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**FACTORS INFLUENCING THE COMPETITIVE ADVANTAGE WITHIN THE
COMMUNICATION SECTOR IN KENYA**

CASE STUDY OF TELKOM KENYA (ORANGE)

BY

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**SCHOOL OF BUSINESS
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*Factors influencing
the competitive*



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DECLARATION

I, the undersigned declare that this project is my original work and that it has not been presented in any other university or institution for award of a degree or academic credit. All references from various sources have been acknowledged as required.

Signature 

Date 11/10/2012

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DEDICATION

I dedicate this work to my mother Mrs. Anne Mutindi Mwanzia; you taught me that if I cannot be the sun I have to be a star. Mama, for your love and tender care I thank you. I will not forget that it is not by size that I win or fail. I will be the liveliest star, for you.

ACKNOWLEDGEMENTS

God, because of your will and might, I have learnt to cooperate with the inevitable. I matched each star with a reason for thanking you and was doing well until I ran out of stars. Thank you

Special thanks go to my parents Mr& Mrs. Charles Mwanzia Mulili, My siblings; George, Hilda and Nthenya the family that I cherish most. In my prayers, in my triumphs, in my storms, I have known no one else. I thank you all. This is proof of one fact of life; when you surround yourself with the best, you settle for nothing but the best and often than not, you are sure to get it.

I thank my supervisor Mr. Julius Murungi for the painstaking attention he devoted to this work despite a demanding work schedule. It was not always smooth but without his encouragement, this would never have come to be.

I thank my Friend Gedion for molding me and sharing with me the gift of friendship despite the hard time during morning sicknesses in my first trimester. When I could not be a pine on top of the hill, he taught me how to be the best shrub by the side of the rill. Thanks.

Definition of Key Terms

Market Intelligence:

Market intelligence (MI) is the information relevant to a company's markets, gathered and analyzed specifically for the purpose of accurate and confident decision-making in determining market opportunity, market penetration strategy, and market development metrics.

Promotion:

Promotion involves disseminating information about a product, product line, brand, or company. It is one of the four key aspects of the marketing mix. (The other three elements are product marketing, pricing, and place.)

Strategic Alliance:

A Strategic Alliance is a formal relationship between two or more parties to pursue a set of agreed upon goals or to meet a critical business need while remaining independent organizations.

Technology:

Technology deals with human as well as other animal species' usage and knowledge of the tools and crafts, and how it affects a species' ability to control and adapt to its natural environment.

Competitive advantage:

Condition which enables a company to operated in a more efficient or otherwise higher –quality manner than the companies it competes with and which results in benefits accruing to that company.

Competition:

This is the rivalry of two or more parties for something. Competition occurs naturally between living organisms which co-exist in an environment with limited resources for example, human, compete for recognition wealth and entertainment.

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LIST OF ABBREVIATIONS

ADSL	Asymmetrical Digital Subscriber Line Service
ARPU	Average Revenue per User
AT&T	American Telephone & Telegraph
CCK	Communications Commission of Kenya
CDMA	Code Division Multiple Access
CSR	Corporate social responsibility
EA	East Africa
GOK	Government of Kenya
GSM	Global System for Mobile
IBM	International Business Machines
ICT	Information and Communication Technology
IP	Internet Protocol
ISDN	Integrated Services Digital Network
KIF	The Kenya ICT Federation
KPT&C	Kenya Posts & Telecommunications
MCI	Microwave Communications Inc
MI	Market intelligence
POSTA	Postal Corporation of Kenya
RBOC	Regional Bell Operating Companies
R&D	Research & Development
TKL	Telkom Kenya Limited TELKOM
U.S	United States of America
VoIP	Voice over Internet Protocol
VSAT	Very Small Aperture Service

ABSTRACT

The industry in Kenya is 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 the private sector participants.

A telecommunication policy statement was issued in 1997 that set out the Government vision on telecommunication development to the year 2015. The challenge at that time was to transform the existing policy structure from one designed for a monopoly to a policy managing a liberalised telecommunication market. In 1998/99, the Government launched the telecommunication sector reform and introduces competition in certain market segments while at the same time disbanding KP&TC. (Kenya Post and Telecommunication).

One of the immediate goals of the telecommunication sector reform was to increase telecommunication supply. This has been witnessed in high growth in all areas that were open for competition the result is new markets, new players, and new challenges.

Telkom Kenya despite its strong foundation is not performing as well as it should. It is operating in a market which is experiencing increasing competition. Despite heavy information technology investment they are not realizing business value.

However given proper strategic planning Telkom (Orange) could turn around and become a profit making company and acquire chunk of the market share.

This study will investigate the opportunities open to Telkom Kenya and how best they could be exploited.

CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

From introduction of telecommunication services in the colonial times up to 1977, the services in Kenya were managed as part of a regional network with neighbouring Tanzania and Uganda. In 1977, the East African Community under which the regional telecommunications services operated collapsed and as a result, the Government of Kenya established Kenya Posts and Telecommunications Corporation (KP&TC) to run the services.

A telecommunications policy statement was issued in 1997 that set out the government vision on telecommunications development to the year 2015. The challenge at that time was to transform the existing policy structure from one designed for a monopoly to a policy managing a liberalised telecommunication market. In 1998/99, the government launched the telecommunications sector reform and introduced competition in certain market segments, while at the same time disbanding KP&TC. The cornerstone of the sector reform was a new telecommunication policy and telecommunication laws. The reform had three major components namely: separation of roles in sector management – policy and regulation, creation of a multiple operator environment (liberalization), reduction and eventually elimination of government operational role in the telecommunications sector (privatization).

KP&TC was consequently split into three legal entities, namely Telkom Kenya Limited (TELKOM), Postal Corporation of Kenya (POSTA) and the Communications Commission of Kenya (CCK): The Postal Corporation of Kenya (POSTA), which was established by the Postal Corporation of Kenya Act, 1998, is the public postal licensee with the specific role to ensure universal access of postal services. POSTA would have exclusivity only in stamp provision and private letter boxes but compete in all other segments.

TELKOM Kenya Limited was established as a public telecommunications operator under the Companies Act. Consequently, Telkom Kenya was issued with licenses in all areas that it is

currently operating. It had universal access service requirements in its license and was obliged to provide interconnection facilities to other duly licensed operators. The Communications Commission of Kenya would be the regulatory body for the sector and was established by the Kenya Communication Act 1998. The National Communications Secretariat was also formed under the Kenya Communications Act 1998 to serve as the policy advisory arm of the Government on all matters pertaining to the info-communications sector.

One of the immediate goals of the telecommunications sector reform was to increase telecommunication supply. The immediate result of the reform has been witnessed in high growth in all areas that were open for competition. Low growth was noted in the areas without competition notably in the provision of fixed line services. Competition no doubt released resources from the private sector to serve the demand that could not be served under a monopoly environment.

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. The result is new markets, new players, and new challenges. Market liberalisation efforts have also picked up ensuing the successful partial privatisation of Telkom Kenya Ltd (December 2007), divestment of Government of Kenya's (GoK) 25% stake in Safaricom Kenya Ltd through a public listing (May 2008), and the launch of fourth mobile operator Econet Wireless Kenya (November 2008). This has resulted into some of the world's best known telecommunication providers – Vodafone, France Telecoms and Essar Communications through their investments in Safaricom Limited, Telkom Kenya Limited and Econet Limited respectively - being major players in the Kenyan market.

Telkom Kenya was established as a telecommunications operator under the Companies Act in April 1999. This was after KP&TC was split into three legal entities namely Telkom Kenya Limited (TKL), Postal Corporation of Kenya (POSTA) and the Communications Commission of Kenya (CCK). Telkom Kenya was issued with licenses in all areas that it is currently operating. It had universal access service requirements in its license and was obliged to provide

interconnection facilities to other duly licensed operators. After the split Telkom Kenya remained with 20,000 staff, Postal Corporation 5,000 and CCK 100. Telkom Kenya was still a government entity and this was a major constraint as it restricted their borrowing. In December 2007 there was partial privatisation of Telkom Kenya Ltd. France Telecom SA won an auction for a 51% stake in TKL. This led to the introduction of Orange a GSM wireless to enhance competition within the GSM technology.

Telkom Kenya offers a wide variety of services such as Telkom wireless that is wireless mobile voice and data service, Telkom ADSL which is Telkom's Asymmetrical Digital Subscriber Line Service (ADSL) – it offers broadband internet using the existing telephone infrastructure, Telkom VOIP 888 is Telkom's voice over internet protocol service which routes international calls using IP, corporate VOIP 888 offers a higher quality VOIP service to corporate consumers on post paid. Telkom Direct 000 is international voice service communication. Kenstream is Telkom's Digital Leased Line Service provides point to point connectivity. Kenstream wireless is Telkom's Digital leased line service provided on a wireless platform using broadband wireless access technology. Kensat is Telkom's Very Small Aperture Service (VSAT) which uses satellite technology to deliver service to customers. Safarisat is the satellite phone service it provides voice, fax, data and emergency services. Jambonet is the internet access gateway. Dialplus Services flexible customer controlled services are available to customers connected to digital exchanges, and Integrated Services Digital Network (ISDN).

www.telkomkenya.com.

1.2: Problem statement

Telecommunication industry is a changing industry. In the past decade, technological advancement and regulatory restructuring have transformed the industry. In 1998/99, the government of Kenya launched the telecommunications sector reform and introduced competition. The result was new markets, new players, and new challenges in the Telecommunications industry. The combined impact of technological change and deregulation has created a much more complex, diverse, and competitive telecommunication environment. New entrants have poured into local communications market-from wireless cell phones and

networks for wireless Internet access to long distance carriers, VoIP Internet telephone service providers, and cable companies. Prior to deregulation and new technologies, telecommunications decisions were comparatively simple.

Today companies' strategic choices have become more important to create customer value and keep market shares. They suddenly have to make strategic decisions with respect to competition. The previous state owned companies like Telkom must be ready to compete when they are exposed to competition, as new companies are entering the market.

Currently TKL has a combined 1.8 million subscriber base for its various services including a fixed-line network. 1.38 million Of these are mobile subscribers under the brand name Orange. Safaricom was originally a moribund department of Telkom Kenya, but now it holds the biggest market share of 77% which translates to 15 million subscribers. It is one of the largest companies in sub Saharan Africa. This is where Telkom Kenya should have been.

The competitive environment is a very critical business area to be addressed to achieve the desired vision of any company. This encompasses several critical touch points such as market intelligence, astute marketing/promotional mechanism, strategic alliances and technological adoption.

The competitive environment is severe and Orange is struggling to survive. Telkom Kenya is now facing stiff competition from Safaricom, Airtel (- formerly Kencell/Celtel/Airtel) and from Econet under the brand name Yu. This study will be looking at Telkom Kenya, how it can compete and if it can compete in the telecommunications industry. It has always been argued that competition improves the performance of any industry at the same time ensuring quality services to customers; however since the introduction of competition within the telecommunication sector Telkom Kenya has considerably lagged behind in performance.

It is against the foregoing background of high competition that TKL changes its business as usual approach to more market oriented. The study therefore seeks to analyze the paradigm shift adopted by TKL in the face of competition.

1.3 Objectives of the study

1.3.1 General Objective

To investigate the factors influencing competitive advantage within the communication sector in Kenya– Case study of Telkom (Orange)

1.3.2 Specific Objectives

- i. To assess the role of market intelligence towards influencing the competitive advantage.
- ii. To evaluate the effect of strategic alliances within the communication sector in Kenya.
- iii. To investigate the extend to which technology influences the competitive advantage.
- iv. To establish the effects of business promotional framework within the telecommunication industry.

1.4 Research Questions

The following research questions guided the study

- i. What role does market intelligence play in enhancing a competitive business environment?
- ii. How business promotional framework affects the competition strategies within the telecommunication industry?
- iii. What effect does strategic alliance have on the network growth of the telecommunication industry?
- iv. What is the significance associated with technological adoption towards strengthening competitive advantage in the industry?

1.5: Importance of the Study

The benefits or values that will accrue from this study are:

Government

The Kenyan government will be able to use the findings from this study to come up with policies on how best to manage other parastatal during this era of stiff competition.

Telkom Kenya (Orange)

The benefits that Orange will reap from this study are two fold. First, the study will act as an audit to the effectiveness of strategies put in place to counter competition. Secondly, it will help the corporation to come up with new measures to put in place where the current strategies have not achieved the expected results.

Management

This is because it will be possible for the board of directors and management to identify areas of weaknesses and strength so as to improve on them. It will also help the management to formulate appropriate business strategies and policies for implementation in the telecommunication industry.

General Public

The study will be significant to the general public because the researcher hopes that this study will increase their knowledge to enable them understand the vital role played by TKL services in their day to day activities and in the general economy at large.

Other Researchers

The findings of the study will also help other researchers who would want to carry out research on similar topics.

1.6 Limitations of the study

It might be difficult to reach the respondents because of their busy schedules. This will necessitate booking for appointment and sometimes abrupt meetings hence distorting the

research plans. It can be noted that some of the Telkom Kenya staff might not be free to take interview and fill the questionnaires due to suspicion and fear, at times preferring not to fill the questionnaires. However, with assurance of confidentiality of the information given, they will be convinced to answer the questionnaires.

1.7 The Scope of the Study

The study will be carried out at TKL headquarters, one regional office, and dealer shops in Nairobi. The study will aim at investigating the factors influencing competitive advantage in the telecommunication industry in Kenya. The study will not cover other Telkom Kenya offices in the country and also other telecommunication service providers. This implies that the results of the study may not exactly reflect what is happening in all offices of Telkom Kenya and in other telecommunication service providers.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discusses documented assessments of the competitive environment in the telecommunication industry. Liberalization of telecommunication has brought in many players in this industry and customers can now choose from many service providers to get the same. The chapter first discusses the general issue of business growth and competition in the telecommunication industry and then zeros in on documented material related to the research questions as follows: market intelligence, promotional mechanisms, strategic alliances and technological adoption.

2.1 Empirical Review

This part of the research study focuses on reviewing and defining relevant theories that have been used in the study on competitive environment in the telecommunication industry. The purpose of theoretical orientation is to define theories relevant to the research problem based on adequate tests by observation or experiment. This has been carried out through definition of different domains relevant to the research problems that will be used in finding answers to the research questions. The following relevant theories have been reviewed and discussed across the research study.

2.1.1 Neo-classical Theory

Neo-classical model of free markets holds that production and distribution of goods and services in competitive free markets maximizes social welfare. This model assumes that new firms can freely enter markets and compete with existing firms; there are no barriers to entry. By this term economists mean something very specific, that competitive free markets deliver allocatively, productive and dynamic efficiency. According to Petri, 2004 allocatively efficiency is also known as Pareto efficiency and means that resources in an economy over the long run will go precisely to those who are willing and able to pay for them. Because rational producers will keep producing and selling, and buyers will keep buying up to the last marginal unit of possible output

- or alternatively rational producers will reduce their output to the margin at which buyers will buy the same amount as produced - there is no waste, the greatest number wants of the greatest number of people become satisfied and utility is perfected because resources can no longer be reallocated to make anyone better off without making someone else worse off; society has achieved allocative efficiency. Petri, 2004 goes on to state that productive efficiency simply means that society is making as much as it can. Free markets are meant to reward those who work hard and therefore those who will put society's resources towards the frontier of its possible production. Dynamic efficiency refers to the idea that business which constantly competes must research, create and innovate to keep its share of consumers.

Contrasting with the allocatively, productively and dynamically efficient market model are monopolies, oligopolies, and cartels. When only one or a few firms exist in the market, and there is no credible threat of the entry of competing firms, prices raise above the competitive level, to either a monopolistic or oligopolistic equilibrium price. Production is also decreased, further decreasing social welfare by creating a deadweight loss. Sources of this market power are said to include the existence of externalities, barriers to entry of the market, and the free rider problem. Markets may fail to be efficient for a variety of reasons, so the exception of competition law's intervention to the rule of laissez faire is justified. Orthodox economists fully acknowledge that perfect competition is seldom observed in the real world, and so aim for what is called "workable competition. Lee (1998)

2.1.2 Market Communication Theory

According to Dawkins (2004) Communication often remains the missing link in the practice of corporate responsibility and promotional campaigns; she suggests also that effective communication of CSR depends on a clear strategy, which evaluates both the opportunities and the risks to the brand. Dawkins highlights a number of key points to communicate on CSR: develop a clear communications strategy taking into account risks and benefits to the brand, adapt the message to the different types of audiences while maintaining the coherence of the message, and coordinate communications and actions.

2.1.3 Competitive Market Theory

If the market was a perfect world, there would be perfect competition. Perfect competition describes the hypothetical market form where no buyer or seller has the ability to influence prices. It is the theory on which supply and demand is built; this is according to Dawkins (2004). The competitive market theory follows the belief that there must be competition to keep the economy going. Oftentimes, the competitive market needs a middleman to step in and broker the relationship between buyer and seller states Dawkins (2004). This brokering is the market equilibrium. To achieve perfect competition, five requirements are necessary. First, there needs to be a large number of small producers and consumers that have no impact on each other. Second, goods and services must be interchangeable. Third, all firms know the exact pricing of the other firms. Fourth, all firms have the same access to technology and resources. And fifth, any firm may enter or exit the market at will. According to Dawkins (2004) meeting all five of the situations are unlikely. In fact, meeting even one requirement is unlikely. The market place gets close to perfect competition with the agricultural market. For example, several local farmers grow peaches. Their chief consumers are the area grocery stores who pay a set price per bushel, and all of the farmers are aware of this price. The peaches are then sold under the banner of "local," not by individual farm. What keeps agriculture from being perfect competition is government regulation, which warps the market theory. However, even without government regulation, not all farms will have the same access to technology or resources. The market stalls and shops seen in tourist areas of cities, where the merchandise is virtually all the same, as are the prices (Dawkins 2004).

Whenever perfect competition is not met, it becomes imperfect competition. This is how most of the market works. Imperfect competition is found when there is a lack of information about the items being sold or traded. It may also come about due to a lag time in the marketplace. This happens when there is a need for a service or supply but there are not enough people available to provide the goods or the service (Dawkins 2004).

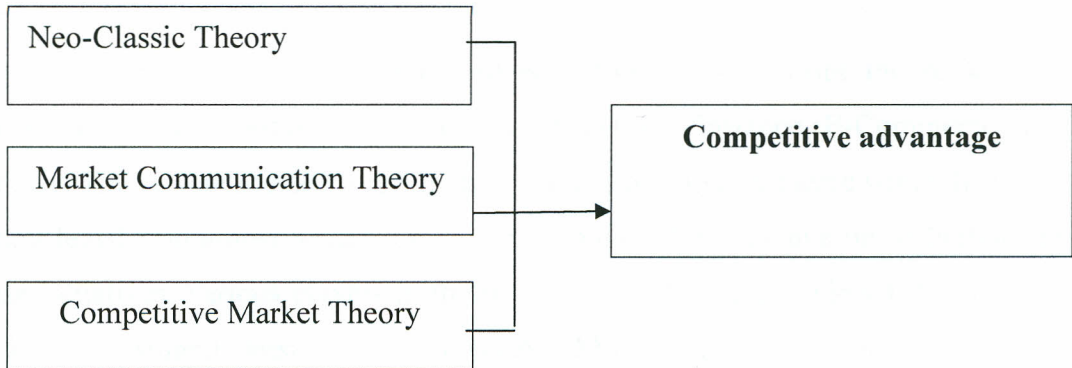


Fig: 2. 1 Theoretical Framework

2.2 Review of Past Studies

2.2.1 General Views

Starting in the mid- 1950's, The U.S Department of Justice started antitrust action to end the AT&T monopoly and promote more competition in telecommunications. A 1982 court order, implemented in 1984, broke up AT&T into a long –distance company and seven independent, regional telephone companies (Regional Bell Operating Companies, known as RBOCs) that were ordered to permit long-distance competitors such as Sprint and MCI to offer services for local customers, states Kenneth 2004. The court order stimulated competition in manufacturing, long-distance, and information services, while retaining regulated monopoly in local telephony. The Telecommunication Act of 1996 unleashed even more competition in telecommunications by permitting long-distance companies to offer local services and by requiring RBOCs to enter the long-distance market. According to Kenneth (2004) the combined impact of technological change and deregulation was to create much more complex, diverse, and competitive telecommunication environment. New entrants have poured into local communications market- from wireless cell phones and networks for wireless Internet access to long distance carriers, VoIP Internet telephone service providers, and cable companies. Prior to deregulation and new technologies, telecommunications decisions were comparatively simple. AT&T was the only choice for telephone service, and for data communication, managers chose IBM, Digital

equipment, or another networking/computer firm. Now managers must make decisions that involve comparing many competitors and, many different technologies, all of which promise to provide effortless connectivity. (Kenneth, 2004)

The ICT sector in Kenya has witnessed robust activity arising from the reforms that the government has so far undertaken states Rainie (2004). For instance, E-Commerce has grown tremendously. The private sector invests in the facilitation of E-Commerce while the government is preparing legislation aimed at facilitating E-Commerce, for presentation to Parliament soon. With these initiatives, various players in the ICT sector will begin to view E-Commerce as yet another key investment area in this country. Moreover, the Government is currently implementing E-Government policy which offers wide opportunities for the application of ICT to improve service delivery by the Government. One area that stands to benefit most from the implementation of this policy states Rainie 2004 is settlement of pension's claims. Another area that has benefited from the Government's reforms is mobile telephony, which has grown from 15,000 lines in the year 2000 to the current 5.5 million. In order to encourage more investments in the sector, the government has fully liberalized the sector through opening up of the international gateways to other players and licensing of new operators to compete with Telkom Kenya, (Rainie, 2004).

The Government has tabled a new Communications Bill in Parliament. The National Information and Communications Policy create a framework for a liberalised ICT industry and also provide a roadmap for the development of ICT in the country over the next five years. Some of the key pillars in the ICT policy include: a liberalised sector, development of adequate ICT infrastructure, development of human resources and universal access to information technology throughout the country. To accelerate this process, the Government has set up a Universal Access Fund under CCK for the establishment of village ICT centres. The aim of creating these centres is to ensure that Wananchi in the rural areas are able to access ICT free of charge, (Rainie, 2004).

Further, the government has approved restructuring of Telkom Kenya. The company has sold 9 percent of its shareholding in Safaricom to finance the restructuring programme. In this regard, the Government directed that the process be expedited for Kenyans to buy at least 34 percent of the company's shares through the Nairobi Stock Exchange. In regard to infrastructure, the Government has created the necessary policy environment for investments in the sector. Already, there is a substantial growth in the development of fibre-optic networks within the country by both Telkom Kenya and the private sector. Although the city fibre network covers more than 60 percent, investors should extend fibre connectivity not only in the city but also to border points. Government has also issued eight licences to internet backbone gateway operators, fifteen local loop operators and eight public data network operator. It is not sufficient to invest in ICT infrastructure alone, but equal attention to the development of appropriate ICT skills that will enable many of the unemployed university and high school graduates find employment in this dynamic sector. In this regard, the Government set aside funds in the next Financial Year to re-skill and re-orient Kenyans towards the demands of ICT, (Kenneth, 2004).

The Kenya ICT Federation (KIF), the local umbrella body for players in the industry says it has been lobbying hard for policy support through a number of campaigns. The body is also in the process of setting standards for its members too, as a starting point. We are working on a standard policy for our members who will be out soon, "said the KIF chairman. He said this has arisen from demands by ICT customers to get quality assurance. "They want to be sure that when they sign a contract for an ICT project they are in good hands, there is also an interest in standards particularly from the local software industry. They feel like they don't have equal changes in the market, because of competition from established international brands" he adds, (Ndindo 2008).

KIF membership comprise market segment associations E-commerce Association of Kenya, Information System Audit & Control Association, EA Internet Association, Telecommunications Service Providers Association of Kenya, Information Technology Standards Association, as well as individual companies like Softward companies, system builders, network operators, among others. "People living below the poverty line are the majority in rural Kenya and as we campaign

in metropolitan areas, we are also looking for rural ICT. The Government's digital villages' is good timing. The Kenya ICT Board recently launched special stakeholder forums designed to enable collaboration between the private sector and the Government in development of the country's ICT industry agenda, (Ndindo 2008).

This networking revolution shows no sign of abating. Until about 1990, all the business communication was accomplished primarily through the postal system or telephone system as voice or fax traffic. Today a great deal of this communication takes place using computers and email, the internet, cellular telephones, and mobile computers connected to wireless networks. In 2004 there were an estimated 1 billion instant messages sent every day in the United States, 4 billion e-mails, and millions of spreadsheets and database files. On average people in the United States transmitted 4 billion digital photos to each other over the internet and downloaded about 65 million music files, (Madden and Rainie, 2004).

2.2.2 Market Intelligence

Market intelligence (MI), according to Cornish 2007, “the process of acquiring and analyzing information in order to understand the market (both existing and potential customers); to determine the current and future needs and preferences, attitudes and behaviour of the market; and to assess changes in the business environment that may affect the size and nature of the market in the future.

If an organization wants to be close to the market it needs to fully understand it, including the role that the competitors and customers play there. Market Intelligence (MI) is the information relevant to a company's markets gathered and analyzed specifically for the purpose of accurate and confident decision-making in determining market opportunity, market penetration strategy, and market development metrics. Competitive intelligence describes the broader discipline of researching, analyzing and formulating data and information from the entire competitive environment of any organization. Business intelligence of any kind may also be their responsibility, in tandem with (or solely performed by) the Finance department, for measuring market share and setting growth targets, the mergers and acquisition group for exploring acquisition opportunities, the Legal department to protect the organization's assets or R&D for

cross-company comparison of innovation trends and the discovery of opportunities through innovative differentiation, (Cornish, 2007).

Market intelligence helps in Market and customer orientation to promote external focus, Identification of new opportunities so as to identify new trends before our markets and competitors; one is able to get early warning of competitor moves this enable counter measures this Minimizing investment risks by detecting threats and trends early on Better customer interaction – inherit intensified customer market view Better market selection & positioning – understand where your offer fits and discover untapped or under-served potential Quicker, more efficient and cost-effective information – avoid duplication of report acquisitions and expensive consultant work. Market Intelligence is about providing a company with a view of a market using existing sources of information to understand what is happening in a market place, what the issues are and what the likely market potential is. Market Intelligence can be divided into two spheres that is market Intelligence based on external data and market intelligence based on internal data (Cornish, 2007)

Often Market Intelligence relies purely on external data such as analysts reports, but there is often a great deal of untapped information internally that would give an insight into your market, from sources such as databases and prospect lists, and an holistic view can prove very insightful. Market intelligence from external data is normally gathered through desk research.. This means sourcing and analyzing published information to build a picture of a market and to try and answer some specific commercial questions such as what is the market potential. Central to successful desk research is the ability to track down sources of information. and to provide the right level of analysis. For example identifying who your competitors are and analyzing their market position against yours to find strengths and weaknesses and indications of new developments. Related to desk research is list building. This involves seeking out lists of likely prospects or partners for relationship or network building and finding out key information about the company for marketing purposes (Cornish, 2007).

A specific form of Market Intelligence is competitive intelligence. This is typically undertaken on an on-going basis and involves the collection of news, materials and other information about competitors from a wide variety of sources. Because of its on-going nature, Competitive

intelligence is more about putting structures in place than specifically finding one-off pieces of data. Much marketing intelligence information can come from making better use of existing information. For instance by carrying out data base analysis on orders taken it may be possible to understand where you have cross-sale and up-sale opportunities, or to understand what type of customers are your most profitable. Database information is not the only source of market data. Website may also include a high degree of valuable information about who is looking for your products and services. Website traffic analysis can help you understand what customers are looking for and why. Knowledge about customers, markets and competitors that comes from your staff. Often this is a poorly tapped source of information (Cornish, 2007).

Since 1979, Sharp Market Intelligence has helped Fortune 500 and emerging companies make smarter decisions by transforming information into a powerful competitive advantage. Once one identifies changes, opportunities and obstacles in the current marketplace, executives can make strategically sound decisions based on knowledge and a future-focused perspective about their entire business universe.

2.2.3 Sales Promotional

According to Gupta (2007), the objectives of sales promotions are to attract new customers, to make existing customer loyal, reward loyal customers; increase the market size by stimulating the use of an entire product category and to reinforce other communication tools. Gupta 2007 states that the further the product progress through its life cycle, the more managers tend to allocate more budgets to sales promotion. It is the same case for lower priced brands; moreover retailers have high influence on the final price and use of sales promotion. Nearly all companies need to use sales promotions as either offensive and/or defensive tools in the battle for market share (Gupta, 2007). As a consequence, the consumer's brand choice is influenced by the sales promotion campaigns. Prior to making a decision, the typical consumers will take into account whether or not a promotion exists. They may also buy something they had not planned or buy something in a greater quantity because there is a promotion. Sales promotion can in fact create an impulse purchase, when the need has been created or revealed in-store.

Hartley and Cross (1998) state that sales promotions cover a wide scope of marketing activity ranging from trade, sales force and consumer programs. Specifically, sales promotion encompasses such activities as discounts, incentive plans, coupons, sweepstakes, and value-added promotions. These programs have continually been studied in terms of their impact upon brand loyalty. Hartley and Cross (1998) also state that Marketing managers are becoming more concerned about the productive use of promotional funds and controlling spending on trade promotion. As a result, trade-offs among advertising, consumer promotion, and trade promotion are an important, though perplexing aspect of the budgeting process. Although the importance of sales promotion has increased dramatically, it has remained a little understood beyond the objective of delivering short-term results and successfully introducing new products into the consumer market.

According to Gupta, (2007), Sales promotion is exclusively concerned with a prize or gift given to consumers. This is consistent with a number of sales promotion activities for brands. When the type of sales promotion is a prize, the relationship between influence to take a brand and sales promotion becomes clearer. A premium or prize can serve as an unconditional stimulus, which elicits excitement or emotion. When the type of sales promotion is a prize or a gift, there is a relationship with effect. Gupta, 2007 states that Relationships have demonstrated that individuals, in whom positive perception on a brand has been evoked through receiving a gift, are more likely to be risk taking when the probability of benefiting from the purchase of a brand is high, but risk-averse when the probability of benefiting is low. Such research is essential in developing an understanding of how advertising and promotional strategies can be used to influence consumers' brand perception and selection behaviour.

Kotler (2003) is of the view that organizations should concern themselves with sales promotion campaigns because of factors such as competitive pressures from their counterparts, leading to the need of differentiation of their products and services. Buyers have become expectant in that the consumers are promotion oriented and are demanding more deals. There is also a need for the organizations to increase customer loyalty, therefore adding value to a product or service is important. Organizations have an urge of short-term results and the application of sales promotion produces quicker and more measurable results (Hartley and Cross 2004),

Over the years there has been a need to increase sales volume especially in the short run thus use of sales promotion compared to the other tools of promotion. According to Kotler (1997), decades ago, advertising to sales volume ratio was about 60:40. Today in many consumers packaged goods companies, sales promotion accounts for 65% to 75% of the combined budget. Sales promotion expenditures have been increasing as a percentage of budget expenditure annually for the last two decades, and the fast growth rate is expected to continue. Sales promotion is now more accepted by top management as an effective sales tool and product managers are widely using it to increase their current sales. Some of the companies are concerned with increasing the sales in the short-run; therefore sales promotion is often the resort. Companies use sales promotion to create a stronger and quicker response, it is used to dramatize product offers and to boost sagging sales (Kotler, 1997)

Sales promotions are often confused with advertising (Tull, 2005). For instance, a television advertisement mentioning a contest awarding winners with a free trip to a Caribbean island may give the contest the appearance of advertising. Tull, 2005 believes that while the delivery of the marketer's message through television media is certainly labelled as advertising, what is contained in the message, namely the contest, is considered a sales promotion. The factors that distinguish between the two promotional approaches are: whether the promotion involves a short-term value proposition for example the contest is only offered for a limited period of time, and the customer must perform some activity in order to be eligible to receive the value proposition for example customer must enter contest. The inclusion of a timing constraint and an activity requirement are hallmarks of sales promotion.

Gupta, (2007) is of the view that, a strong brand strategy can increase the awareness of a company and its offerings in such a way that it establishes strong feelings and reactions and a favourable view towards the company as a whole. To create this sort of brand awareness in your market, it takes skilful Brand Strategy know-how. The function of branding is one of the most important aspects of any business be it a large or a small business organization. An effective brand strategy enables marketers to sell more and win the market share. Companies around the world have continued to invest heavily in brand management.

Kimball, (2002), stated that effective sales promotion campaign enables a business organization to successfully out-brand its competitors is a continuous battle for the hearts and minds of the market share and customers. The proposition an organizations sales promotion and brand strategy makes must be very compelling, attractive and unique among competitive offerings. The proposition must also be consistently reinforced throughout all phases of an organization, from senior executives to customer service, research and development, business development and even your business partners.

2.2.3 Strategic Alliance

A Strategic Alliance is a formal relationship between two or more parties to pursue a set of agreed upon goals or to meet a critical business need while remaining independent organizations states Yoshino et al (1995). Partners may provide the strategic alliance with resources such as products, distribution channels, manufacturing capability, project funding, capital equipment, knowledge, expertise or intellectual property. The alliance is cooperation or collaboration which aims for a synergy where each partner hopes that the benefits from the alliance will be greater than those from individual efforts. The alliance often involves technology transfer (access to knowledge and expertise), economic specialization, shared expenses and shared risk. One of the fastest growing trends for business today is the increasing number of strategic alliances. Yoshino et al (1995) also state that, strategic alliances are sweeping through nearly every industry and are becoming an essential driver of superior growth. Alliances range in scope from an informal business relationship based on a simple contract to a joint venture agreement in which for legal and tax purposes either a corporation or partnership is set up to manage the alliance.

For small businesses, strategic alliances are a way to work together with others towards a common goal; while not losing their individuality. Alliances are a way of reaping the rewards of team effort - and the gains from forming strategic alliances appear to be substantial states David, 1996. Companies participating in alliances report that at much as 18 percent of their revenues come from their alliances. But it isn't just profit that is motivating this increase in alliances. Other factors include an increasing intensity of competition, a growing need to operate on a global scale, a fast changing marketplace, and industry convergence in many markets (for

example, in the financial services industry, banks, investment firms, and insurance companies are overlapping more and more in the products they supply). Especially in a time when growing international marketing is becoming the norm, these partnerships can leverage your growth through alliances with international partners. Rather than take on the risk and expense that international expansion can demand, one can enter international markets by finding an appropriate alliance with a business operating in the marketplace you desire to enter (David 1996).

A strategic alliance is essentially a partnership in which you combine efforts in projects ranging from getting a better price for supplies by buying in bulk together to building a product together with each of you providing part of its production (David, 1996). The goal of alliances is to minimize risk while maximizing your leverage and profit. Alliances are often confused with mergers, acquisitions, and outsourcing. While there are similarities in the circumstances in which a business might consider one these solutions, they are far from the same. David, 1996 defines mergers and acquisitions as permanent, structural changes and this is how the company exists. Outsourcing is simply a way of purchasing a functional service for the company. An alliance is simply a business-to-business collaboration. Another term that is frequently used in conjunction with alliances is establishing a business network. Alliances are formed for joint marketing, joint sales or distribution, joint production, design collaboration, technology licensing, and research and development. Relationships can be vertical between a vendor and a customer, horizontal between vendors, local, or global. Alliances often are established formally in a joint venture or partnership (David 1996).

Businesses use strategic alliances to: achieve advantages of scale, scope and speed, increase market penetration, enhance competitiveness in domestic and/or global markets, enhance product development, develop new business opportunities through new products and services, expand market development, increase exports, diversify ,create new businesses and reduce costs. Strategic alliances are becoming a more and more common tool for expanding the reach of a company without committing to expensive internal expansions beyond an organizations core business (David 1996).

2.2.4 Technological Adoption

The technology adoption lifecycle model describes the adoption or acceptance of a new product or innovation, according to the demographic and psychological characteristics of defined adopter groups. The process of adoption over time is typically illustrated as a classical normal distribution or "bell curve." The model indicates that the first group of people to use a new product is called "innovators," followed by "early adopters." Next come the early and late majority, and the last group to eventually adopt a product are called "laggards."

Technology adoption is the most common phenomenon driving the evolution of industries along the Industry life cycle. After expanding new uses of resources they end with exhausting the efficiency of those processes, producing gains that are first easier and larger over time then exhaustingly more difficult, as the technology matures. Had technological change and innovation proceeded at today's rate in fifteenth century Europe when printing technology was introduced, one can only speculate on the economic and political effects that its adoption and diffusion might have had on that era and subsequent history. And, if Internet technology is the "printing" technology of today, its potential effects on modern society might be compared to those of that centuries-old innovation; that is, momentous, but difficult to foresee. Fortunately, we now know more about the adoption/diffusion process.

This review examines that process and the social and other factors influencing the diffusion of Internet/World Wide Web technology. Attributes of Internet technology that differ from those of traditional instructional technologies and that modify the adoption and diffusion process are discussed, as are characteristics of the potential adopters and strategies that contribute to successful technology adoption and integration within an organization. Within this context, "adoption" refers to the stage in which a technology is selected for use by an individual or an organization. "Innovation" is similarly used with the nuance of a new or "innovative" technology being adopted. "Diffusion" refers to the stage in which the technology spreads to general use and application. "Integration" connotes a sense of acceptance, and perhaps transparency, within the user environment.

Typically, past adoptions of a new technology for education have signalled a confidence in its potential to alleviate a particular problem or to make a job easier or more efficient. Rarely has

bringing about new social and functional conditions been a consideration. Internet and World Wide Web technology, however, may provide a means of creating totally new learning environments, and it may be to that end that adoption is initiated. In such instances, "innovation" and "adoption" may be seen as virtually synonymous elements of the adoption/diffusion process.

Since early in the century, various "new" educational technologies have been touted as the revolutionary pedagogical wave of the future. Classroom films programmed learning devices, language laboratories, educational television, and computer-assisted instruction and, more recently, interactive videodisc technology have been adopted and integrated into the curriculum with varying degrees of success. Each technology was widely perceived as meeting a need, and each gained a measure of initial commitment of resources from a high level administrative or legislative entity. Their adoption and diffusion process generally followed what has been termed the "traditional model," a "top-down" process in which administrative "mandate" introduced the technology and administrative perceptions, decisions and strategies drove adoption and diffusion. Successful adoption was highly dependent on the degree, stability and wisdom of administrative sponsorship.

None of these technologies, however, has been generally available for individual or private use due to cost, scope or application. This deterred a "grass roots" technology adoption cycle as it was nearly impossible to generate movement from the bottom up by influencing faculty peers and administrators with demonstrations of successful applications.

Today's educational generation, however, sees personal computers, the Internet and the World Wide Web as technology's new wave. Proponents of distributed learning environments and distance learning on the World Wide Web forecast dramatic innovation at all levels and in all areas of education. And although this enthusiasm is reminiscent of that of past innovators, there are significant differences in the nature of this technology revolution in education and that of earlier ones with corresponding implications for adoption and diffusion.

Unlike earlier technologies which were thrust upon the education community, Internet technology is individually available to faculty and students who can use their own systems to

serve their own purposes. The impetus for the innovation frequently grows from individual users of the technology, and as their communication and influence moves laterally through their contacts, a body of support can grow and exert "pressure" on the institutional administration to commit to adoption of the technology. There is, therefore, a high potential for a "bottom-up" or "grass roots" adoption process to succeed.

Indeed, Everett (1986), considered by many the "guru" of adoption/diffusion research since publishing *Diffusion of Innovations* (now in its fourth edition) in 1960, reveals three important ways in which the adoption of interactive communications differs from that of previous innovations. 1) A critical mass of adopters is needed to convince the "mainstream" teachers of the technology's efficacy. 2) *Regular and frequent use is necessary to ensure success of the diffusion effort.* 3) Internet technology is a tool that can be applied in different ways and for different purposes and is part of a dynamic process that may involve change, modification and reinvention by individual adopters.

Internet technology actually embodies a number of technologies--e-mail, databases, chat rooms, and information and education resources, among others. Additionally, the Internet exhibits many elements that constitute a culture or community--language, symbols, rituals, interaction, and other elements of communication. It thus essentially becomes an environment into which users enter (December, 1993; North, 1995). "Visionary" innovation and "pragmatic" application can begin with grass-roots enthusiasts who enter this environment. Viewed as a culture or community, however, the Internet can be perceived as a threatening competitor to the established norms of an existing culture or community, such as an academic department or some other institutional entity.

The traditional adoption/diffusion continuum recognizes five categories of participants: This are, innovators who tend to be experimentalists and "techies" interested in technology itself; early adopters who may be technically sophisticated and interested in technology for solving professional and academic problems; early majority who are pragmatists and constitute the first part of the mainstream; late majority who are less comfortable with technology and are the sceptical second half of the mainstream; and laggards who may never adopt technology and may

be antagonistic and critical of its use by others. The distribution of these groups within an adopter population typically follows the familiar bell-shaped curve.

Moore (1991) sees these groups as significantly different "markets" in the "selling" of an innovation to faculty adopters. He suggests that the transition from the early adopters to the early majority--one that is essential to an innovation's success--offers particular potential for breakdown because the differences between the two groups are so striking.

Attempts to impose a technology through explicit mandates and requirements, as in the top-down scenario, are not likely to be effective. This is particularly true with Internet and Web technology because the technology is so generally available to anyone who has a mind to adopt it. Policies and procedures promoting the technology should grow naturally from its application, and incentives for using it likewise should be tied to its practical use. Adoption and diffusion is more likely to occur where incentives and policies encourage a natural acceptance and use of the new technology.

Technology innovation in the educational community has often been hindered by the lack of a reward structure. Written publication has long been held as evidence of scholarly work that is worthy of recognition through promotions or tenure. In contrast, time consuming effort directed to pragmatic problem solving, instructional materials design and development or innovative classroom teaching has rarely received similar recognition. Integrating a technology like the Internet into one's teaching is time consuming and "effort intensive," usurping time and energy that otherwise could be devoted to more traditional--and more rewarded--endeavours. If innovative behaviour is to be sustained, there must be a recognized and acknowledged system of rewards parallel to, and equal to that associated with "traditional" academic pursuits. Early success with the innovation, and ownership of and identity with the technology can be promoted through a variety of activities such as e-mail, live sites and chat rooms. Shared development of resources and papers can be collaborative efforts in which individuals at different sites can participate at their own level at any given time. Are some of these activities and tasks more likely to positively affect adoption/diffusion than others? How might they most effectively be introduced? Opportunities abound to develop resources and course material for alternative

delivery on the Internet and World Wide Web, not to mention alternative, electronic publication of papers and research. What is the current extent of professional recognition for development and publication of this sort? How might professional recognition be fostered?

Advocacy of innovation and commitment to integration on the part of the institution's administration is essential to success. The inter-institutional nature of Internet and World Wide Web application, however, introduces a need for inter-institutional collaboration at the administrative policy/procedure setting level. Are there models of administrative collaboration that might be adapted to the integration of Internet technology?

The Company believes that the following strengths will enable it to maintain and enhance its position as the leading provider of mobile communications services in Kenya: Established presence in the market – Leveraging the Company's price and products, coverage (including rural area coverage exceeding that of its competitors) and quality, customer service, brand awareness and distribution infrastructure, Safaricom has solidified its market leading position. Strong brand affinity – Safaricom enjoys strong brand recognition in Kenya. The Company has focused on enhancing its image by involving itself in the community and focusing on local themes, which may resonate with the targeted customer base. Ability to anticipate and react to customer needs and product offerings – Recognizing that its customer base is diverse (i.e. corporate v. individual, urban v. rural, wealthy v. poor), the Company has a history of introducing innovative products and services (most recently, M-PESA) designed to meet its current subscriber needs and the anticipated needs of future subscribers. Such products and services include introducing per second billing, offering low denomination airtime vouchers, distinguishing between peak and off-peak tariffs, offering lower pricing due to on-net advantage, and avoiding "hidden" charges (e.g. set-up fees). Ability to react quickly to competitive threats – The Company regularly scrutinizes competitor activities and promotions from public sources so that it can react quickly and effectively to competitor offerings/promotions to retain market share. Effective retail distribution network – The Company has a vast distribution network (including direct and indirect channels), through established dealers, which permits the Company to market its products and services to customers more easily, enables the company to further enhance its brand recognition and facilitate its ability to meet customer demand for its products.

Modern network infrastructure – The Company is able to offer wide-ranging network coverage due to its extensive infrastructure (Safaricom Prospectus, 2008).

The mobile telecommunications market is known for rapid and significant technological change. The Company's technologies, including its network based on the GSM standard and its proposed roll-out of a 3G mobile system may be overtaken rapidly, requiring it to invest in alternative technologies to remain competitive. As new technologies develop, equipment may need to be replaced or upgraded or a mobile telecommunications network may need to be rebuilt in whole or in part – at a potentially substantial cost to the Company – to remain competitive. The Company cannot assure that unforeseen technological developments will not render its service unpopular with customers or obsolete. In addition, to the extent development or systems become obsolete; the Company may be required to recognize an impairment charge to such assets, which may have a material adverse effect on the Company's results of operations (Safaricom Prospectus, 2008).

In the medium-to-long-term, the growth of the Company's customer base will become increasingly vulnerable to market saturation. As a result, the growth in the Company's customer base may be significantly lower than in past years. As the company continues to attract new subscribers who previously did not subscribe to mobile telecommunications services, it must take into account that their spending power may be lower than that of existing customers, thus reducing the Average Revenue per User ("ARPU"). In addition, an abundance of players in a price sensitive market could lead to subscribers using different service providers for different types of communication (e.g. voice or data) depending on perceived value for money, thus driving the ARPU down. In any case, mobile telecommunications charges are expected to fall, resulting in increased pressures on the Company's revenues and margins. With greater choice, the churn rate is likely to increase, possibly reducing the Company's market share, turnover and profitability. Mobile telecommunications operators compete for customers principally on the basis of services offered, price, marketing skills, quality, reliability and coverage area. As market saturation approaches, the focus of competition will likely shift from customer acquisition to customer retention. Accordingly, if the Company is unable to offer higher quality of service and

better value to its customers, its market share and revenues may not increase to the extent anticipated in its growth plans (Safaricom Prospectus, 2008).

2.3 Conceptual Framework

2.3.1 Market Intelligence

Market Intelligence (MI) is the information relevant to a company's markets gathered and analyzed specifically for the purpose of accurate and confident decision-making in determining market opportunity, market penetration strategy, and market development metrics. Organizationally, Market Intelligence can be the name of the department that performs both the market intelligence and competitor analysis roles. Competitive Intelligence describes the broader discipline of researching, analyzing and formulating data and information from the entire competitive environment of any organization. Business Intelligence of any kind may also be their responsibility, in tandem with (or solely performed by) the Finance department, for measuring market share and setting growth targets, the Mergers & Acquisition group for exploring acquisition opportunities, the Legal department to protect the organization's assets or R&D for cross-company comparison of innovation trends and the discovery of opportunities through innovative differentiation.

2.3.2 Sales Promotional

Promotion involves disseminating information about a product, product line, brand, or company. It is one of the four key aspects of the marketing mix. (The other three elements are product marketing, pricing, and place.). A promotional mix specifies how much attention to pay to each of the four subcategories, and how much money to budget for each. A promotional plan can have a wide range of objectives, including: sales increases, new product acceptance, creation of brand equity, positioning, competitive retaliations, or creation of a corporate image.

2.3.3 Strategic Alliance

A Strategic Alliance is a formal relationship between two or more parties to pursue a set of agreed upon goals or to meet a critical business need while remaining independent organizations. Partners may provide the strategic alliance with resources such as products, distribution

channels, manufacturing capability, project funding, capital equipment, knowledge, expertise, or intellectual property. The alliance is cooperation or collaboration which aims for a synergy where each partner hopes that the benefits from the alliance will be greater than those from individual efforts. The alliance often involves technology transfer (access to knowledge and expertise), economic specialization, shared expenses and shared risk.

2.3.4 Technology adoption

Most new technologies follow a similar technology maturity lifecycle describing the technological maturity of a product. This is not similar to a product life cycle, but applies to an entire technology, or a generation of a technology. Technology adoption is the most common phenomenon driving the evolution of industries along the industry lifecycle. After expanding new uses of resources they end with exhausting the efficiency of those processes, producing gains that are first easier and larger over time then exhaustingly more difficult, as the technology matures

Independent Variables

Dependent Variable

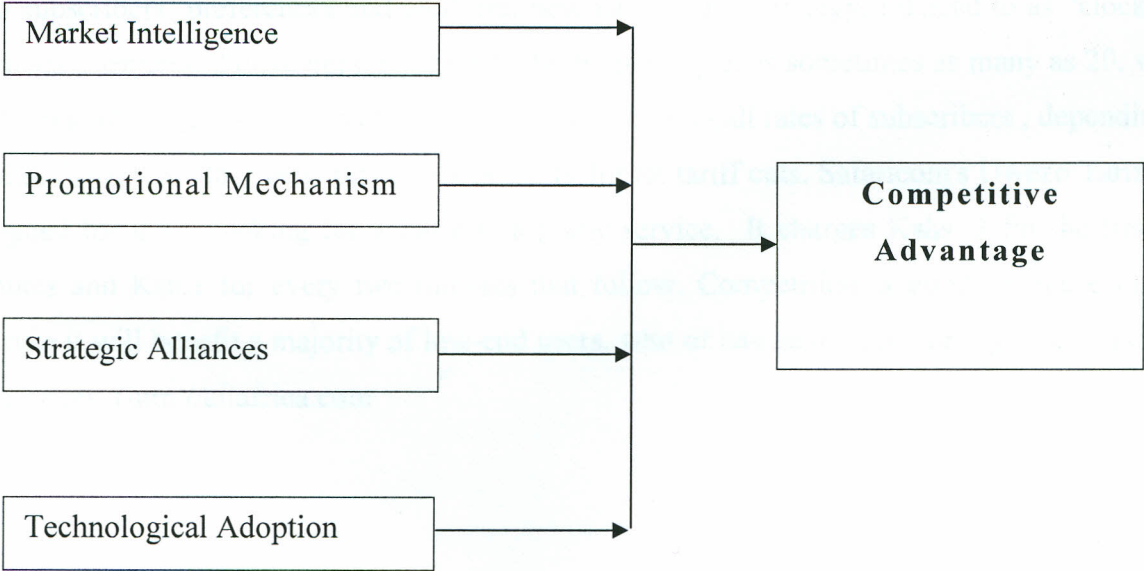


Fig. 2.2 Relationship between variables

Competitive environment is a very critical business area to be addressed to achieve the desired vision of any company. This encompasses several critical touch points such as market intelligence which is the gathering of relevant information pertaining the external environment, astute marketing/promotional mechanism which involves disseminating information about a product, product line, brand, or company, strategic alliances which is a formal relationship between two or more parties to pursue a set of agreed upon goals or to meet a critical business need and technological adoption. These variables affect the competitive environment in one way or the other. Management of the variables can determine an organization's survival in the competitive world.

2.4 Critical Review

According to the Economic Survey 2008, as many as 11.4 million, about 33 per cent of the country's population or 70 per cent of Kenyan adults own mobile phones. This means that growth for wireless companies could depend on chipping away at their rivals' subscriber base. The reduction of call charges is more of an incentive for these customers to switch sides, and is the latest carrot dangled by mobile phone providers to woo their rivals' customers. The providers have been working round the clock, studying calling behaviours. The information is then used to map subscribers' preferences and work out new tariffs. The strategy, referred to as "clock-face involves a sequential development of tariffs by both companies sometimes as many as 20, which are then kept in the "freezer" as they wait to coax the best call rates of subscribers , depending on market dynamics. In a way, this explains the tit for tat tariff cuts. Safaricom's Uwezo Tariff was designed for those looking for a flat rate top any service. It charges Kshs. 3 for the first two minutes and Ksh.1 for every two minutes that follow. Competition is good for the economy, because it will benefit a majority of low-end users, who of late have been hurt by recent spikes in food prices. (<http://allafrica.com>)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

This chapter highlights on the research methodology that was employed for the study. It includes the research design, population, sample size, data collection methods as well as data analysis.

3.1 Research Design

Both detailed quantitative and qualitative analysis were required in order to get in-depth insights into the nature of the competitive advantage in the telecommunication industry. Bearing this in mind, the researcher adopted descriptive case study as a principle design as advised by Mugenda and Mugenda (2003). Descriptive design has got an additional ability of evaluating impacts marketing strategies have on institutional performance.

The phenomenon that was placed under this study was market performance. Principles of case study was therefore not only be used to enhance the study's design but also used as a comprehensive research strategy.

3.2 Study Population

According to the TKL Human resource, there are a total of 1,684 employees. The study population comprised of the 30 Telkom Kenya staff, 40 Telkom Kenya customers and 30 dealers based in Nairobi City Centre.

3.3 Sampling method and Procedure

3.3.1 Sampling Design

This is a statistical determination of the appropriate sample size which can be generalized to represent the entire target population. Random purposive sampling was used to come up with an appropriate sample size. The population of interest consisted of employees of Telkom Kenya Ltd that is management, Technicians, frontline staff, customers who seek telecommunication services and the Dealers of Telkom Kenya products. These were selected randomly

3.3.2 Sample size

The sample size was 100; and it comprised of 5 management, 5 technicians, 20 front line staff, 40 customers and 30dealers.

Table 1: Sample size

Categories	Sample size	Percentage
Management	5	5%
Technicians	5	5%
Frontline staff	20	20%
Dealers	30	30%
Customers	40	40%
TOTAL	100	100%

Source: Author 2012

In order to determine the appropriate minimum sample size the following formula was applicable

$$n = \frac{N}{1 + Ne^2}$$

Where:

n = required responses

e² = error limit

N = sample size

Source: Yamane (1999)

Substituting the values of sample size and error limit in the formula at a 95% confidence level and an error limit of 10% results in:

$$n = \frac{100}{1 + 100(0.10)^2}$$

=50 responses

Fifty responses was therefore the lowest acceptable number of responses to maintain a 95% confidence level and a 10% error level. According to Hussey and Hussey

(2006) no survey can ever be deemed to be free from error or provide 100 % surety and error limits of less than 10% and confidence levels of higher than 90% can be regarded as acceptable.

3.4 Data Collection Instruments

3.4.1 Research Instruments

In carrying out data collection, the researcher used questionnaires. The questionnaire was adopted as the principle data collection instrument because it was to be administered across board. This instrument had both open ended and closed ended questions. Open ended enabled respondents to answer questions in their own words and express any extra idea generated from those questions. Close ended questions contained standardized answers and respondents chose from the predetermined response possibilities. Care was taken during its design to ensure that it carried questions capable of providing answers to all the research questions.

3.5 Data Analysis

Data was analyzed through qualitative and quantitative approaches so as to gather as much information as possible. Leedy and Ormrod (2001) suggest that qualitative research is used ‘’ to construct a rich and meaningful picture of a complex, multifaceted situation’’ Data was analyzed using statistical methods and the results interpreted to give a meaning to the study.

Quantitative approaches of data analysis involved presenting data inform of tabulations, percentages, bar graphs and pie graphs methods. Qualitative method involved drawing meanings from the quantitative method. Qualitative methods involved drawing meanings from the quantitative data. While the quantitative methods provides an objective measure of reality, the qualitative method allows the researcher to explore and better understand the complexity of a phenomenon (William (2007)

Apart from descriptive statistics of Mean, Frequency and percentages, cross tabulation of the answers provided under each variable were of great importance towards meeting the study objectives during quantitative analysis. Data analysis was guided by the provided operational framework. Data was analyzed using statistical methods and results interpreted to give meaning to the study. Statistical package for social sciences (SPSS) was used to assist in data analysis.

CHAPTER FOUR

RESEACH FINDINGS AND DISCUSSION

4.0 Introduction

The purpose of this chapter was to present the findings of the study based on the data obtained from the questionnaires that were returned targeting the following respondents; Management, Technicians, Frontline staff, Dealers and Customers.

The questionnaires were in sections as guided by the research objectives. The sections revealed employees, dealers and customer's opinion based on the research in question. The discussions and summaries of the findings were given in distribution tables of frequency, percentages and figures.

4.1 Response Rate

Table 4.1 below shows the relative percentages response rate from the respondents in the study.

Table 4.1: Participant Response Schedule

Categories	No Issued	Responses	Did not Respond	Percentage Response
Management	5	5	0	100
Technicians	5	5	0	100
Frontline staff	20	18	2	90
Dealers	30	30	0	100
Customers	40	20	20	50
TOTAL	100	88	22	88

Table 4.1 above shows that there were 88 respondents; this represents 88% of the target population who participated in the survey. Dealers, Management and Technicians recorded the highest percentage of response at 100% whereas customers recorded the least responses of 50%.

Most of the customers were in a hurry thus did not fill the questionnaires their response rate was thus the lowest.

4.2 Competitor Measure

The above parameter sought to identify key competitor for TKL as shown in figure 4.2 below.

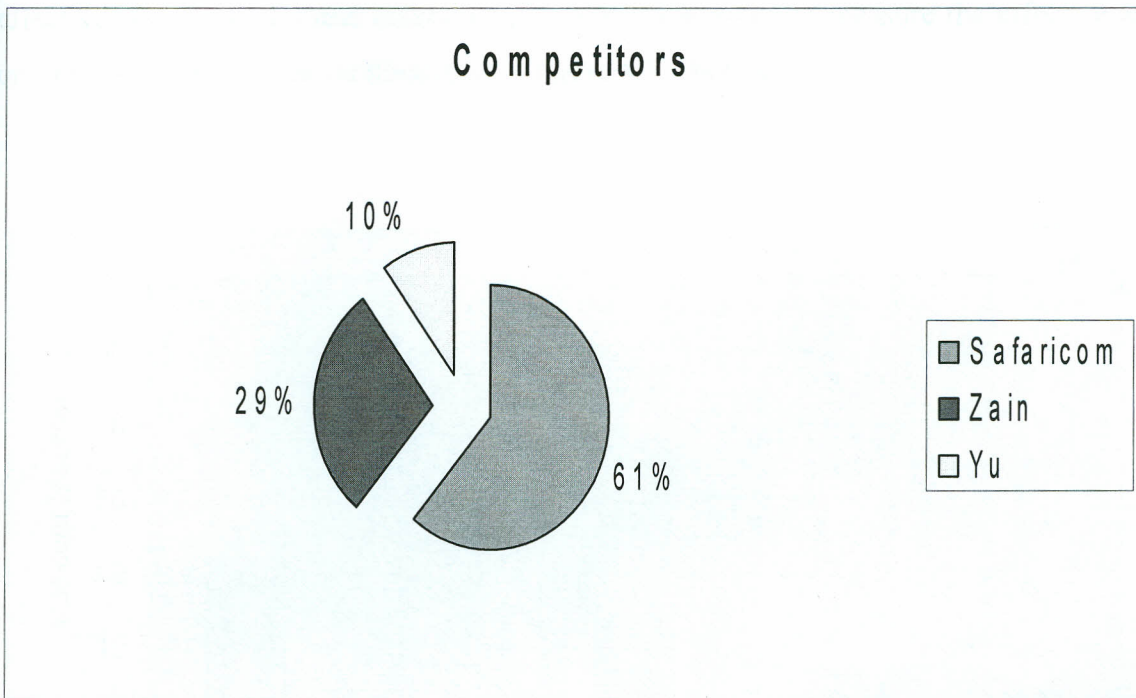


Figure 4.2 Competitor Measure

Figure 4.2 above shows that 61% of the respondents agreed that Safaricom was their major competitor followed by Zain scoring 29% and finally YU with only 10%. Safaricom Kenya currently holds the largest market share of 64% which translates to 19.2 million subscribers. Indication therefore, strategies in tapping Safaricom market should be the key focus for TKL.

4.3 Market intelligence

4.3.1 Research and Development

Staff were asked if TKL has a research team and on an account of 100% they all agreed that there were research operations, coupled with this all staff agreed that the research team was very effective. To compare these outcome customers were asked to measure the effectiveness of the organization function this is illustrated in figure 4.3.1 below.

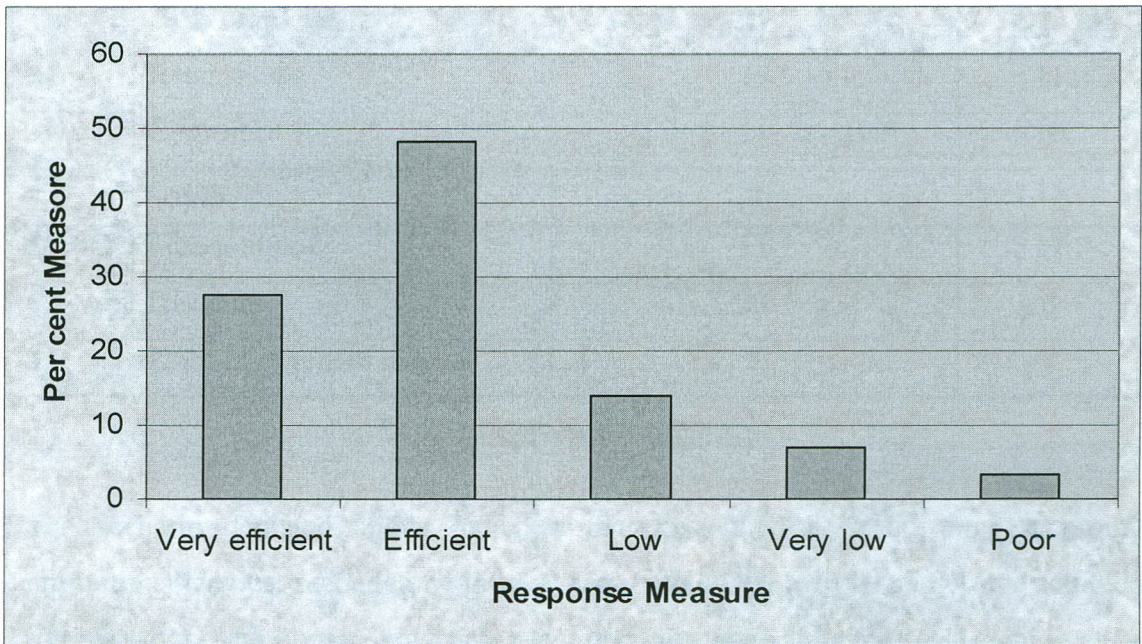


Figure 4.3.1 Research and Development

Whereas 48% and 28% of the participants agreed positively towards the efficiency of the TKL research function, 14%, 7% and 3% deemed it as low, very low and poor respectively. Research and development is becoming the key to a company's success; an organization needs to be able to find out what the customer needs and wants before they develop a product, products should be customer oriented. The effectiveness of a research and development team can be measured through products are they market oriented or customer oriented are the products developed what the customer wants?

4.4 Promotional Mechanisms

4.4.1 Promotional Devices

Table 4.4.1 illustrate in frequency, the average rating of the degree on different sales promotional devices used by TKL to influence their brand choice. This parameter was measured across customers and staff feedback.

Table 4.4.1 Promotional Devices

	Promotion Devices	Degree of Attraction Frequency		
		High	Medium	Low
1	Gifts or prizes	21	6	3
2	Road shows	19	11	0
3	Contests	11	10	9
4	Coupons	5	15	10
5	Free samples	11	17	2
6	Discount	23	6	1
8	Point of purchase display	8	7	15

The scenario depicted above indicates that discount have the highest prominence sale promotional device, seconded by gifts or prizes, followed by road show, free sample and contest follows after. The above show that customers are more attracted to discounts as compared to other promotional devices. Thus the discounts should be widely used to attract and retain customers. Customers move from one operator to another in search of discounts.

4.4.2 Customer Choice

Figure 4.4.2 below illustrates the outcomes in terms of customer influential factors in choosing an operator. This analysis is a combination summary of both customer and dealers feedback

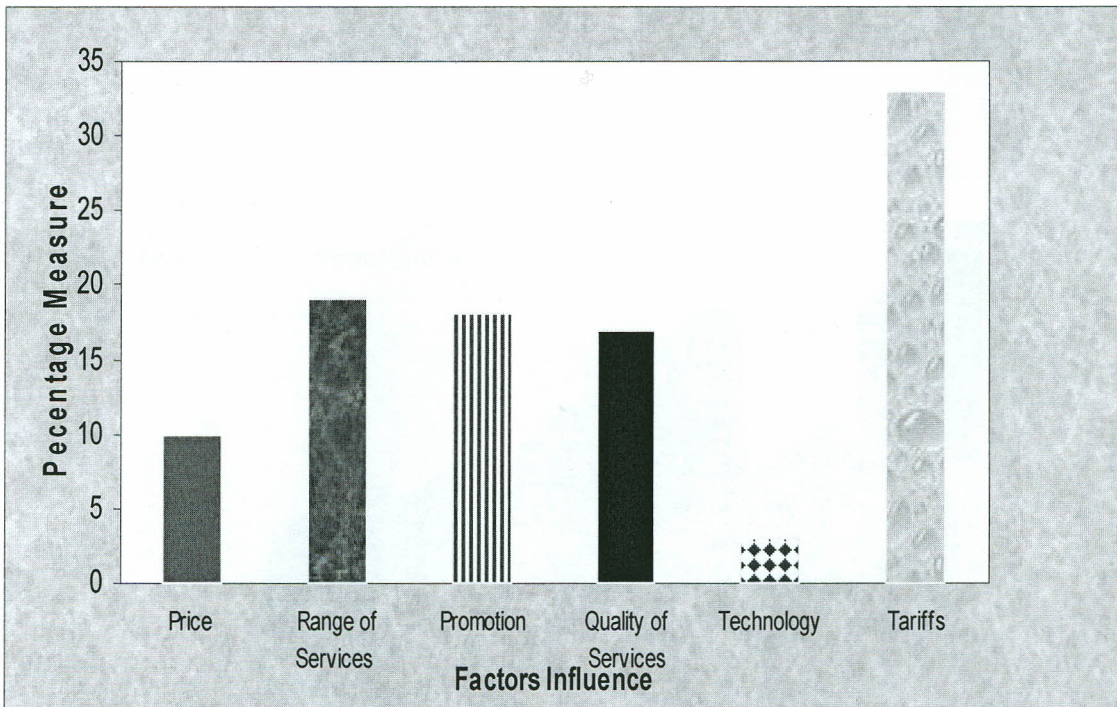


Figure 4.4.2 Customer Choice

It is clear from figure 4.4.2 above that tariffs recorded the highest influence mark of 33%, followed by the range of services at 19%, promotions landed at 18%, whereas quality of services followed closely by 17% and finally technology at 3%. This indicates that customers move from one operator to the other in search of the lowest tariff. Tariffs are the key movers of most customers.

4.4.3 Customer Choice Rating

The study also sought to measure the importance of the factors analyzed above by conducting a vote framework that gave the outcomes in figure 4.4.3 below. The above enquiry sought to identify the importance of the parameters towards the choice of an operator, where tariff receives 12 points quality of service received 10 points, promotion received 7 points, range of services and technology received 5 points each, price received 4 points. The above indicates that customer's operator choice will be greatly influenced by tariffs. Customers go for low tariffs and thus move from one operator to the other in search of these.

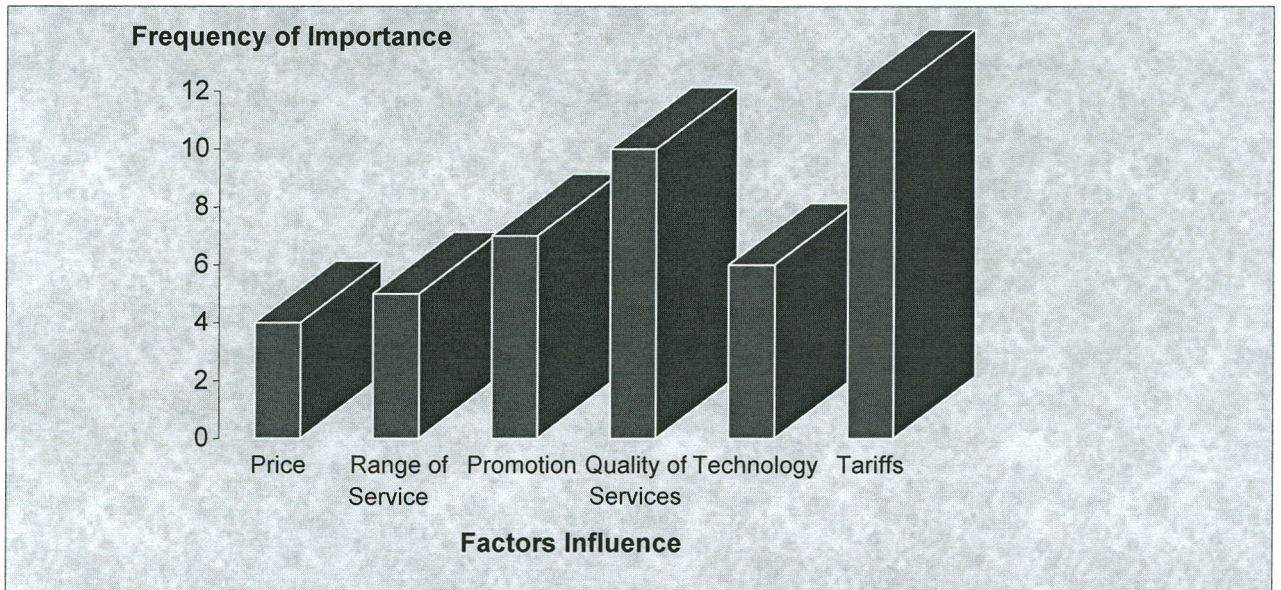


Figure 4.4.3 Customer Choice Rating

4.4.4 Factors Driving Customer Preference

According to Figure 4.4.4 below, clearly, promotional strategies were identified as the major drivers on customer preference on competitor products, which recorded 34%, followed by product pricing at 29%, technological innovation 25% and technological advancement at 10%. Promotional strategies like price reductions, offers, discounts influence customer preference. This indicates that Telkom should develop promotional strategies that will attract customers and make them the preferred operator.

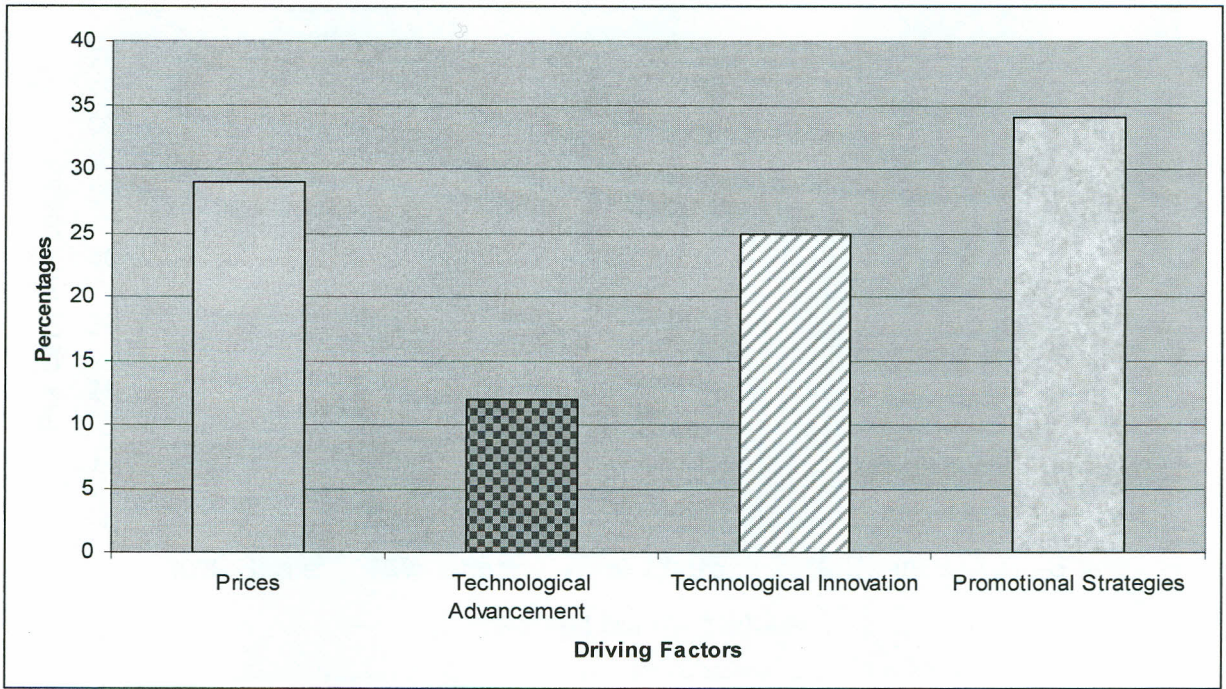


Figure 4.4.4 Factors Driving Customer Preference

4.4.5 Marketing Budget

Figure 4.4.5 below illustrates the budgeting allocation on marketing activities by the corporation. It can be seen that 60% of the respondent indicated that the corporation allocated 60% of its expenditure on marketing and communication to the customers. On the other hand 25% of the respondent attested to 80% share while 15% indicated that the share was 40% of the total organizational budget. The above is an indication that marketing is the key to the success of any organization, customers need to be made aware of the products and services available to be able to attract and retain customers thus a considerable chunk of the budget should be retained for marketing purposes.

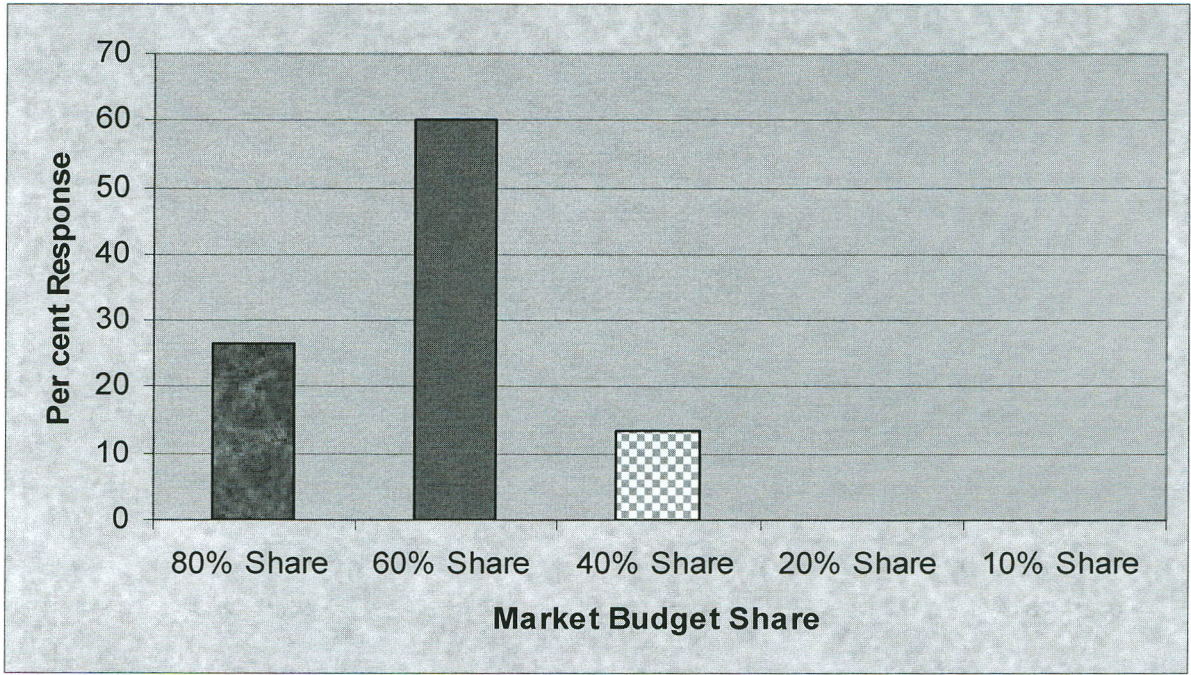


Figure 4.4.5 Marketing Budget

4.5 Technology

4.5.1 Technology Advancement

Figure 4.5.1, illustrates the outcomes that measures the effect of technological advancement towards competitive advantage. The outcome reveals that competitive advantage largely relies on technological advancement; this is seen in terms of the percentage responses such as to very great extent recording 64% and to great extent recording 33%. The telecommunications industry is an ever changing industry for an organization to stay relevant in this industry there is need for technological advancement. Organizations in this industry need to always look for ways to improve their products or services through technological advancements.

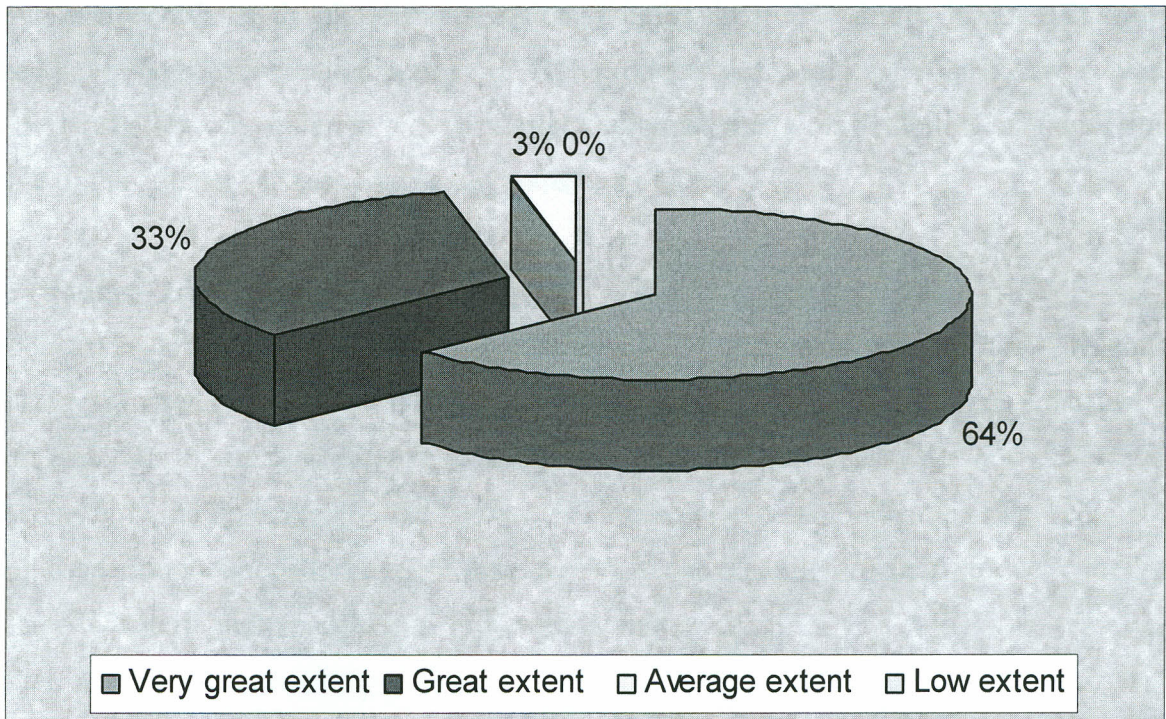


Figure 4.5.1 Technology Advancement

4.5.2 TLK Competitive Advantage

Table 4.5.2 below illustrates the comments of the participants as relates the question on aspects of TKL that are of superior in nature as compared to its competitors.

Table 4.5.2 Competitive Advantage

Aspects	Frequency	Percentages
Prices	47	59
Technology	23	29
Product Portfolio	10	13
Totals	80	100

It can be observed that the highest percentage on TKL competitive advantage front is pricing at 59% where its least performance is product portfolio. Technology on the other hand has not been

given due accordance despite the corporation operating in an ICT driven business environment. The above statistics indicate that price of TKL products and services are fairly low as compared to those of other operators but they lack a good product portfolio, Telkom Kenya does not offer some of the popular services like money transfer service.

4.6 Product / service accessibility

When asked about the company product accessibility customers gave different responses as illustrated in figure 4.6 below. It is evident from the illustration that, 21 respondents, which represent 59% of the customer responses admit that TKL services were not easily available whereas 33% did no agreed to this fact and 8% were not sure. An indication that Telkom Kenya should open more shops to increase accessibility and availability of their products; they should expand by entering into partnership with more dealers.

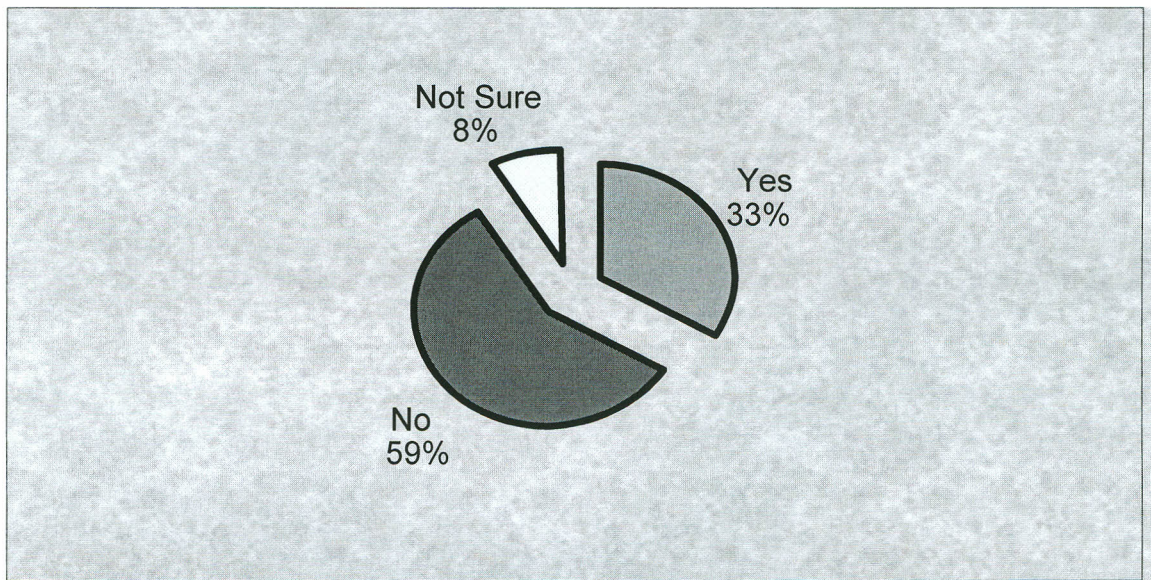


Figure 4.6 Product / service accessibility

4.7 Customer Satisfaction Measure

The satisfaction levels were measure by the outcomes of table 4.7 below.

Table 4.7 Customer Satisfaction Measure

	Extremely dissatisfied -----Extremely satisfied				
	1	2	3	4	5
Feedback Frequency	0	6	9	13	0
Percentage	0	21	32	46	0

From table 4.7 above it is clear that customers are not satisfied with TKL service with a few pockets of satisfaction levels. Most customers stated that the products were not easily accessible; the network coverage was still very low, and they did not have a wide range of products like the popular money transfer service and credit transfer services.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the major findings, conclusions and recommendations from the study. These were based on 88 responses received from a combination of employees, dealers and customer's of TKL.

The findings of the study were guided by the specific research objectives which aimed at; assessing the role of market intelligence towards enhancing a competitive business environment, establishing the effects of business promotional framework within the telecommunication industry, evaluating the impact of strategic alliances within the industry network growth and highlighting the significance of technological adoption in strengthening firms competitive advantage in the telecommunication industry. The findings helped in identifying the core strategies within the industry that can be adopted by TKL in enhancing its competitive advantage. A lot of related literature was examined and approximate research methodology almost closed was applied particularly in sampling the relevant population. The population comprised of Management, Technicians, Frontline staff, Dealers and Customers. Each of the above groups of sample answered the questionnaires which enabled the presentation and analysis of data on the various issues designed to answer the research questions.

5.2 Findings

The analysis results clearly did reveal varied reaction on the performance of TKL within the telecommunication industry and its competitive advantage for survival and growth. The study showed that market intelligence, promotional framework, strategic alliances and technological adoption affect the business environment and performance of telecommunication industry.

The study revealed that market intelligence was an important tool to be used to create a competitive edge over competitors and in enhancing a competitive business environment.

Research was required by TKL before the introduction of new products and before engaging in promotions.

The study also revealed that TKL had invested more in promotions but there was no significant increase in their market share as they still held 0.2% compared to that of its major competitor Safaricom which held a market share of 64%. Promotions played a major role in the telecommunications industry; customers move from one operator to another in search of discounts and special offers.

The strategic alliance between Telkom Kenya Limited and France Telecom was not working as they had not realized any significant growth. France Telecom had inherited a lot of baggage like a large work force of 18,000 staff, debts, run down offices and a bad publicity for failure to deliver.

TKL also needed to invest more on technology; they still lagged behind in this area as compared to the technology invested in by its competitors. They are also not quick to adopt new technologies and they are beaten to it by its counter parts like Safaricom and Zain. Technological adoption played a significant role in strengthening firm's competitive advantage in the telecommunication industry. Investment in superior technologies created a competitive edge over competitors. Customers want to be able to use their mobile phone to check on email, pay bills, network, Google, send and withdraw money all at a touch of a button; they also wanted a service free from constant interruptions.

Customers still associated Telkom Kenya with the defunct Kenya Posts and Telecommunications (K.P.T.C) which was a monopoly. This has greatly impacted on their growth because of the negative publicity KPTC had received.

5.2 Conclusions

In conclusion TKL still has to come up with new strategies to be able to effectively compete with its competitor. Their marketing plans are certainly heading in the right direction. However, the operator must begin marketing to a narrower, more specific customer segments or risk losing the market share to Safaricom yet again. TKL need to avoid marketing led by technology in order to keep customer's propositions understandable and attractive to the consumer.

The study reaffirms that the operator still needs to master some necessary components: like improved organizational and technological resources and a complementary service delivery platform to improve on its quality of services and tariff to enhance its competitive advantage; they should offer reliable services free from constant interruptions. The operator should expand its mobile telephony and offer this service countrywide.

The study confirmed that the Kenyan telephony market has a distinctive character in that customers switch from one operator to another in search of discounts, offers, free samples and special treatment this is a recurring nightmare to TKL competitive strategy in the short run threatening the competitive advantage possessed by TKL. More also the study was able to point this out as a key opportunity for TKL to learn how its competitors are retaining their customers through this character model. TKL needs to come up with new distinct products that will pull and ensure retention of customers like Money Transfer services, Loyalty points, flashback services, web links, networking e.t.c.

Dealers wished that the operator could integrate a service delivery platform that can be used to create subscription propositions based on target markets and can provide new services to a wide range of devices coupled with comprehensive real-time subscriber management. It was observed by management that the operator must further competitively develop a winning strategy to create revenue models to avoid the situation of having to give services away for free in order to attract customers from other operators who in the long run go back after the offer is off.

The study further discovered that because of competition in the sector TKL is seeking new sources of growth to capitalize on its market share, dealers are being encouraged to open branches across the country and a strategic alliance is being sought to expand operations to other East African countries. The technical, research and marketing teams must begin working more closely together.

5.3 Recommendations

Based on the research findings, the researcher made some recommendations that are aimed at strengthening the competitive advantage of TKL within the telecommunication industry.

The researcher recommended that TKL should develop strategies that will enable it to acquire new customers and retain them. Improved research will enable TKL to develop more effective customer attraction and retention strategies. Through research TKL will be able to identify areas to improve on, which tactics or strategies will work to its favor; this will help in product development and successful introduction of the products into the market. In so doing TKL will acquire profitable customers, increase customer retention and create more effective cross-selling and up-selling strategies. They will not be introducing products blindly into the market; they will be able to give customers what they have asked for.

TKL should develop more focused marketing and sales campaigns this will enable the marketing team to plan marketing programs and campaigns and closely monitor results. Kenyan telephony market has a distinctive character in that customers switch from one operator to another in search of discounts, offers, free samples and special treatment this is a recurring nightmare. TKL should be able to come up with marketing gimmicks that will ensure customer retention like creation of value ads like the loyalty points, flashback services, advance in credit (Okoa Jahazi) and sharing of credit (Sambaza). The marketing team should also aim at changing customers' bad attitude and perception of TKL. The marketing team should look at the current view of their customers, and insight into customer attitudes and behavior. They should work at changing these perceptions and dissociate Telkom Kenya from KPTC.

TKL should benchmark with its major competitors like Safaricom Kenya and borrow some of its strategies; Safaricom has the most expensive tariffs yet they have managed to acquire the largest market share, this is because they have heavily invested in research and new product development and have come up with services that tie customers to its network like the Mpesa service. TKL should come up with such services in order to attract customers and gain a competitive edge over the competitors.

In order to improve on service delivery TKL should re-train its staff or employ new staff. TKL should invest more in customer service; they should develop complementary service delivery platform to help improve on its quality of services. Systems should be put in place to handle all customer issues and this should be regularly monitored to ensure conformity. They should also invest heavily in technology to reduce constant interruptions of services.

Finally the researcher continues to recommend the following quick win strategies for TKL:- Optimizing TKL customer relationship management strategy to improve the customer experience and increase retention; Leveraging TKL marketing, branding and customer self-care strategies to build customer loyalty and strategic partnership in key areas such as technology, promotions and community social responsibility.

5.4 Suggestions for Further Research

Further research should investigate the level of success of telecommunication operators in line with their possessed competitive advantages. More also, what is the future of the industry as customer's needs and expectations keep on changing as technology advances.

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APPENDICES

APPENDIX I QUESTIONNAIRE

Employee Questionnaire

Instructions

Please insert a tick only in the box beside your chosen alternative. For questions without boxes, please outline your answers in the spaces provide

Gender: Male

Female

Age: Below 18

20-30

30-40

Over 40

1. Experience in the company:

Below 2 years

3 – 5 years

6 – 10 years

10 years and above

2. What is your job position in TKL?

Manager

Technician

Front line staff

Other (specify) -----

3. Who do you think are your major competitors?

Safaricom

Airtel

Yu

Other (specify) -----

4. In your opinion, what makes their product and services preferred by the customers?

- Prices
- Technological advancement
- Technological innovation
- Promotion strategies
- Other (specify) -----

5. In your opinion what aspects of TKL are superior to those your competitors?

- Prices
- Technology
- Product portfolio
- Other (specify) -----

6. To what degree do the following sales promotion devices influence customer brand choice?

	Promotion Devices	Degree of Attraction (Please tick where appropriate)		
		High	Medium	Low
1	<i>Gifts or prices</i>			
2	<i>Road shows</i>			
3	<i>Contests</i>			
4	<i>Coupons</i>			
5	<i>Free samples</i>			
6	<i>Discount</i>			
7	<i>Point of purchase display</i>			
8	<i>Other (specify)</i>			

7. What percentage of your organizational budget do you allocate to marketing activities?

- 80%
- 60%
- 40%
- 20%
- 10%

Or give specific -----

8. To what extent does technological advancement give the organization a competitive edge within the telecommunication industry?

- Very great extent
- Great extent
- Average extent
- Low extent

9. Does Telkom Kenya have a research and development team?

- Yes No don't know

If the answer above is yes how would you rate the team?

- Very effective
- Effective
- Not effective

10. What are some of the problems Telkom Kenya encounters?

.....

.....

.....

11. Recommend solutions and areas of improvement to boost the companies' productivity.

APPENDIX B

QUESTIONNAIRE 2

Dealer Questionnaire

Instructions

Please insert a tick only in the box beside your chosen alternative. For questions without boxes, please outline your answers in the spaces provided.

Gender: Male Female

Age: Below 18 20-30 30-40 Over 40

1. Experience as a Dealer:

Below 2 years

3 – 5 years

6 years and above

2. To what degree does the following sales promotion devices influence consumers brand choice?

	Promotion Devices	Degree of Attraction (Please tick where appropriate)		
		High	Medium	Low
1	<i>Gifts or prices</i>			
2	<i>Road shows</i>			
3	<i>Contests</i>			
4	<i>Coupons</i>			
5	<i>Free samples</i>			
6	<i>Discount</i>			

7	<i>Point of purchase display</i>			
8	<i>Other(specify)</i>			

3. How would you rate the market research conducted by Telkom Kenya?
 a) Very efficient b) Efficient c) Average d) Low e) Very low
4. What role does market research play in enhancing a competitive business environment?

5. To what extent does technological advancement give the organization a competitive edge within the telecommunication industry?
 Very great extent
 Great extent
 Average extent
 Low extent
6. What factors do you think influence customers choice of Operator?
 Price
 Tariffs
 Range of Services and products
 Promotions
 Quality of service
 Technology
 Others (Specify).....
7. Rank the above in terms of importance from a scale of 1-5. 1 being extremely important and 5 least important

	1	2	3	4	5
Price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Tariffs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Range of Services and products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Promotions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Quality of service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Others (Specify).....					

8. What are some of the problems you encounter as a Telkom Dealer?

.....

.....

.....

9. Recommend solutions and areas Telkom Kenya can improve.

.....

.....

APPENDIX C

QUESTIONNAIRE 3

Customers

Please insert a tick only in the box beside your chosen alternative. For questions without boxes, please outline your answers in the spaces provided

Gender: Male Female
Age: Below 18 20-30 30-40 Over 40

1. How long have you used Telkom Kenya Products and Services?

- Below 2 years
- 2 – 5 years
- 5 – 10 years
- 10 years and above

2. What factors influence your choice of telecommunications Operator?

- Price
- Tariffs
- Range of Services and products
- Promotions
- Quality of service
- Technology
- Others (Specify-----)

Rank the above in terms of importance from a scale of 1-5. 1 being extremely important and 5 least important

	1	2	3	4	5
Price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tariffs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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6. What specifically are you satisfied or dissatisfied with Telkom Kenya? Enter response below

7. Recommend areas of improvement

Appendix II: Time Schedule

Work Plan

ACTIVITY	TIME FRAME IN MONTHS (2012)					
	August	August	September	October	November	December
Defence						
Questionnaire Design						
Pre-testing of questionnaires						
Appointments						
Data collection						
Data analysis						
Report writing						
Report submission						