, strengths and weaknesses of the competitors (Porter, 1990). He further says that competitive strategy is concerned with competitors and the basis of competition.

## **2.5 Competitive Strategies**

Competitive strategy is the broad formula of how a business is going to compete, what it goals should be and policies needed to carry the goals (Porter, 1980). The objectives of competitive strategy are to knock off the socks of rival companies by doing a better job of satisfying buyer needs and preferences (Thompson et al, 2007). According to Porter, (1980) the goal of competitive strategy for the company is to find a position in the industry where it can best defend itself against the competitive forces or influence them in its favor. This involves positioning a business to maximize the value of the capabilities that distinguish it from its competition.

Competitive strategy is defined by Johnson et al (2002) as one which is concerned with the basis on which a business unit might achieve competitive advantage in its market. A company's competitive strategy deals exclusively with the specifics of management game plan for competing successfully. It involves employment of specific efforts to please customers, its offensive and defensive moves to counter the maneuver of rivals; its responses to whatever market conditions prevail at the moment, its initiative is to strengthen market position and its approach to securing a competitive advantage and thus outwit the rivals. A company achieves competitive advantage whenever it has some type of edge over rivals in attracting buyers and coping with competitive forces (Thompson et al, 2007). Johnson et al (2002), define competitive strategy as the basis on which a business unit might achieve competitive advantage in its market. Competitive strategy should lead to competitive dominance, which in the words of Tang and Bauer (1995) is about sustained leadership and levels of undisputed excellence. Tang et al (1995) contend that competitive dominance is an attitude that begins with the realization that a leadership position is no guarantee for long term success, especially in the global market place. Competitive dominance seeks to position the firm for future opportunities through quality initiatives and offerings that delight customers.

The two key factors to be met by effective competitive advantage are: First is the attractiveness of industries for long-term profitability and the factors that determine it. This is because not all industries offer equal opportunities for sustained profitability, and the inherent profitability of its industry this is one essential ingredient in determining the profitability of a firm. The second central factor in competitive strategy is the determinants of relative competitive position within an industry. In most industries, some firms are much more profitable than others, regardless of what the average profitability of the industry may be.

The firm sets out to become the low cost producer in the industry for a given level of quality. This strategy involves the firm winning market share by appealing to cost-conscious or price-sensitive customers and is seen by having the lowest prices in the target market segment. The firm sells its products either at industry prices to earn a profit higher than its rivals or below the average industry prices to gain market shares (Mwakundia, 2006)

According to Porter (1980) businesses following this strategy ensure that their processes make them the lowest cost producers or suppliers in the market. He further notes that striving to be the industry's overall cost provider is a powerful competitive approach in many markets where buyers are price sensitive. It is only beneficial to a firm if it is able to withstand intense price competition and if the buyers appreciate the offer for low prices. Omondi (2006) notes that new entrants get deterred by low cost capabilities in the industry that make supply price increases more easily.

The firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. The firm aim is to have its products to stand out as this is crucial for success. The company is able to charge a premium price for its products or services in the market. Porter (1980) has argued that for a company employing a differentiation strategy, there would be extra costs that the company would have to incur including high advertising spending to promote the product. This strategy calls for the development of a product or service that offers unique attribute, that are valued by customers and that customers perceive to be better than or different from the products of the competition.

The uniqueness in the products brings value addition that may allow the firm charge a premium price (Mwakundia, 2006). Barney (1997) states that successful product differentiation helps a firm respond to environmental threats, furthermore it reduces the threat of rivalry because each firm in an industry attempts to carve out its own unique product niche. Aaker (1998) emphasizes that one major key to a successful differentiation strategy is to develop the point of differentiation from the customers perspective rather than the perspective of the business operation. Differentiation perspective should include generating customer value, providing perceived value and being difficult to carry.

The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. It has two variants the first one is cost focus where a firm seeks a cost advantage in its target segment while the second is differentiation focus where a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser target segment and other segments in the industry. The target segment must either have buyer with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. The benefits of optimizing the firm's strategy for a particular target segment cannot be gained if a firm is simultaneously serving a broad range of segments.

Firms that succeed in focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market that they know very well. Because of narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However firms pursuing differentiation focus strategy may be able to pass higher costs onto customers since close substitutes products don't exist (Mwakundia, 2006).

According to Porter (1980) the target market must either have buyers with unusual needs or else the production and delivery systems that serve the market segment must differ from those of other industry segments. He further states that focusing is attractive where the segment has good potential and the firm has the capabilities and resources to serve the targeted niche effectively.

## **2.6 Challenges of Competitive Strategies**

Both industry attractiveness and competitive position can be shaped by a firm, and this is what makes the choice of competitive strategy both challenging and exciting. While industry attractiveness is partly a reflection of factors over which a firm has little influence, competitive strategy has considerable power to make an industry more or less attractive. At the same time, a firm can clearly improve or erode its position within an industry through its choice of strategy. Competitive strategy, then, not only responds to the environment but also attempts to shape that environment in a firm's favor to attain sustainable profitability (Porter, 1990). Strategies that change industry structure can be a double-edged sword, because a firm can destroy industry structure and profitability as readily as it can improve it. Often firms make strategic choices without considering the long term consequences for industry structure. They see a gain in their competitive position if a move is successful, but they fail to anticipate the consequences of competitive reaction.

Each generic strategy is a fundamental different approach to creating and sustaining a competitive advantage, combining the type of competitive advantage a firm seeks and the scope of its strategic target. Usually a firm must make a choice among them, or it will become stuck in the middle. Sometimes a firm may be able to create two largely separate business units within the same corporate entity, each with a different generic strategy. A generic strategy does not lead

to above-average performance unless it is sustainable vis-a-vis competitors, though actions that improve industry structure may improve industry wide profitability even if they are imitated. The sustainability of the three generic strategies demands that a firm's competitive advantage resists erosion by competitor behavior or industry evolution. Each generic strategy involves different risks. The degree of risk is a key factor in choice of strategy, a generic strategy chosen should lead to above average performance in comparison to competition (Porter, 1998). It should be sustainable and bring competitive advantage that resist erosion by competitors behavior or industry evolution.

Two assumptions lie behind the argument that firms stuck in the middle do poorly, first because the resources and capabilities of a firm are not dedicated to achieving either high value or low cost, the firm cannot compete on value with the differentiator or on cost with the cost leader. And the second reason is because the customer base of a firm stuck in the middle is insufficient to allow it to improve its abilities, given competition with other firms that is customers gravitate toward the higher value of the differentiator and are willing to pay the price it charges. According to Porter (1990) the firm that is stuck in the middle is almost guaranteed for low profitability, as it either loses the high volume customers who demand low prices or must bid away its profits to get this business from the low-cost firms. Yet it also loses high business margin the-cream to the firms that are more focused on high-margin targets or have achieved differentiation overall. The firm that is stuck in the middle also probably suffers from a blurred corporate culture and a conflicting set of organizational arrangements and motivation system.

Each generic strategy is also a potential threat to the others. According to Porter (1990) there is a risk of pursuing generic strategies which include failing to attain or sustain strategy and secondly it is for the value of strategic advantage provided by the strategy to erode with industry evolution. In many industries, however, the three generic strategies can profitably coexist as long as firms pursue different ones or select different bases for differentiation or focus. The past and present choice of generic strategies by competitors, then, has an impact on the choices available to a firm and the cost of changing its position. The concept of generic strategies is based on the premise that there are a number of ways in which competitive advantage can be achieved, depending on industry structure. While not all would succeed, the generic strategies provide alternate routes to superior performance. Johnson et al (2002) observes that compromise or middle ground strategies rarely produce sustainable competitive advantage hence for a company to achieve sustainable competitive strategies putting into consideration factors that influence the choice

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter outlines the research design and methodology followed in conducting this study. It describes the entire process that the researcher used to obtain the sample from the population as well as data collection methods and data analysis.

### **3.2 Research Design**

The proposed research was a case study this is because the objectives of the study was to establish challenges facing Airtel as it has been adopting different strategies to be emulated. A case study is an in depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003). It is most appropriate where detailed analysis of single unit of study is desired. It provides focused and detailed insights to phenomenon that may otherwise be unclear.

The importance of the case study is emphasized by Young (1960) and Kothari (1990) who are in agreement that case study is a very powerful form of qualitative analysis involving a careful and complete observation of a social unit of irrespective of what type of unit is under study, it drills down rather than cast wind. The study was seeking to explain how strategies can be effective and the impact of frequent change or lack of one strategy can have on a company.

### **3.3 Data Collection**

A personal interaction with the respondent through interview guide was used to collect primary data. The interview guide is an efficient data collection mechanism since each respondent is asked to respond to the same set of questions. It is a two way systematic conversation initiated by the investigator to an informant for obtaining information relevant to a study. An interview schedule by an interviewer was given to ensure all interviewees are able to directly have a session with the interviewer.

The interview guide designed is of two sections. The first section was demographic and the second section was devoted to competition and competitive strategies. Interviews were done to the top management as they are well versed with the strategies adopted by Airtel. Currently the structure of Airtel is composed of CEO, directors, managers and supported by several head of departments and their staff.

### **3.4 Data Analysis**

Data was analyzed as per content based on the information collected from the interview guide. This was pre-designed for the interview and was presented to the directors and managers and the results were analyzed. The process involved data preparation and carrying out descriptive analysis. Data preparation involved cleaning and organizing data for analysis. This included analyzing the interview guide and editing the information guide.

Editing was carried out to detect errors and omissions and to correct them when possible. This guaranteed data accuracy, consistency, uniformity, completeness and orderliness. Quantitative data was analyzed using qualitative analysis; it seeks to make general statements on how

categories or themes of data are related (Mugenda and Mugenda, 2003). Content analysis is the systematic qualitative description of the composition of the objects or materials of the study. It involves observation and detailed description of objects, items or things that comprise the sample (Mugenda and Mugenda, 2003).

## **CHAPTER 4: DATA ANALYSIS, RESULTS AND DISCUSSIONS**

### **4.1 Introduction**

This chapter discusses the results of the interview guide. For a clearer presentation, the results of the study are presented in figures. To give an appropriate flow of discussion, the results are presented in three sections. The first section presents results of sample characteristics. The second section presents findings on Porters generic strategies; while the third section presents results on effectiveness of generic strategies.

### **4.2 Analysis of Sample Characteristics**

This section presents analysis of the general information which the respondents were asked about the organization. This includes the response rate from the sample population, the profile of the company and the position of the respondents in the organization, Out of total of eight directors targeted for the study, six respondents were able to fill the interview guide, giving a response rate was 62.5 percent.

#### **4.2.1 Profile of the Company**

Airtel Kenya was previously known as Zain Kenya Limited. The company subsequently changed ownership and hence the name also changed. The main emphasis of Airtel Kenya has been on increasing the market share. Considering that most urban areas in this country are already covered, the company is laying emphasis on improving quality rather than expanding coverage to the more sparsely populated areas of the country (Wahome, 2005). The company is focusing on three issues they slackened on in the past which include: boosting network, distribution and giving the best value propositions at the most affordable rates.

The form of organizational structure is critical for success in finding the effectiveness of competitive strategies of a company. This is because it constitute of the institutional capability affecting the company effectiveness and efficiency.

#### **4.2.2 Position of the Respondents in the Firm**

The respondents were drawn from different departments with the directors and one manager being interviewed. The position of the respondents had a bearing of the kind of the responses they gave, since they constituted the top decision making organ of the company, they are in a better position to understand matters of strategy in the company as they are directly involved in strategy formulation and implementation in the company.

The interview guide also sought responses to the number of years these respondents had worked in the organization. From the analysis presented three of the respondents have been with the company for less than three years, two have been in the company between three and six years, only one of the respondents has been in the company for more than ten years. The experience of the respondents can be said to have an impact on the way competitive strategies are set out and the kind of strategies chosen. Young employees tend to be more risk takers than the old employees and therefore dictate what strategies each group takes.

#### **4.3 Porters Generic Strategies**

This section addresses first how Airtel Kenya Limited is applying Porter Generic Strategies to cope with competition in the Telecomm industry. The respondents were asked to state how they view competition in the industry, a content analysis was done and responses are as reported. Most respondents described competition in the industry as very volatile. They noted that brand

recognition was the major competition strategy factor for the main rival which was dominant in the field with a bigger market share due to its products being well known and distributed everywhere in the region. It was noted that with the main rival its products are well known and it involved in coming up with innovative ideas, it also has a bigger network coverage hence it is able to hold and sustain a bigger market share.

It was also noted with the main rival being partly owned by the government it had a lot of flexibility as it was acting as a monopoly to the industry as it has been there and was able to set up its infrastructure countrywide. This was a bigger threat to the other upcoming companies. The respondents felt that the government through CCK should ensure that the regulations are followed as it was using its bigger market dominance for unfair competitive strategies. The respondents identified publicity of the other company being a major factor as to why it is a challenge. The respondents noted that with quality network offered by the company, it will led to clear and clarity of communication channel leading to more subscribers opting for that option. The other option was to ensure that there was affordability of the services to all customers at different locations.

Increased level of education and awareness among Kenyans and with them keeping up with technology has led to the emergence of more demanding customers. The respondents noted that customers are very keen on every change that take place and does a lot of research to ensure that it is for their favor, this is by researching, walking in to the shops as well as calling the customer care number to make enquiries. The respondents revealed that customers are increasingly working with value for money and are ready to jump ship when need be this is by knowing the cost of communication per each subscriber, time difference of calling and also keeping up with offers that favors them.

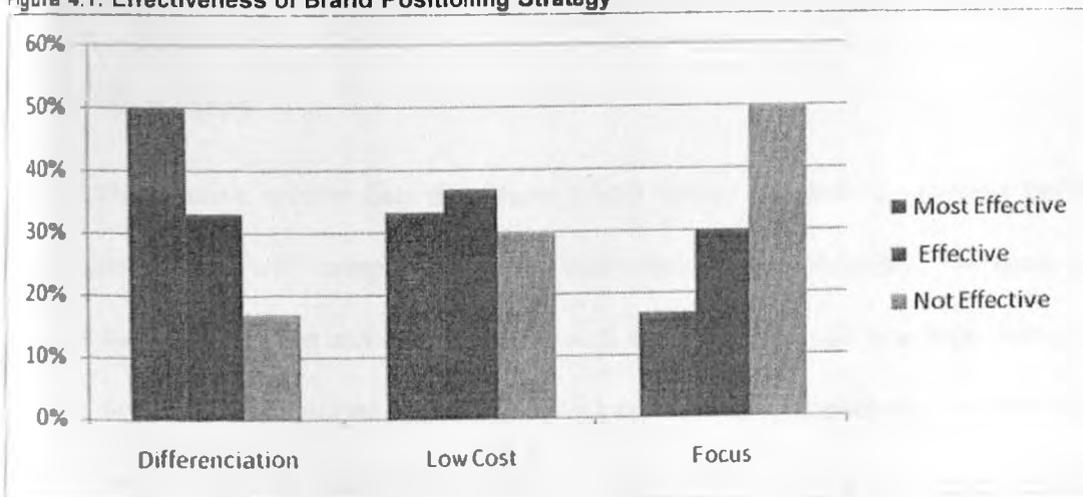
#### 4.4. Effectiveness of Generic Strategies

This section addresses the second objective of the study that aims at determining the effectiveness of the generic strategies adopted with coping with competition in the industry. The respondents were asked to indicate the strategies responses used in the industry. The study indicated that 50% of the respondents felt that differentiation strategy is the most effective, 33% felt that the strategy was effective while 17% felt that it was not effective. Low cost strategy was fairly opted as 33% felt it was very effective, 37% was effective and 30% not effective. 17% of the respondents felt that focus strategy was most effective, 30% felt that it was effective while 50% indicated that it was not effective. This is illustrated in Figure 4.1.

This resulted in improvement in service delivery as well as good quality of service and the structures were more business oriented. This was noted to be successfully achieved through training and especially the customer care to prepare the staff and also through outsourcing of the networking department to a company that deals entirely on networking and transmission. The respondents stated that there is increased emphasis on marketing and product coverage activities, this is aimed at enhancing revenue base, and increasing profitability and improving the customer care to the target market. Distributors are targeted to react in remote areas and capture new business. Promotions are conducted constantly and there is increased advertising on both print and electronic media to educate people and offer discounted services. Also noted is increased field visit by marketing and sales offices to lure new customers by offering give away promotion on purchase of any service.

The respondents noted that the impact of competition in the market is evident through to increase in market share, increase in price related complaints, irregular customer base due to shift in in loyalty and irregular subscription patterns by major customers. Competition is also perceived through enquiries from mass market customers seeking questions on various services over. This is believed to be an approach used to come up with accurate price companies with competition.

Figure 4.1: Effectiveness of Brand Positioning Strategy



All respondents noted that customer service has been given a prominent role in business. There is constant refurbishment of customer shops and reception is to make customer comfortable. Introduction of customer friendly services such as electronic enquiries through short messaging services (SMS). Constant feedback as well as follow up is being enhanced progressively by the customer care department. The company is constantly exploring ways to make customers happy through convenience shop and ensuring all times, distribution of products and services. The customer care department was outsourced to a company that offers and specializes in customer care area with the effort to educate on new and better way of serving customers. Customer feedback is taken with caution and any concern is handled up to customer's satisfaction.

## **CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents a summary of the research findings, conclusions made from the data analysis, results and discussions. The chapter also highlights recommendations made by the researcher, including recommendations for further research in the area of study.

### **5.2 Summary**

The first objective was to determine how Airtel Kenya Limited is applying Porter's Generic Strategies to cope with competition in the telecommunication industry. The study revealed that the increase competition and other rivals as well as lower price rate was high. Kenya government didn't have good regulations governing the telecommunication industry, but now they are being set to ensure leveled competitive which is also healthy it was felt this had created unfair competition but now was being in control, as some players evade the government regulations. Price has therefore become a key competition aspect in the industry and the prices have come down due to intense competition.

The study established changing competitive situation in telecommunication industry has posted challenges to Airtel Kenya. They arose from reduction of prices of products yet not compromising on the services given, increase in level of education and technology advancement as well. The management of all these changes has been made difficult in the presence of five forces that influence competitive situation in the industry.

Based on the research findings, the researcher concluded that providing differentiated services by Airtel Kenya. On the other hand, charging lower prices than competitors by a firm was found to be the least viable competitive advantage over competitors. In terms of the effectiveness of positioning strategies used by Airtel, it was concluded that differentiation is the most effective strategy, the second most effective positioning strategy is pricing with. In the same breath, the researcher also concluded that focus strategy by competitor is the least effective strategy.

### **5.3 Conclusion**

From the above findings one can conclude that the effect of having multiple competitive strategies in the Airtel Kenya has had an impact on the competition being faced in the company. This comes out clearly as the company has been changing its competitive strategies especially within a short while this is before a new one has been installed and implemented no sooner is it changed.

The management in Airtel Kenya has agreed and concluded that the competition in the industry is very stiff; this is because of their main rival having a bigger market share leading to the company driving the affordability of the product to the users. With the change of management especially the manager not being in position for a long time this has led to the company not having a one off strategy that the company will have to stick also due to the managers being young and hence dynamic. We can also attest that this has led to the company not being able to stick to one strategy and develop it.

### **5.4 Limitations of the Study**

Conducted research and analysis have some limitations that need to be acknowledged before conclusion. First, the scope of the study was rather broad; nevertheless the purpose of this

work was merely to provide and promote understanding of importance of studied issues and not to develop a framework or theoretical model. Second, the respondents were not easily available this is due to the nature of their jobs. I had to visit their offices at different time in order to schedule the interview and at time it was cancelled. I took three weeks to gather data from the six respondents. Two of the respondents were not available. Finally, as already mentioned Airtel Kenya is a private company with international ownership. It was difficult to get the data of the company as some of the respondents felt that this information can be used against them.

### **5.5 Suggestion for Further Research**

The study focused on the effectiveness of having multiple strategies in Airtel Kenya. A similar study could be done on the effect of changing competitive strategies frequently as this would therefore be more as to why Airtel Kenya is still not able to maintain the competitive edge in the industry. This study could ensure that there is a level playing field in the industry.

### **5.6 Implication on Policy and Practice**

The findings will act as stimuli to policy makers to understand the industry better hence enable formulate policies and regulations of Airtel Kenya. It will help them identify areas where marketers perceive discriminate policies are in use, examine them closely and work on streamlining them.

Industry players and potential investors will understand some basic dynamics of the telecommunication industry and strategies adopted due to increase in competition. They will prepare adequately and allocate enough resources to crucial functions of their business. They will be able to know which strategies and especially when dealing with multiple strategies in the industry

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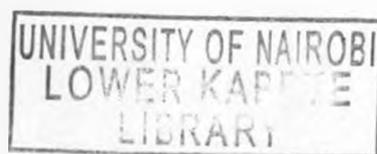
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# APPENDIX

## Interview Guide

1. Which department are you in.....
  - a) In which position .....

2. How long have you worked in Airtel Kenya in the current position?

- a) Have you worked in any other positions in Airtel Kenya? If yes which ones.....

3. How do you view competition in the industry?

4. How is Airtel Kenya responding to the competition in the industry?

5. Which strategy (ies) has the firm used to respond to competition in the industry?

Please elaborate.....

6. How did you find the strategy(ies) effectiveness in coping with competition

7. Among the strategies used, which ones did you find the most effective in coping with competition? (Applicable if strategies used are more than one)

8. To be able to compete effectively which methods are you using

- a) Low cost
- b) Unique differentiation
- c) Focus (Broad or narrow)

Have you ever used any other strategy before?

9. In your opinion, how would you rate the effectiveness of the chosen strategy(ies), among the three above, on a scale of 1-5. (Where 5= most effective, 4= Most Effective, 3=Effective, 2= Slightly Effective and 1= not Effective)

Thank you for your co-operation