

**COMPETITIVE STRATEGIES ADOPTED BY THE  
CALL CENTRE INDUSTRY IN KENYA**

**BY**

**KARANI WAIRIMU JANE**

**A Research Project Submitted In Partial Fulfillment of the Requirements for the Degree of  
Master of Business Administration (MBA), School Of Business,  
University of Nairobi**



**OCTOBER 2008**

## DECLARATION

This is my own original work and has not been submitted for examination in any other University.


Signed .....  ..... Date ..... 20/11/2008 .....

**Karani Wairimu Jane**

**D61/7126/2006**

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

Name ..... Prof. Ekins Aosa ..... Department ..... Business Administration .....

Signed .....  ..... Date ..... 25/11/2008 .....

## DEDICATION

To God, for His continued and amazing spiritual support.

To my loving and dear father, Samuel Murage Muriuki, for his wise counsel, encouragement and guidance throughout my entire life.

To my husband, Carey Andanyi Karani, and daughter, Candice Kabalika Karani, whose inspiration, patience and support has brought me this far.

I love and thank you all.

Jane W Karani

Nairobi

2008

## **ACKNOWLEDGEMENT**

*My sincere gratitude to all those who contributed to the completion of my MBA course*

*To my supervisor Dr Evans Aosa for his guidance and invaluable advice that came in quite handy in the preparation of this work*

*To all my lecturers throughout my course work at the University of Nairobi*

*To my former colleagues at Kenya Shell limited and Safaricom Limited for their individual and professional input into this study*

*To my family, my husband Carey and daughter Candy, my parents, and friends for their prayers and invaluable support and encouragement*

**To God Be the Glory for the Great things He has Done!**

## ABSTRACT

Strategic management is the process of formulating and implementing strategies to accomplish long term goals and sustain competitive advantage. Strategy is a firm's "game plan" (Pearce and Robinson, 2007). It is a comprehensive action plan that identifies the long term direction for an organization and guides resource utilization to accomplish organizational goals with sustainable competitive advantage. The competitive strategy of an organization is the range of products and services offered by an organization and the number of different industries and markets in which it competes.

This study had two objectives. They were to first, determine the various competitive strategies being used by the call centre firms and secondly to establish the challenges that are faced by operators in the call centre. The study was based on a descriptive survey design. The major purpose of the descriptive survey design was to describe the state of affairs as they existed in the call centre industry and obtain information that described existing phenomena by analyzing a cross section of the population and gathering data through the questionnaire method.

Primary data was collected from the 19 call centre operators who had registered licenses with the Communications Commission of Kenya (CCK) using a semi-structured questionnaire. The mail survey method was used to collect the data from the respondents. Quantitative data collected was analyzed using descriptive statistics such as percentages, frequencies and arithmetic mean scores. The data is presented using tables, graphs, pie charts, bar graphs and narratives.

According to the findings the key challenges faced by call centers included, delayed payments, high cost of network connection, old and inefficient equipment, lack of government support, stringent industry regulations, staff ability and skills, negative industry publicity concerning level of staff wages. In order to survive in the market, call centers operators have formulated strategies that enable them to not only survive in the market, but also make profit. Such strategies are aimed at either making the customer satisfied with the service/product or simply offer price advantage to the customer.

The main limitation of this study is the limited information concerning the call centre industry in Kenya. Many of the players in the industry are essentially interested in operating both business process outsourcing and call centre firms where a majority of western companies outsource back-office services from local companies to market for them their products and services.

Most of the call centre operators in Kenya have not yet registered their business operations with the Kenya Business Process Outsourcing and Call Centre Society (KBPOCC). The KBPOCC is the organization given the mandate by the government to introduce and give a set of standards and ethics of management practices relating to leadership, customer service, human and technical resources and operations guidelines in the Call centre market.

The call centre operators believe that they can make it on their own and do not see the need of cooperating together under one umbrella body. The general feeling is that the society would still need to convince prospective businesses that their information is safe with the Kenyan call centers and that the society has a way of enforcing and upholding the standards and ethics governing call centre management. The researcher could therefore not get a conclusive list of exactly how many call centre operators there are in the country apart from those registered with the CCK which are 19 in number.

There is also evidence to show that many training institutions are offering training in the call centre operations yet the KBPOCC does not know their backgrounds and whether they are qualified to offer this training in the first place.

Further research needs to cover a wider scope of the call centre industry. Future research could cover other KBPOCC players and other stakeholder's perceptions of the competitive strategies used by the operators. Research is also needed to find out how government policies affect the success of the call centers. Similar research could be carried out in future to track progress made by call centers along various competitive strategies.

# TABLE OF CONTENTS

Declaration .....	ii
Dedication .....	iii
Acknowledgement .....	iv
Abstract .....	v
Table of Contents .....	vii
List of figures .....	viii
<b>CHAPTER ONE - INTRODUCTION</b> .....	<b>1</b>
1.1 Background .....	1
1.2 Statement of the Problem .....	5
1.3 Objectives of the Study .....	7
1.4 Importance of the Study .....	7
<b>CHAPTER TWO - LITERATURE REVIEW</b> .....	<b>8</b>
2.1 Introduction .....	8
2.2 Strategic Management .....	8
2.3 Competitive Strategy .....	11
2.4 A Framework for Competitive Analysis .....	17
<b>CHAPTER THREE - RESEARCH METHODOLOGY</b> .....	<b>20</b>
3.1 Introduction .....	20
3.2 Research Design .....	20
3.3 Data Collection .....	20
3.4 Data Analysis .....	21
<b>CHAPTER FOUR - RESULTS AND DISCUSSION</b> .....	<b>22</b>
4.1 Introduction .....	22
4.2 Trends in the industry .....	22
4.3 Requirements to start a call center .....	24
4.4 Call centre services provided .....	25
4.5 Types of customers served .....	26
4.6 Challenges faced by call centers .....	27
4.7 Most valued company goals .....	28
4.8 Most applied strategies in the market .....	29
<b>CHAPTER FIVE - SUMMARY, CONCLUSIONS AND RECOMMENDATIONS</b> .....	<b>33</b>
5.1 Introduction .....	33
5.2 Summary .....	33
5.3 Conclusion .....	34
5.4 Recommendation .....	34
5.5 Suggestions for further research .....	36
<b>REFERENCES</b> .....	<b>37</b>
<b>APPENDICES</b> .....	<b>40</b>
Appendix 1 Letter to respondents .....	40
Appendix 2 List of call centre operators in Kenya .....	41
Appendix 3 Questionnaire .....	42

## LIST OF FIGURES

Figure 1 Key aspects of firm's competitive strategies – The wheel of competitive strategy .....	1
Figure 2 Period of operation in the country .....	2
Figure 3 Sources of business for call centers .....	3
Figure 4 Outbound services provided by call centers .....	4
Figure 5 Inbound services provided by call centers .....	5
Figure 6 Customers served by call centers .....	6
Figure 7 Challenges faced by call centers .....	7
Figure 8 Product and service offering strategies .....	8
Figure 9 Price and cost management strategies .....	9
Figure 10 Staff training and acquisition strategies .....	10
Figure 11 Marketing strategies .....	11
Figure 12 Location of premise strategies .....	12
Figure 13 Customer care and service strategies .....	13



# CHAPTER ONE - INTRODUCTION

## 1.1 Background

Strategic management is the process of formulating and implementing strategies to accomplish long term goals and sustain competitive advantage. Strategy is a firm's "game plan" (Pearce and Robinson, 2007). It is a comprehensive action plan that identifies the long term direction for an organization and guides resource utilization to accomplish organizational goals with sustainable competitive advantage. The strategic intent of an organization should focus all organizational energies on a unifying and compelling goal which is to create above average returns for investors. All organizational and management systems must also be mobilized to support and reinforce the accomplishment of strategies.

The decisions facing a firm have to be made strategically and will require strategic formulation, planning and implementation. Strategy formulation is the process of creating strategy while strategy implementation is the process of allocating resources and putting strategies into action. Strategic planning is key to every organization due to the changing nature of the environment and the high degree of competition. Firms must develop methods of collecting competitor intelligence by undertaking serious market analysis so as to formulate appropriate and effective strategies for their organizations (Mwaura, 2001).

Organizations must therefore develop strategic leaders. The strategic leaders must have the capability to inspire people within their organizations to successfully engage in the process of continuous change, performance enhancement and implementation of organizational strategies.

### 1.1.1 Competitive Strategy

The competitive strategy of an organization is the range of products and services offered by an organization and the number of different industries and markets in which it competes. It touches on resource allocation to different parts of the organization and it is the responsibility

of the top management and senior executives. It looks at the business that exist and which should be disposed off if they are not profitable (Thompson and Strickland, 2007)

A firm's competitive advantage exists when there is a match between the distinctive competences of a firm and the factors critical for success within the industry that permits the firm to outperform its competitors. Advantages can be gained by having the lowest delivered costs and/or differentiation in terms of providing superior or unique performance on attributes that are important to customers.

Every firm competing in an environment has a competitive strategy. Whether explicit, that is, developed through a formal planning process or implicit, that is, it has evolved through the various functional activities of the firm (Porter, 1998). In order for an organization to survive in a competitive environment, it has to adjust its strategic response by developing competitive strategies especially at the market level (Abekah, 1996)

Competitive strategy has never been more important to success in today's business environment. It does not matter what type of business you are in. Whether you are small, big or just starting out, a company can not survive without an adequate and focused strategic plan to beat the competition. However, many companies fail to execute successful strategies leading to low or no profits at all. For a company to achieve success and enter the profit zone it must first decide where it will stake its claim in the marketplace and what kind of value it will offer its customers.

### **1.1.2 The Call Centre Industry in Kenya**

A call centre is a centralized office used for the purpose of receiving and transmitting a large volume of requests by telephone. A call centre is operated by a company to administer incoming product support or information inquiries from consumers. Outgoing calls for telemarketing, clientele, and debt collection are also made. In addition to a call centre, collective handling of letters, faxes, and e-mails at one location is known as a contact centre.

A call centre is often operated through an extensive open workspace, with work stations that include a computer, a telephone set/headset connected to a telecom switch, and one or more supervisor stations. It can be independently operated or networked with additional centres, often linked to a corporate computer network, including mainframes, microcomputers and local area networks. Call centers are an integral part of many businesses, and their economic role is significant and growing continuously. Call centers are quickly becoming the major point of contact for serving customers and generating new revenue in a variety of industries. Call centers provide the single most contact point for customers on all their requirements and hence improved service in terms of communication, response time and quality of delivered service for any organization.

Call centers are often classified as either in-bound centers where calls are received for a specific requirement or problem (to provide customer service or support) or out-bound centers where a campaign is run for the purpose of promoting a product (as part of a sales process). In-bound call centers can be broken down into those that deal with queries, transactions or both. In-bound call centre focuses on answering queries from customers or members of the public. These questions may cover a wide spectrum of subjects, from very simple requests relating to facts and figures, through to very complex queries regarding policy matters.

On handling transactions we have now most financial organizations providing a call centre that allows bills to be paid online or funds to be transferred between accounts. Call centre staff will use one, or a number of, complex front-end systems to record these transactions. Using these systems involves entering details on multiple screens in order to complete the transactions. In this situation, the focus of call centre staff is on procedural knowledge. That is, the specific steps required to complete a given transaction using the computer systems provided. These procedures should be documented within the call centre, to support both the initial training of staff, and the day-to-day use of front-end systems.

At a well-organized call center, the highest quality of service at the lowest costs would require strategic planning. With so many components, people, processes, and technology, it is imperative that the right decisions be made when assessing technologies, hiring techniques, staffing logistics, and when dealing with training and certification, orientation, strategic support skills, and technical training.

The Kenya Business Process Outsourcing and Contact Centre Society of Kenya (KBPOCC) is leading in the growing of the business process outsourcing and call centre industry in Kenya. KBPOCC has been identified as one of the main vehicles that will be used for the rapid development of Kenya's economy and employment - especially for the youth. KBPOCC notes that the two major factors that will drive growth in this sector are mostly increased bandwidth and connectivity in telecommunications.

The other players in the industry include the Kenya Information and Communication Technology Service Exporters (KISE) which represents the call centre private sector initiatives in the country. KISE was formed for the sole purpose of regulating and overseeing the growth and development of the call centre sector in Kenya. The other important industry player is the Communications Commission of Kenya (CCK) which is responsible for developing and co-coordinating policies and strategies with respect to development and operation of telecommunications services in Kenya.

The commission licenses telecommunications operators and service providers, and monitors their performance on a continuous basis to ensure that they discharge their obligations as stipulated in their licenses and in keeping with the provisions of the Kenya Communications Act 1998 and the Kenya Communications Regulations 2001.

Kenya's call centre industry is in its introductory stages and contributes to a small proportion of the KBPOCC industry. According to the 2006/2007 CCK annual report, there are a total of 19 call centre operators who have registered for licenses with CCK from various sectors of

the economy. The call sector industry has employed a total of 3,000 employees from different sectors of the economy and industry. Seventy per cent (70 %) of the Kenya's call centre business is conducted in-house while thirty per cent (30 %) is outsourced internationally to countries such as India and the Philippines (Frost and Sullivan, 2008).

If Kenya addresses the competitive challenges it is facing, the call centre industry come 2011 could represent a market with over 1600 Call centre, 114,500 agents and contribute to the Gross Domestic Product (GDP) of the economy with annual revenues of \$ 19.3 Million (Frost and Sullivan, 2008).

Kenya's vision in the 1990's was to become a significant force in the information and communications technology (ICT) but as the country works towards Vision 2030, increased ICT developments will enable the country to become a significant player in the global outsourcing and call center market. Currently, there is a worldwide acknowledgement of Kenya's transformation into a regional hub for call center related activities. Many entrepreneurs have cited its growth potential, improving good infrastructure, increased liberalization, and high levels of education to justify planned or continued investment in the call centre industry.

## **1.2 Statement of the Problem**

Competitive strategy is the distinctive approach with which a firm intends to use to succeed in the market (Ansoff, 1998). Competitive strategies consist of moves to attract customers, withstand competitive pressures and strengthen a firm's market position. Johnson and Scholes (2007) define strategy as the direction and scope of an organization over the long term. It is intended to achieve advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations. Its purpose is not only to enable a firm challenge its competitors successfully over the long term but to satisfy its customer's needs and wants.

Kenya's call centre industry is young and fragmented and this has been the main disadvantage in establishing and setting up call centers in Kenya as many organizations out there do not know that the industry even exists. It is anticipated in a few years that there will be bigger players in the market making it the most lucrative market to be in the future.

Studies in the area of strategic planning in Kenya had mostly concentrated on the health sector, the petroleum industry and the education sector. However, studies that had been carried out in Kenya concerning the Kenya Business Process Outsourcing and Call Centre Society (KBPOCC) industry had been mainly white paper presentations dealing with challenges and the development of call centre industry. For example, Kenya is calling *The rise of the Kenyan Call centre Market* was a white paper presented in March 2008 (Frost and Sullivan, 2008). A white paper based on business process outsourcing practices was also presentation in the same year (Gilda Odera, 2007).

For instance, Murage (2001) did a study on the competitive strategies adopted by members of the Independent Petroleum Dealers Association. Awiti (2007) did a study on the competitive strategies used by Reproductive Health Organizations to cope with increased competition in the private sector. Gichobi (2007) dealt with the influence of competitive strategies on the Performance of Hair Salons in Nairobi.

Kilavuka (2007), focused on the Private Primary Schools in Nairobi under the 844 curriculum, Kimani (2007) focused on the Information Telecommunications firms in Nairobi, and Mbatia (2007) focused on competitive strategies adopted by Mwalimu Sacco as a result of the External Environmental Changes since 1997. Muganda (2007) focused on the Nation Media Group, Nderu (2007) focused on the competitive strategy used at JKIJAT and Oyugi (2007) looked at the challenges faced by the University of Nairobi in Implementing Competitive Strategies. This study will therefore sought to investigate the competitive strategies that had been adopted by the call centre industry players to remain competitive as well as drive the growth and development of the call centre industry in Kenya.

### 1.3 The Objectives of the Study

The study had two objectives. They were

- To determine the various competitive strategies being used by the call centre firms
- To establish the challenges that are faced by operators in the call centre.

### 1.4 Importance of the Study

The study would be important to various stakeholders in the industry. Firstly, The KBPOCC society and call centre equipment and technology suppliers would find this study valuable in terms of unearthing the challenges faced by the industry and recommendation on the competitive strategies that were being used to compete successfully in the industry at the local as well as the international level.

Secondly, the industry regulators and policy makers, KISE and CCK, would find this study useful for purposes of coming up with policies and regulations that would help the Kenyan call centre and telecommunications service industry to better evaluate, control, monitor and implement their strategies. They would ensure that the call centre players discharged their obligations as stipulated in their licenses, and in keeping with the provisions of the Kenya Communications Act 1998 and the Kenya Communications Regulations 2001.

Lastly, the study would also serve as a useful point of reference by scholars and academicians for understanding the call centre competitive scope in Kenya. It would also serve academicians and scholars as additional knowledge and it was hoped that it would stimulate further research on the subject.

# CHAPTER TWO - LITERATURE REVIEW

## 2.1 Introduction

This chapter explores the theories put forward by earlier researchers explaining the use of strategic planning to a business.

## 2.2 Strategic Management

Strategic management can be defined as the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objective. It is an on-going process that guides the organization in achieving its strategic goals and objectives given its internal and external environment. Strategic management is constantly evolving as both an academic discipline and as a reflection of management practice (Brian and George, 2006)

The strategic management process is based on the belief that an organization should continuously monitor internal and external events and trends so that timely change can be made as needed. To survive all organizations must be capable of astutely identifying and adapting to change. The need to adapt to change leads organizations to key strategic management questions, such as "What kind of business should we become?" "Are we in right field?" "Should we reshape our business?" "Are new technologies being developed that could put us out of business?"

The strategic management process is made up of four elements: situation analysis, strategy formulation, strategy implementation, and strategy evaluation. These elements are steps that are performed when developing a new strategic management plan. Existing businesses that have already developed a strategic management plan would revisit these steps as the need arises, in order to make necessary changes and improvements.



Situation analysis is the first step in the strategic management process. The situation analysis provides the information necessary to create a company mission statement. Situation analysis involves "scanning and evaluating the organizational context, the external environment, and the organizational environment" (Coulter, 2005, pp. 6). To begin this process, organizations should observe the internal company environment. This includes employee interaction with other employees, employee interaction with management, manager interaction with other managers, and management interaction with shareholders.

Organizations need to also analyze the external environment. This would include customers, suppliers, creditors, and competitors. The external environment is dynamic as it continuously causes new challenges in terms of opportunities and threats. Due to its uncontrollability, firms need to adjust to changes by adapting to them in order to succeed. Consequently, industry structure has strong influence in determining the competitive rules of the game as well as the strategies potentially available to the firm (Pearce and Robinson, 2007).

Strategy formulation involves designing and developing the company strategies. Determining company strengths aids in the formulation of strategies. Strategy formulation is generally broken down into three organizational levels namely operational, competitive and corporate. Operational strategies are short-term and are associated with the various operational departments of the company, such as human resources, finance, marketing, and production (Coulter, 2005). These strategies are department specific. For example, human resource strategies would be concerned with the act of hiring and training employees with the goal of increasing human capital.

Competitive strategies are those associated with methods of competing in a certain business or industry. Knowledge of competitors is required in order to formulate a competitive strategy. The company must learn who its competitors are and how they operate, as well as identify the strengths and weaknesses of the competition. With this information, the company can develop a strategy to gain a competitive advantage over these competitors.

Corporate strategies are long-term and are associated with "deciding the optimal mix of businesses and the overall direction of the organization" (Coulter, 2005, pp 216) Operating as a sole business or operating as a business with several divisions are both part of the corporate strategy. Strategy implementation involves putting the strategy into practice. This includes developing steps, methods, and procedures to execute the strategy. It also includes determining which strategies should be implemented first. The strategies should be prioritized based on the seriousness of underlying issues. The company should first focus on the worst problems, then move onto the other problems once those have been addressed.

The approaches to implementing the various strategies should be considered as the strategies are formulated. The company should consider how the strategies will be put into effect at the same time that they are being created (Coulter, 2005). For example, while developing the human resources strategy involving employee training, things that must be considered include how the training will be delivered, when the training will take place, and how the cost of training will be covered.

Strategy evaluation involves "examining how the strategy has been implemented as well as the outcomes of the strategy" (Coulter, 2005, pp 8). This includes determining whether deadlines have been met, whether the implementation steps and processes are working correctly, and whether the expected results have been achieved. If it is determined that deadlines are not being met, processes are not working, or results are not in line with the actual goal, then the strategy can and should be modified or reformulated. Both management and employees are involved in strategy evaluation, because each is able to view the implemented strategy from different perspectives. An employee may recognize a problem in a specific implementation step that management would not be able to identify.

The strategic management process is a continuous process. "As performance results or outcomes are realized at any level of the organization, members must assess the implications and adjust the strategies as needed" (Coulter, 2005, pp 9). In addition, as the company grows and changes, so will the various strategies. Existing strategies will change and new strategies will be developed. This is all part of the continuous process of improving the business in an effort to succeed and reach company goals.

### 2.3 Competitive Strategy

Strategies are the means by which long-term objectives are achieved. Business strategies may include geographic expansion, diversification, acquisition, product development, market penetration, retrenchment, divestiture, liquidation, and joint ventures. Strategies are potential actions that require top management decisions and large amounts of the firm's resources. In addition, strategies affect an organization's long-term prosperity, typically for at least five years, and thus are future-oriented. Strategies have multifunctional or multidivisional consequences and require consideration of both external and internal factors facing the firm.

The strategic process can be viewed through the lens of design (planned), experience (entrepreneurial) and idea (innovation) Johnson and Scholes (2007). However, there has been no consensus on the various views and any organization normally finds itself employing the different views at any given time for its strategy development. It is important to note that eventually, strategies may end up being intended or realized (emergent). Intended strategies are those that tend to follow the more formal process of planning while the realized strategies are those that undergo cultural and political process as well as learning and logical instrumentalism.

Three levels of strategy that exist in organizations have been distinguished. The first level is the corporate strategy which is often stated in the mission statement of the organizations. Corporate strategy is concerned with the overall purpose and scope of the business to meet stakeholder expectations. This is a crucial level since it is heavily influenced by investors in the business and acts to guide strategic decision making throughout the business.

Business unit strategy is concerned more with how a business competes successfully in a particular market. It concerns strategic decisions about choice of products, meeting needs of customers, gaining advantage over competitors, and exploiting or creating new opportunities.

Operational strategy is concerned with how each part of the business is organized to deliver the corporate and business unit level strategic direction. Operational strategy therefore focuses on issues of resources, processes, and people (Johnson and Scholes, 2007).

Formulation of competitive strategies involves the consideration of four factors that determine the limits of what a company can successfully accomplish. These are the firm's strengths, weaknesses, industry opportunities and threats (SWOT). Environmental scanning is the process of conducting research and gathering and assimilating internal and external information. Through environment scanning the management can scan the external environment for opportunities and threats and internal environment for strengths and weaknesses.

Forming a successful organizational strategy involves creating a first-rate competitive strategy. Organizations must develop a plan that addresses ways to compete in their respective markets by first identifying their competitors. Several approaches by various authors have been discussed on how to create an effective competitive strategy. Three methods of creating a competitive strategy have been discussed (Miles and Snow, 1978).

In their book organization strategy, structure and process the authors' state that there are three methods of creating competitive strategy. The methods are the prospector approach, the defender approach and the analyzer approach. The prospector approach creates a competitive business strategy that is based on innovation and exploring new market opportunities. The prospector approach is centered on creating new products or services in order to expand the size of the market in which the business competes. The defender approach creates a strategy that is based on focusing on a smaller number of products and services.

The strategy developed using this method will place greater importance on improving existing products or services. The defender approach concentrates on competing within a smaller market. The analyzer approach creates a competitive business strategy that is based on evaluating the successes of competitors. The analyzer approaches focuses on attempts to copy, and make improvements upon, successful products and services provided by the competition.

### 2.3.1 Generic Competitive Strategies

A firm's strengths ultimately fall into one of two categories. They include the cost advantage and differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result as a form of creating a competitive strategy, cost leadership, differentiation, and focus and the firm can use these strategies to sustain a competitive advantage. They are called generic strategies because they are not firm or industry dependent and are applied at the business unit level (Porter, 1980)

The cost leadership strategy involves the organization aiming to be the lowest cost producer within their industry. The organization aims to drive cost down through all the elements of the production of the product from sourcing to labour costs. The cost leader usually aims at a broad market, so that sufficient sales can cover costs. Some organization may aim to drive costs down but will not pass on these cost savings to their customers aiming for increased profits clearly because their brand can command a premium rate.

With a differentiation strategy, organizations focus their effort on particular segments of the market and charge for the added differentiated value. New concepts which allow for differentiation can be patented. However patents have a certain life span and organization always face the danger that their idea that gives the competitive advantage will be copied in one form or another (Porter, 1980). Firms that succeed in a differentiation strategy often have access to leading scientific research, highly skilled and creative product development team, strong sales team with the ability to successfully communicate the perceived strengths of the product and a corporate reputation for quality and innovation.

On the niche strategy or focus strategy the organization focuses its effort on one particular segment of the market and becomes well known for providing products or services within the segment. They form a competitive advantage for this niche market and either succeed by being a low cost producer or differentiator within that particular segment. With both of these strategies the organization can also focus by offering particular segments differentiated products or service or a low cost product or service. The key is that the product or service is focused on a particular segment.

However, some organization may find themselves 'stuck in the middle' when they try to achieve an advantage on all fronts, in this attempt the firm may achieve no advantage at all. The business normally end up having no clear business strategy, resulting in high running costs causing a fall in sales and market share. 'stuck in the middle' companies are usually subject to takeovers or mergers. For this reason, for a firm to be successful over the long-term, it must select only one of these three generic strategies. Otherwise, with more than one single generic strategy the firm will be 'stuck in the middle' and will not achieve a competitive advantage (Porter, 1980)

Firms that are able to succeed at multiple strategies often do so by creating separate business units for each strategy. By separating the strategies into different units having different policies and even different cultures, a corporation is less likely to become 'stuck in the middle'.

Each of the generic strategies discussed have their own risks. For the cost differentiation strategy, when the firm lowers its costs, it does not stop other firms from lowering their costs as well. As technology improves, the competition may be able to leapfrog the production capabilities, thus eliminating the competitive advantage. Additionally, several firms following a focus strategy and targeting various narrow markets may be able to achieve an even lower cost within their segments and as a group gain significant market share.

The risks associated with a differentiation strategy include imitation by competitors and changes in customer tastes. Additionally, various firms pursuing focus strategies may be able to achieve even greater differentiation in their market segments. Some risks of focus or niche strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly. Finally, other focusers may be able to carve out sub-segments that they can serve even better.

The concept of strategic groups as well has also been discussed. Strategic groups are formed by firms that pursue a similar range of competitive strategies in response to particular industry conditions that are facing them. These competitive strategies are as a result of strong economic forces acting within the industry that constrain firms from easily switching from one competitive position to another. Studies have shown that firms within the same strategic group face the same kind of economic conditions and constraints and differ from those located in different strategic groups (Porter, 1998)

Firms within the same strategic group can be similar to each other in terms of any number of different key attributes such as product or service line breadth, type of technology used, type of buyer served, relative emphasis on product quality, type of distribution channel used and number of markets served (Porter, 1998)

### **2.3.2 Competitive Advantage**

Competitive advantage is the unique position an organization develops vis-a-vis its competitors through its patterns of resources deployment. Competitive advantage is the result of helping a firm to maintain and sustain a favorable market position. This position is translated into higher profits compared to those obtained by competitors operating in the same industry. Competitive advantage grows fundamentally out of the value a firm is able to create for its buyers that exceeds the firm's cost of creating it (Porter, 1998)

Any nation can create its own endowments to gain competitive advantage. Created endowments include skilled labor, technology, knowledge base and government support structure (Porter, 1990). Porter's diamond of national advantage is a framework that illustrates the determinants of national advantage. The diamond represents the natural playing fields that countries establish for the industries.

A firm possesses a sustainable competitive advantage when it has value creating processes and a position that cannot be duplicated or imitated by other firms that Sustainable competitive advantage allows the maintenance and improvement of an enterprise's competitive position in the market. It is an advantage that enables business to survive against its competition over a long period of time. For a firm's resources to be seen as holding the potential of having a sustainable competitive advantage they must possess four attributes, rareness, value, inability to be imitated, and inability to be substituted (Brian and George, 2007)

In explaining the process of gaining competitive advantage, the concept of 'value chain' is introduced. The value chain model helps a firm to analyze specific activities through which it can create value and competitive advantage. 'Competitive strategy results from a firm's ability to perform the required activities at a collectively lower cost than rivals, or perform some activities in unique ways that create buyer value and hence allow the firm to command a premium price' (Porter 1980, pp102)

The value activities are divided into primary activities and secondary activities. Primary activities are involved directly in the creation of value. They include inbound logistics activities which include the receiving, warehousing and inventory control of raw material, operations activities – that transform the inputs into the final product, outbound logistics activities - that get the finished product to the customer, sales and marketing activities – such as advertising and promotion to get the buyer to purchase product and service activities – such as customer support and after sale service that maintain and enhance the products value. Secondary activities or support activities enhance the efficiency and effectiveness of the primary activities. They include procurement, human resources management, technology development and firm infrastructure.

By reconfiguring its value chain and wider value system, a company can concentrate upon the critical activities and linkages that exploit cost drivers or differentiation drivers based upon the sources of advantage. The critical point to recognize here is that there is a need to be consistent between all the critical activities and linkages in order to deliver a clear



Further, provided that these drivers can resist erosion by the actions of competitors then the chosen strategy is likely to deliver sustainable competitive advantage. To achieve competitive advantage, the firm must perform one or more value creating activities in a way that creates more overall value. For example, a firm may create a cost advantage by reducing the cost of primary activities, or by reducing the costs of the support activities.

Superior value is created through lower costs or superior benefits to the consumer (differentiation). The value chain of each firm will interact with the value chain of any other firm placed along the production chain hence creating a value system. The activities that the organization undertakes and the ways in which they are linked, as highlighted by the value chain and value system, can all contribute to the strategy if they exploit the sources of cost efficiency or value added available.

Organizations should aim at also building a sustainable competitive advantage. Managers must understand their organizations industrial environment to be able to formulate good sustainable strategies. The 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 sustainable competitive advantage is a company's single most dependable contributor to above-average profitability (Thompson and Strickland, 2007 pp 80)

#### **2.4 A Framework for Competitive Analysis**

An analytical framework that can be used to develop competitive strategies in particular important types of industries environments has been developed. The framework consists of forces close to a company that affect its ability to serve its customers and make a profit. A change in any of the forces normally requires a company to re-assess the marketplace (Porter 1980). He focused on the analysis of industrial structure and competitors using the five fundamental forces that determine the state of competition in an industry.

The five forces are the threat of new entrants and the ease with which competitors can enter the industry, the threat of substitutes which make it difficult to raise prices by significant amounts because the buyers easily switch to substituted products and services, the bargaining power of suppliers, the bargaining power of buyers and finally competition amongst existing firms

When a firm develops competitive strategies, it is developing a broad formula for how a business is going to compete. The goals of competitive advantage are focused towards gaining a competitive advantage, cultivating clientele of loyal customers and outperforming rivals. The firm will be able to formulate strategies that will help it attract customers, withstand competitive pressures and strengthen their market position. The key aspects of a firm's strategic competitiveness are based on the wheel of competitive strategy. The wheel of competitive strategy is used for articulating the key aspects of the organization competitive strategy (Porter, 1980)

In the hub of the wheel we have the firm's goals which are a broad definition of how it wants to compete and its specific economic and non economic objectives. The spokes of the wheel are the key operating policies with which the firm is seeking to archive these goals. The spokes include distribution, manufacturing, labour, purchasing, sales, marketing, target markets, product lines, finance and control, research and development. The operating policies are carried from industry to industry based on critical success factors

*Figure 1: Key aspects of firm's competitive strategies – The wheel of competitive strategy.*



*Source: Porter, M (1998) Competitive Strategy: Techniques for Analyzing Industries and Competition, New York Press, USA.*

# CHAPTER THREE - RESEARCH METHODOLOGY

## 3.1 Introduction

The research methodology is a road map that will guide the progress of the study and will ensure that the objectives are met through the answering of the research questions. This chapter will cover the research design, data collection and analysis.

## 3.2 Research Design

The proposed study was based on a descriptive survey design. The major purpose of the descriptive survey design was to describe the state of affairs as they existed in the call centre industry and obtain information that described existing phenomena by analyzing a cross section of the population and gathering data through the questionnaire method.

A descriptive survey study is concerned with the what, who, where and how of phenomena (Kombo and Tromp, 2006). The survey would enable us to also explain or explore the existing status of two or more variables at a given point in time.

## 3.3 Data Collection

Primary data was collected from the 19 call centre operators who had registered licenses with the Communications Commission of Kenya (CCK). The CCK has the responsibility of developing and co-coordinating policies and strategies with respect to development and operation of telecommunications services in Kenya.

A semi-structured questionnaire was used to collect data from only the 19 call centre operators with registered licenses in the country. For the key informants such as the owners of the business or chief executives, the questionnaire was administered through personal interviews with them. Other informants included call centre employees and suppliers of call centre equipments.

The CCK and the Information Communications and Technology (ICT) Board officials provided qualitative insights on various call centers aspects relevant to the study. This enabled the researcher to collect qualitative data that helped enrich the findings.

In addition, the mail survey method was used to collect data from the various respondents through self administration.

### **3.4 Data Analysis**

Quantitative data collected was analyzed using descriptive statistics such as percentages, frequencies and arithmetic mean scores. The data is presented using tables, graphs, pie charts and bar graphs. Qualitative data analysis sought to make general statements on how categories or themes of data were related (Karemu (1993) and Kombo (1997)).

# CHAPTER FOUR - RESULTS AND DISCUSSION

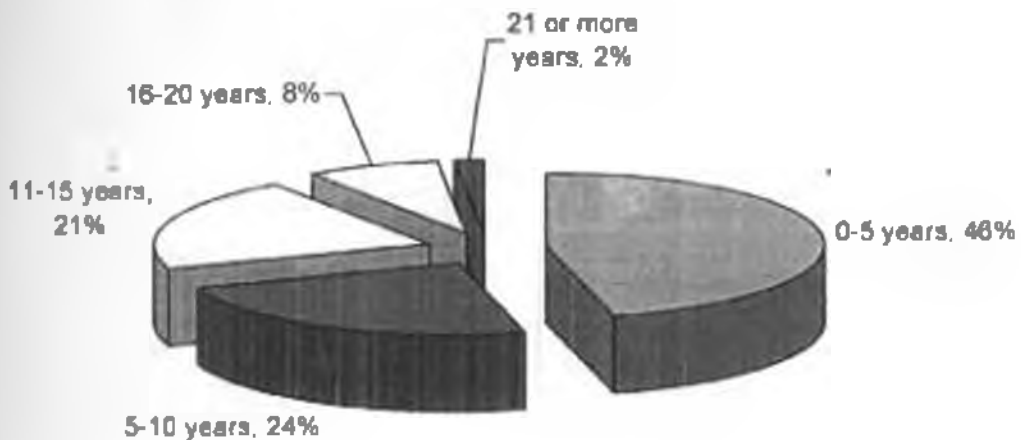
## 4.1 Introduction

This chapter shows the data analysis tabulation. The analysis also includes brief discussions of the findings. This section answers the objectives of the study and explains the findings of the study.

## 4.2 Trends in the industry.

The study had a medium response turnout. Out of the 19 call centers registered, only 10 provided data for the study accounting for 53 % of the list of call centers contacted. The study showed that most call centers had been in the market for less than 10 years, as presented in figure 2.

Figure 2 Period of operation in the country

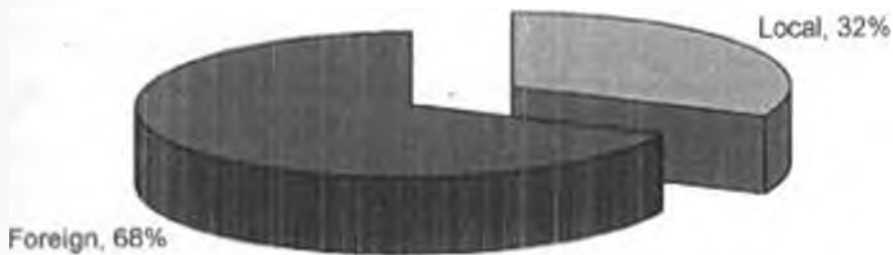


Source: Primary data

Most of these started off as small investment firms with 10 or less computers but have grown tremendously over the years. However, few started off with big contracts thus requiring huge capital injection.

As a result, it was very difficult to determine the true capital that the companies required to start off. The study further showed that 68% percent of the business done by call centers was foreign sourced. These comprised of mainly of international telephone firms. This was due to the low cost of manpower provided in the country as compared to the client's mother countries. This made the cost of operating a call center here in Kenya cheaper than other countries such as Sweden and Denmark. However, the high cost of bandwidth is considered uncompetitive compared to the developed countries.

*Figure 3 Sources of business for call centers*



*Source: Primary data*

The call centers surveyed current staff numbers ranged between 15 to 500 people compared to 1 to 70 at start up. This suggests growth in the business and staff needs with time. These employees work in shifts of 8 to 10 hours with the longest shift being the night shift and over the weekend. Due to limited resources, these call centers have only single branches and operate as independent business enterprises.

### **4.3 Requirements to start a call center.**

#### **4.3.1 Financial requirement.**

It was estimated that in order for one to successfully start a call center, KShs 2.5 million was required. But most indicated they started with an average of KShs 280,000 as start up capital with one stating that it costs KShs 50,000 per call centre seat. This would be sufficient to establish a medium sized call center with up to 100 computers.

However, it should be noted that this was an approximation from the already existing firms and the value was subject to change depending on the type of equipment to be installed. The more sophisticated the equipment is, the more expensive the setup would be. This would also vary with the level of expertise recruited by the firm e.g. to hire a very qualified personnel from existing firms would require more money than starting off with less experienced staff then training them to be experts. This however affects the initial quality of work delivered by the staff. Training was rated highly by all operators, but it was said to be expensive given that some of it has to be done by expatriates at the beginning.

#### **4.3.2 Physical and structural requirement.**

The call center should be in a well designed work space that allows for free movement and interaction of staff. The building should be well air-conditioned and proper civil and structural measures taken to ensure that the building is able to support all the staff at any given time. The building must also be secure as the call centre operations are twenty four hours and staff working on the night shift need to feel safe and secure.

#### **4.3.3 Facilities requirement.**

The more advanced the facilities used by a call center are, the more accurate and reliable the information it provides. It is necessary that a good communication line (both telephone and internet) be provided. An unreliable connection would cause loss of data and eventually loss of money. A proper telephone Private Automatic Branch Exchange (PABX) should be installed and fast internet connection setup. Good quality writing materials should be a priority.



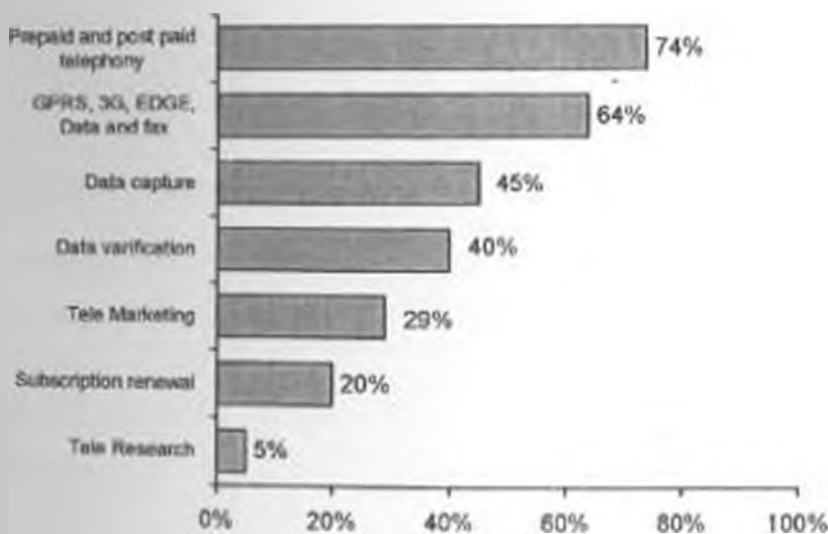
Good quality office furniture such as chairs and work stations should be provided as the call centre agents normally sit down for reasonably long hours and this helps boost the staff morale when working. For example, a comfortable seat would be very valuable in enhancing the agents comfort and ability to understand the messages being conveyed. The rest rooms should be easily accessible and clean drinking water and refreshments should be readily available for the call centre agents. Storage space for official and personal goods should also be provided.

#### 4.4 Call centre services provided.

##### 4.4.1 Outbound services.

The most commonly provided outbound service by call centers was prepaid and postpaid telephone (74%). This was followed by GPRS/3G/EDGE/data fax. The study, as indicated by figure 4, showed that the least provided services were the tele-research and subscription renewal.

*Figure 4 Outbound services provided by call centers*



*Source: Primary data*

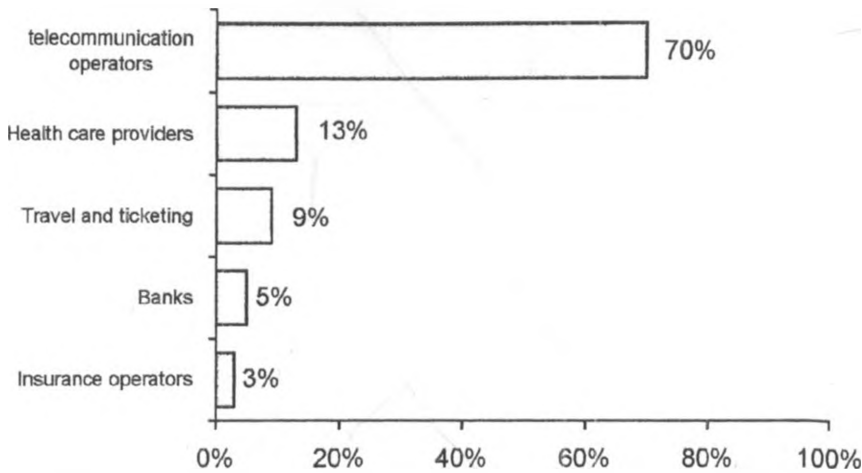
## 4.4.2 Inbound services

The most common inbound support help lines and services include technical support and billing problems, customer service help lines and sales support.

*Figure 5 Inbound services*

Customer service help

*Figure 6 Customers served by call centers*



*Source: Primary data*

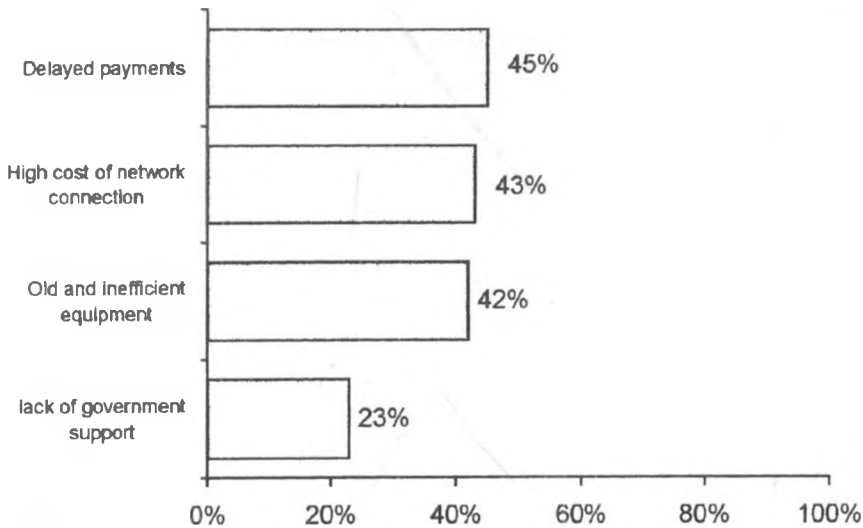
#### **4.6 Challenges faced by call centers**

The most common challenge faced by call centers, as indicated by figure 7, is the slow or delayed payment by the customers (45%). This was followed by the high cost of network connection (43%). This was coupled by the slow and unreliable internet connection (42%). These tremendously increased their cost of operation, making them less competitive in the global market. The use of old and inefficient equipment also greatly contributed to the slow growth of the sector (34%). Lack of proper marketing and support from the government has also influenced the growth of the industry.

According to an interview with an ICT board official, other major challenges facing the call centers include:

- ◆ Stringent industry regulations
- ◆ Staff ability and skills
- ◆ Negative industry publicity concerning level of staff wages
- ◆ Credibility and trust in the international market
- ◆ Negative publicity for example, the 2007 post election violence making foreign customers to doubt whether the work environment is conducive.

*Figure 7 Challenges faced by call centers*



*Source: Primary data*

As a way of attracting customers, most call centers have been forced to lower their cost of operation by dismissing some of their staff and using lower specification equipments that are cheaper. This finally would reflect on their charges which keep coming down in order to get more customers. However, these prices are still considered expensive by the customers as compared to the other call centers in countries such as China and Philippines. As a result, most customers still prefer the call centers in such countries as they perceive them as cheaper.

#### **4.7 Most valued company goals**

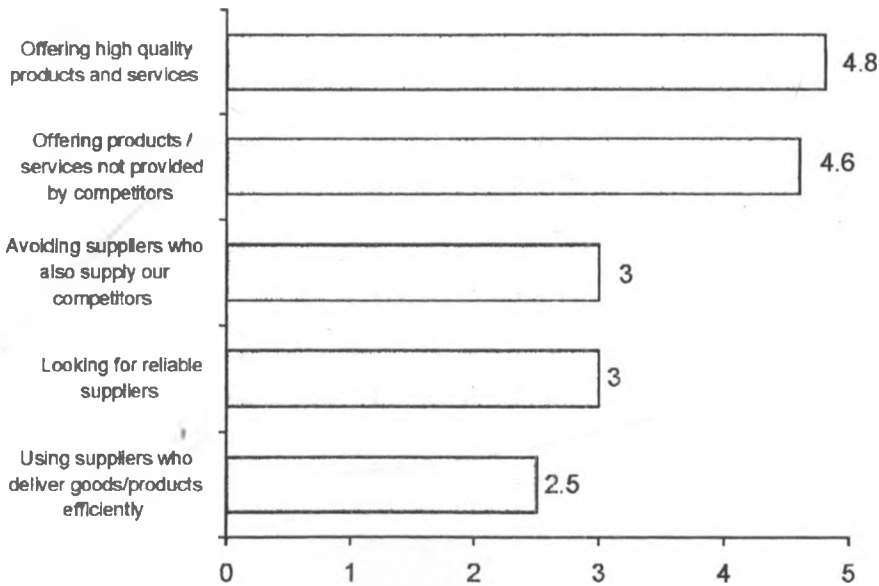
When asked what their most valued goals were, most call centers operators said that they valued "profitability" (84%). This was associated to the fact that if no profits are made, then the company is considered unsustainable and a loss. This was followed by "survival in the market" (67%) and "maximize market share" (63%). "Government support" and "market /product differentiation" were the least valued goal each with 45% mention.

## 4.8 Most applied strategies in the market

### 4.8.1 Product and service offering strategies

When asked to rank the following strategies on a 5-point scale where 1 was not used at all and 5 was used to a great extent the following result were obtained as indicated by figure 8. The most applied strategy was “offering of high quality products and services”. This ensured that the customers were retained and satisfied with the services and products provided by the call center.

*Figure 8 Product and service offering strategies.*

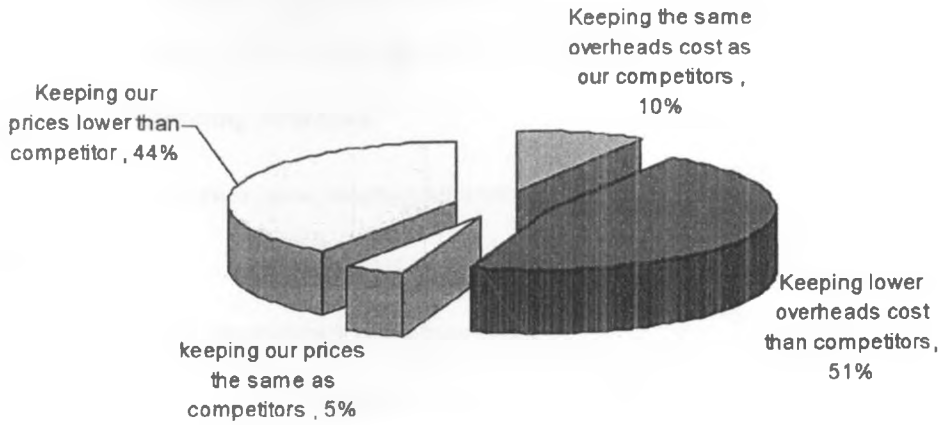


*Source: Primary data*

### 4.8.2 Price and cost management strategies

Most call centers stayed in business by keeping their overhead cost lower than their competitors. This was accompanied by lower charges than the subsequent customers. As a result, such firms obtained a lower profit margin but aimed at achieving the largest market share. This is as indicated by figure 9 on the next page.

**Figure 9 Price and cost management strategies.**

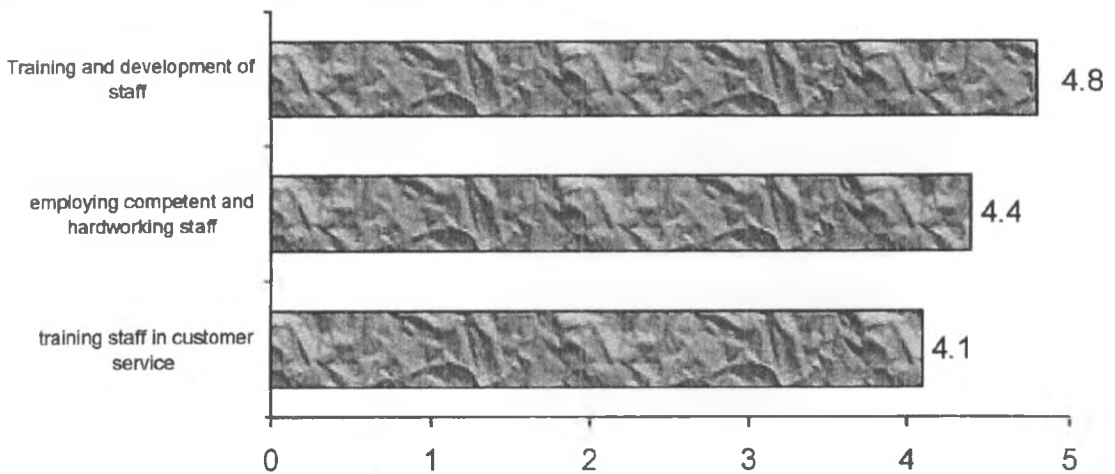


*Source: Primary data*

**4.8.3 Staff training and acquisition strategies**

“Training and development of staff” was the most highly ranked strategy applied by call centers to enhance their competitiveness as indicated by figure 10. This was followed by “employing competent and hardworking staff” and “training staff in customer service” all had a mean score of 4 and above suggesting a very high level of application.

**Figure 10 Staff training and acquisition strategies.**

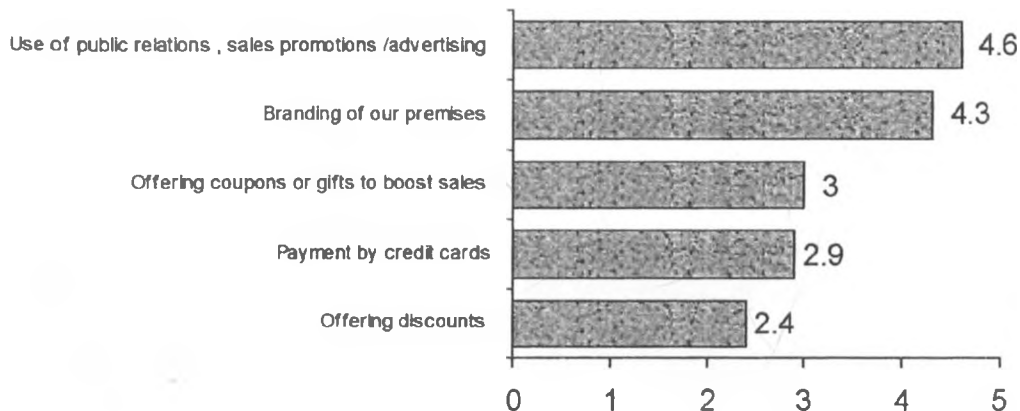


*Source: Primary data*

#### 4.8.4 Marketing strategies

The most applied marketing strategy was use of Public Relations, sales promotion and advertising with a mean of 4.6. This was followed by branding of premises with a mean of 4.3, offering coupons or gifts to boost sales, payment by credit card and the least applied was offering discounts. This is indicated by figure 11 below.

*Figure 11 Marketing strategies.*

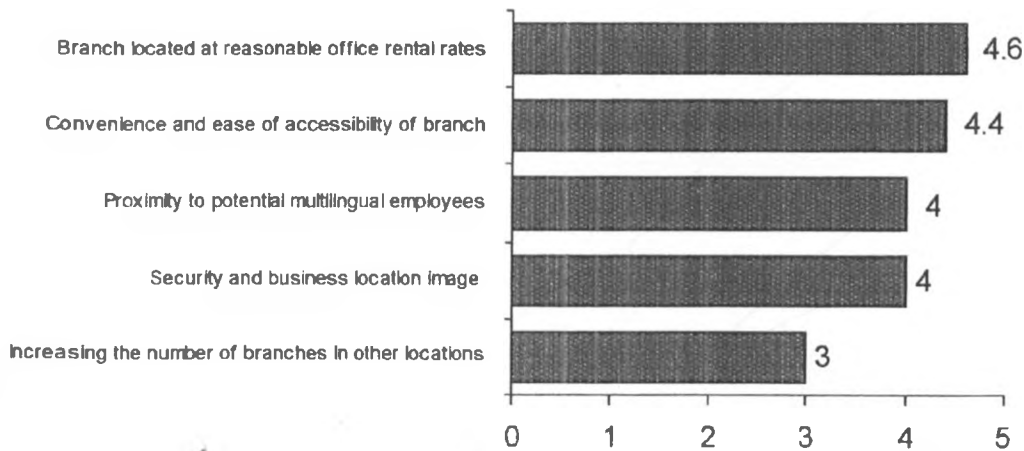


*Source: Primary data*

#### 4.8.5 Location of branch strategies

Most call centers preferred setting up there premise in regions with reasonable office rental rates with a mean of 4.6. This was followed by convenience and ease of accessibility of branch with a mean of 4.4. This is indicated by figure 12 below.

*Figure 12 Location of premise strategies.*

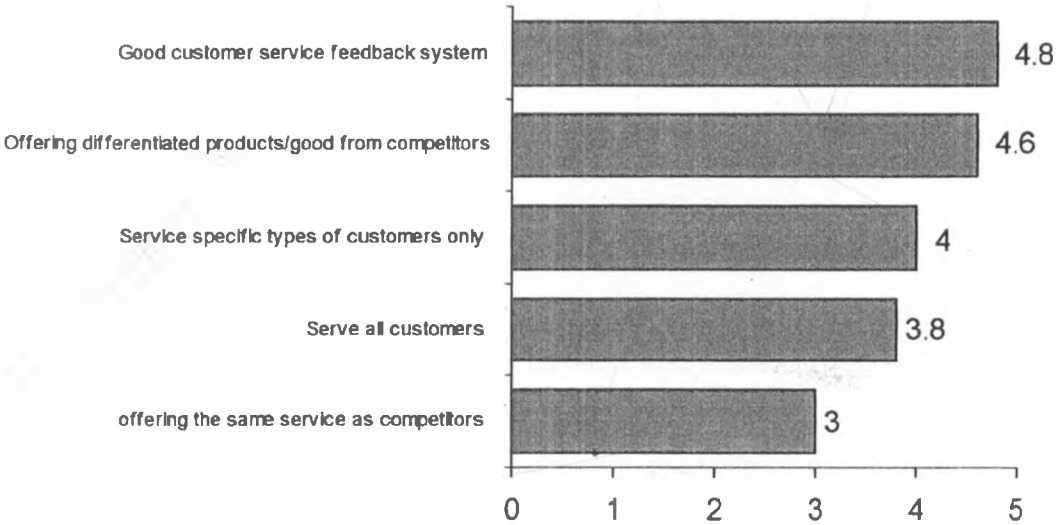


*Source: Primary data*

**4.8.6 Customer care and service strategies**

Good customer care feedback system was ranked as the most used customer care strategy with a mean score of 4.8. This was followed closely by offering differentiated products which had a mean of 4.6 and providing specific types of customers only which had a mean score of 4. These strategies lead to market specialization which was considered to be a major strategy in the market. The least used customer care and service strategies were serving all customers and offering the same customers as competitors which had the least score of 3.8 and 3 respectively. This is indicated by figure 13 below.

*Figure 13 Customer care and service strategies.*



*Source: Primary data*



# CHAPTER FIVE - SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

This chapter addresses the summary and conclusions of the researcher's findings. The section will also cover recommendations and suggestions for further research as well as discuss the limitations of the study.

## 5.2 Summary

### 5.2.1 Competitive strategies used by call centers

In order to survive in the market, call centers operators have formulated strategies that enable them to not only survive in the market, but also make profit. Such strategies are aimed at either making the customer satisfied with the service/product or simply offer price advantage to the customer. This included cutting down on the overhead costs thus lowering the final cost of the services. Offering of high quality products also assisted in ensuring that the customers were retained. Proper training of staff and acquisition of qualified staff was also a key method in ensuring that the service quality was maintained. The use of Public relations, sales promotion and advertising was very key in ensuring that the company created awareness of its products to its potential customers with an aim of converting them to customers.

### 5.2.2 Challenges faced by call centers operators

The key challenges faced by call centers included: delayed payments, high cost of network, connection, old and inefficient equipment, lack of government support, stringent industry regulations, staff ability and skills, negative industry publicity concerning level of staff wages and political instability, Credibility and trust issues in the international market-potential clients sometimes feel uncomfortable paying for a service provided by a company that is thousands of miles away.

### **5.3 Conclusion**

The study showed that though the call center industry is a young concept in the country, this is a lucrative industry which if attended to, can generate enormous income and employment for the country.

Though facing various challenges, the call centre industry is evolving fast and new strategies are being formulated by the market players to ensure that they stay in business. As a growing sector, this industry should be attended to and given proper attention by not only the private investors but also the government.

### **5.4 Recommendations**

The researcher recommends that firstly, the call centers should consider benchmarking their operations against competition to manage cost as cost competitiveness appears to be a key strategy for competing especially against foreign competition. For example, monthly charges for a one megabyte-per-second satellite connection are Ksh. 390,000 in Kenya. India on the other hand pays Ksh. 33,000 per megabyte and elsewhere in the world it would cost no more than Ksh. 27,000.

The Kenyan government and various stakeholders of the business need to get this figure below Ksh. 30,000 for one megabyte to make us more competitive in the call centre industry worldwide (Source Communications Commission of Kenya (CCK) database).

Secondly, the call centers should consider cooperating within Kenya in order market the country as an attractive call center outsourcing destination. More funds should be put in place to assist more call centre operated firms come up and be established well in the country.

The Kenya Business Process Outsourcing and Call Centre Society (KBPOCC) industry contributed more than Ksh 13 million to the economy in revenue during the financial year

2007 while a total of Ksh 40 million was invested in this sector (CCK communications statistical report, 2007). This signifies a positive trend towards economic growth in this sector. The Kenyan government hopes that the development of the call centre market will also be able to create 100,000 jobs for its citizens in the next five years.

Thirdly, the KBPOCC society should lobby the Kenya ICT Board and the World Bank to fast track the bandwidth subsidies promised to help the call centre industry become more competitive in the world market. In December 2007, the Kenyan government signed an agreement with Alcatel-Lucent for a Fibre-Optic National Network (FONN) cable linking the port of Mombasa with the United Arab Emirates. FONN will cover all administrative districts and will enhance access to rural and remote areas of the country.

The East African Marine Systems (TEAMS) is expected to bring the cost of connectivity down to about Ksh. 33,000 per month immediately on completion in January 2009. Kenya's planned \$500 million 5,000km undersea cable will connect Mombasa with Fujairah in the United Arab Emirates. The cable will run along the seabed of the Gulf of Oman and down the African coastline to Mombasa.

Fourthly, the Kenyan government should through the support institutions like Export Promotion Council, Investment Promotion Council and ICT Board organize forums where the call centres representative meet with the potential customers in order to build credibility and trust for Kenyan call centers products and services.

According to the United Nations Conference on Trade and Development (UNCTAD) the expansion of BPO services like call centres in a developing country depend on the capacity to identify certain potential niches and make the required investments in terms of telecommunication infrastructure, education, legal framework, payment systems and tax incentives to attract overseas clients. The government should therefore carry out analysis of the situation and take the necessary measures to develop the call centre marketplace.

Fifthly, the Kenyan government should prioritize E - education in its development policies and reform the curriculum of the universities and schools to include subjects in support of a technologically enabled and export oriented service sector. For example, the Kenya Union of the Blind (KUB) is targeting call centers in its latest campaign to diversify employment opportunities for its members. The union has embraced technology aimed at enhancing independence by providing access and increased performance for all of its visually impaired graduates. It as teamed up with the mobile phone company Safaricom and five people are already working at the company's call center office.

Finally, for offshore companies wishing to invest in the BPO industry and contact centre industry in Kenya, the government should continue boosting incentives to attract many investors particularly if the location is within the Export Processing Zone (EPZ) or known as the Free Trade Zones.

The current incentives offered include: A 10 year corporate tax holiday and 25 per cent tax for 10 years thereafter; A 10 year withholding tax holiday on payments to non-residents e.g. dividends; duty and VAT exemption on raw materials, machinery and other inputs; stamp duty exemption and a 100 per cent investment deduction on capital expenditure within 20 years. The government should boost these incentives more to attract more foreign investors. The development of an ICT Park that would provide all services needed by the call centers should also be fast tracked as strategic location with the required infrastructure was a critical success factor for the firms.

## **5.5 Suggestions for further research**

Further research needs to cover a wider scope of the call centre industry. Future research could cover other KBPOCC players and other stakeholder's perceptions of the competitive strategies used by the operators. Research is also needed to find out how government policies affect the success of the call centers. Similar research could be carried out in future to track progress made by call centers along various competitive strategies.

## REFERENCES

Abekah, J (1996), **Strategic Responses to Change in the Business Environment: A Case Study of the Kenyan Petroleum Industry after liberalization, Unpublished MBA Research Project**, Unites States international University – Africa.

Ansof, I (1998) **Corporate Strategy**, McGraw Hill

Awiti, M A ( 2007 ) A Survey of Competitive Strategies used by Reproductive Health Organizations to cope with increased Competition in the Private Sector ,**Unpublished MBA Research Project**, University of Nairobi , Nairobi , Kenya

Brian, S and George S ( 2006 ) **Competitiveness in a Globalised World: Michael Porter on the Microeconomic Foundations of the Competitiveness of Nations, Regions, and Firms**, Journal of International Business Studies, Palgrave Macmillan Journals, vol. 37(2), pages 163-175, March

Brian, S and George S (2007) **Competitive Advantage Revisited: Michael Porter on Strategy and Competitiveness**, Journal of Management Inquiry, Vol. 16: 256-273

Communication Commission of Kenya (CCK), **Annual Report 2006/2007**

Communication Commission of Kenya (CCK) **Economic Survey, 2007**

Coulter, M (2005) **Strategic Management in Action (3<sup>rd</sup> Ed.)** Upper Saddle River, NJ Pearson Prentice Hall

Muganda, R E (2007) **Competitive Strategies Adopted by Nation Media Group, Unpublished MBA Research Project**, University of Nairobi, Nairobi, Kenya

Frost and Sullivan (2008) **Kenya is calling: The Rise of the Kenyan Call centre Market**, Cape Town

Gichohi, B W (2007) *The Influence of Competitive Strategies on the Performance of Hair Salons in Nairobi*, **Unpublished MBA Research Project**, University of Nairobi, Nairobi, Kenya

- Johnson, G and Scholes, K (2007), **Exploring Corporate Strategy**, 7 th edition, Prentice Hall, pp 101-145

Karemu, C K (1993) *The State of Strategic Management Practices in the Retailing Sector. The Case of Supermarkets in Kenya*, **Unpublished MBA Research Project**, University of Nairobi, Nairobi, Kenya

Kilavuka, J M (2007) *Competitive Strategies Adopted by Private Primary Schools in Nairobi Under 844 Curriculum*, **Unpublished MBA Research Project** , University of Nairobi , Nairobi , Kenya

Kimani, F (2007) *Competitive Strategies used by Small Scale Information Telecommunication Firms in Nairobi*, **Unpublished MBA Research Project**, University of Nairobi , Nairobi , Kenya

Kombo , D and Tromp D ( 2006 ) **Proposal and Thesis Writing** ; Don Bosco printing Press, Nairobi

Mbai, M N (2007) *Competitive Strategies Adopted by Mwalimu Sacco as a result of external environmental changes since 1997*, **Unpublished MBA Research Project**, University of Nairobi, Nairobi, Kenya

Murage, S N (2001) *Competitive Strategies Adopted by Members of the Independent Petroleum Dealers Association*, **Unpublished MBA Research Project**, University of Nairobi, Nairobi, Kenya

Mwaura, J N (2001) An Empirical Investigation of the Marketing Practice in the Pharmaceutical Industry in Nairobi, **Unpublished MBA Research Project**, University of Nairobi, Nairobi, Kenya

Nderu, B N (2007) Use of Resource Based Perspective as a Competitive Strategy at JKUAT, **Unpublished MBA Research Project**, University of Nairobi, Nairobi, Kenya

Oyugi, H O (2007) The Challenges Faced by the UON in Implementing Competitive Strategies, **Unpublished MBA Research Project**, University of Nairobi, Nairobi, Kenya

Pearce, J A and Robinson, R B (2007) **Strategic Management: Strategy Formulation and Implementation and Control**, 10 th Edition, Irwin, Homewood Illinois pp 61-99

Porter, M E (1980) **Industry Structure and Competitive Strategy: Keys to Profitability**, **Financial Analysis journal**, pp 30-41

Porter, M E (1990) **The Competitive Advantage of Nations**, New York, The Free Press

Porter, M E (1998) **Competitive Strategy: Techniques for Analyzing Industries and Competition**, New York Press, USA.

Thompson, A and Strickland, A (2007), **Strategic Management: Concepts and Cases**, Irwin, New York, pp 80

## APPENDICES

### APPENDIX 1: Letter of Introduction.

**Jane Wairimu Karani**

**P.O.Box 7149 00200**

**NAIROBI**

**Mobile: 0722-294756**

**Dear Respondent,**

#### **RE: INTRODUCTION LETTER**

I am a postgraduate student pursuing a Master of Business Administration (MBA) degree at the University of Nairobi, School of business. As part of the partial requirements for the award of the degree, I am currently conducting a strategic management research project entitled "Competitive Strategies adopted by the Call centre Industry in Kenya".

To this end, I kindly request you to respond to the attached questionnaire to the best of your knowledge and soon as you can to facilitate this research. I would like to give you an assurance that all the information provided will be treated with utmost confidentiality and will be used solely for the purpose of this research. Further more, your name will not be disclosed in the research finding or anywhere in the report.

Your cooperation is highly appreciated.

Thanking you in advance.

Yours Faithfully,

Jane Wairimu Karani

MBA Student

C.C Professor Evans Aosa

University of Nairobi, School of Business.



## **APPENDIX 2: List of call centre operators in Kenya 2008.**

1. Adept Technologies Limited
2. Africall Voice and Data Centre Ltd
3. All about marketing Limited
4. Call Centre Africa EPZ limited
5. Capstan Systems Limited
6. Cygnet Call solutions
7. Eco-Conquest Africa ( Eco-Coa) limited
8. Intelligent Contacts Solutions Limited
9. KenCall ( EPZ Limited )
10. Liam Telecommunications EPZ Limited
11. Magan Imaging Technologies Limited
12. Mitsuminet (K) Limited
13. Mumias Cable Network
14. Preciss Services
15. Prism Multi Media Limited
16. Quest Holdings Limited
17. Skyweb-Evans Company Limited
18. Suswa Network Communications Limited
19. Uttermost Call Centre Limited

*Source: Communications Commission of Kenya (CCK)*

## APPENDIX 3 : QUESTIONNAIRE

This Questionnaire is divided into three parts : section A, B and C. Kindly answer the questions in each section. Your answers will remain anonymous and strictly confidential and in no instance will your organizations name be mentioned in the report .

### SECTION A :

1. For how many years have you been operating in the Kenyan market?
  
2. a) How much capital did you use to start the business? Ksh \_\_\_\_\_  
  
b) How much is your investment in the business now? Ksh \_\_\_\_\_
  
3. Please indicate the nature of ownership of your business  
Local \_\_\_\_\_ Foreign \_\_\_\_\_ other (Please specify)
  
4. a) How many employees do you currently have? \_\_\_\_\_  
  
b) How many employees did you have when you started operating? \_\_\_\_\_
  
5. Do you have any other-branches? Yes \_\_\_\_\_ No \_\_\_\_\_

If yes, please indicate the actual number and their location

\_\_\_\_\_

6. a) Please indicate some of the basic requirements an investor needs to operate call a centre branch

Financial requirements \_\_\_\_\_

Physical and structural \_\_\_\_\_

Facilities \_\_\_\_\_

Other requirements \_\_\_\_\_

6 b) Please indicate some of the challenges you encountered in trying to meet the above requirements \_\_\_\_\_

7. a) Please indicate the type of call centre service that is offered by your organization

<b>Outbound Service</b>	<b>Specify by a (√)</b>
Tele Research	
Tele Marketing	
Subscription renewal	
Data Capture	
Prepaid & Post paid telephony	
GPRS, 3G, EDGE, Data and Fax technology	
Data verification	
<b>Inbound services</b>	<b>Specify by a (√)</b>
Complaint recording	
Booking orders	
Customer service help line	
Sales support help line	
Real time credit and Billing problems	

7 b) Please indicate some of your reasons for offering the particular products or services mentioned above.

- Competitive prices
- Ease of selling and promoting the product /service
- Ease of access to third party providers
- Credit facilities
- \_\_\_\_\_
- \_\_\_\_\_


7 c) Please indicate some of the difficulties that you encounter in offering for the products and services \_\_\_\_\_

8. Please indicate ( √ ) the extra services that your call centre branch(s) offer now and those that you plan to offer in the future

- Bill payments methods ( supermarkets ,Banks etc)
- Premium Rate Service
- Other ( please specify)
- \_\_\_\_\_
- \_\_\_\_\_

Now	Future

9. a) Please indicate ( √ ) which of the following groups of customers you service and the products/ service you provide for each

	Target Customer	√	Product / Service
1.	Bank Operators		
2.	Insurance operators		
3.	Telecommunication operators		
4.	Health care providers		
5.	Travel and Ticketing		
6.	Mortgage, logistics and recruitment firms		

9 b) Why do you think these customers use your products and services? Because of

- Lower prices than your competitors
- Strategic location of branch e.g. easily accessible to customers , security
- Giving incentives e.g. discounts ,gift items, special promotions
- Competent and skilled customer service staff
- Other ( please specify )
- \_\_\_\_\_
- \_\_\_\_\_


9 (c) What are some of the things that you do to attract these customers?

---

---

---

9 (d) What some of the difficulties or challenges that you encounter in trying to meet the needs of these customers?

---

---

---

10. Who influences the decision to stock the products/services that your Call centre branch?

Customers  Suppliers  Company owner  Competitor   
Others specify

---

---

---

11. In your opinion please indicate how your target customers view your current prices

Very high  High  Fair  Low  Very low

12. Please indicate THREE major costs that your call centre branch incurs per month

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

13. Given the costs mentioned above, how does your firm manage to keep your prices lower of the same level the other players in the market?

---

---

---

14. In your opinion, how important is it to give your business a brand name?

1 very important	<input type="checkbox"/>	4 Not important	<input type="checkbox"/>
2 Fairly important	<input type="checkbox"/>	5 Not very important at all	<input type="checkbox"/>
3 Not sure	<input type="checkbox"/>		

Why? \_\_\_\_\_

---

---

15. How would you rate the state of competition in the industry?

Stiff  Fairly stiff  Not stiff  Not sure

16. What are your reasons for 15 above?

1 \_\_\_\_\_

2 \_\_\_\_\_

3 \_\_\_\_\_

17. a) In your opinions who are the most successful call centre operators in Kenya?

---

---

17 b) Give reasons for your choices above

	Firm (17a)	Reasons for your choice (17 b)
1.		
2.		
3.		

18. Please state THREE main actions your firm is doing to compete effectively in the market.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

19. How important are the following goals to your business. Please rate them in order of the importance using the following scale

- 1 very important
- 2 Fairly important
- 3 Not sure

- 4 Not important
- 5 Not very important at all

- Growth (gain Market share)
- Survival in the industry
- Maximize market share
- Profitability
- Market/Product differentiation
- Government support

- others (Please specify)
- 
- 
- 
- 
-

**SECTION B :**

Please indicate (√) the extent to which you have used the following action plans to overcome competition in the market. Use the following scale

1. Used to a great extent                      2. Used to some extent                      3. Moderately used  
 4. Not used    5. Not used at all.

**Product and service offering**

1. Offering products / services not provided by competitors
2. Offering high quality products and services
3. Looking for reliable suppliers
4. Using suppliers who deliver goods/products efficiently
5. Avoiding suppliers who also supply our competitors

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

**Pricing and cost management**

6. Keeping the same overheads cost as our competitors
7. Keeping lower overheads cost than competitors
8. keeping our prices the same as competitors
9. Keeping our prices lower than competitor

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

**Staff**

10. Training and development of staff
11. employing competent and hardworking staff
12. Training staff in customer service

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

**Marketing**

13. Payment by credit cards
14. Offering discounts
15. Offering coupons or gifts to boost sales
16. Use of public relations , sales promotions /advertising
17. Branding of our premises

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5



**Location of branch**

- 18. Security and business location image
- 19. Convenience and ease of accessibility of branch
- 20. Branch located at reasonable office rental rates
- 21. Increasing the number of branches in other locations
- 22. Proximity to potential multilingual employees

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

**Customer care and service**

- 23. Service specific types of customers only
- 24. Serve all customers
- 25. Good customer service feedback system
- 26. Offering differentiated products/good from competitors
- 27. offering the same service as competitors

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

**Other Action plans used**

- 28. \_\_\_\_\_
- 29. \_\_\_\_\_
- 30. \_\_\_\_\_
- 31. \_\_\_\_\_
- 32. \_\_\_\_\_

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

**SECTION C :**

The following are some of the issues that have been identified as challenges in the implementation of the action plans. Please indicate (√) the extent to which they are a challenge to your firm operating effectively in the market.

Please use the following scale.

1. Used to a great extent    2. Used to some extent    3. Fair    4. A little  
5. Not used at all.

1. Basic requirements to enter the industry
2. Negative publicity e.g. Call centre agents trying to defraud clients
3. Marketing
4. Ability and skills of staff
5. Ability and skills of owner
6. Government requirements
7. Industry regulation / rule
8. Financial requirements

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

Please indicate and rank (1 being the greatest) the challenges you have experienced as you operate in the Call centre industry

_____	
_____	
_____	
_____	

Thanks you very much for completing the questionnaire. Please write below any other comments you wish to include that are relevant to the subject of study.

---



---

**THANK YOU FOR YOUR COOPERATION**