PORTER’S FIVE FORCES INFLUENCE ON COMPETITIVE ADVANTAGE IN TELECOMMUNICATION INDUSTRY IN KENYA

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Abstract

Purpose: Competition is at the core of existence of firms. This determines the appropriateness of a firm’s activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation. Many firms have performed poorly in a competitive environment due to failure to analyse and strategise on the Porter’s Five Forces, regardless of the industry sector. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. The purpose of the study was to investigate the influence of Porter’s Five Forces on competitive advantage in telecommunication industry in Kenya. The study aims at establishing the extent to which barriers to entry, rivalry among established firms, bargaining power of buyers, bargaining power of suppliers and substitute products influence competitive advantage of telecommunication industry in Kenya.

Methodology: The study adopted desktop research. Specifically, the paper identified documentary evidence in the form of already completed studies that focused on influence of Porters five forces on competitive advantage both locally, regionally and globally.

Findings: The study findings indicated that there was threat of new entrants in the telecommunication industry in Kenya due to presence of various competing firms. In addition, although the suppliers in the industry had formed associations to negotiate prices with the input providers, the buyers bargaining power was high. The firms had to strategize on how to attract and retain the customers to avoid shifting from one company to the other. Findings on bargaining power of buyers of mobile phone providers indicate that, firms have spent time and energy in ensuring their customers are well protected and incentivized so as to stick to their respective mobile networks. Similarly, findings on intensity of rivalry, indicate that to strategize and win in this highly competitive industry, product differentiation, process innovation, product innovation and technological innovation are some of the strategies the companies use to stay ahead. Findings on threat of substitute products indicate that, the industry has a number of substitutes that can highly influence the profitability of these companies. The study concludes that Porters five forces framework indeed influenced performance of telecommunication firms in Kenya. The study also concludes that the threat of new entrants applies to the mobile phone providers in the Kenyan Telecommunication industry due to the presence of various competing organizations. These organizations are offering similar products and services such as mobile money transfer services, handheld devices, airtime and accessories.

Unique contribution to theory, practice and policy: The study recommends that the telecommunication firms should keep monitoring their business environment so as to structure the appropriate strategies to keep up with competition and technological changes.

Key Words: Porter’s Five Forces, Competitive Advantage, Telecommunication Industry
1.0 INTRODUCTION

Strategic management gurus have long been engrossed with the phenomenon of persistent superior performance demonstrated by highly successful firms as compared to others which fail to survive on most markets (Rahman, 2019). This has compelled a great deal of attention to be focused on competitive advantage as a whole. Intense rivalry, substitute products and powerful customer or buyers have led to the failure of some firms on various markets across the globe. Ariffin and Sahid (2018) point to the motor industry where entry onto new markets is extremely difficult leading to rival firms using various strategies to stand a chance of surviving. These strategies do so by providing the firm with competitive advantages over other players in the field, current or potential. The modern times are characterized by change and volatility, yet businesses need to make investment decisions that equip them to serve consumers and maintain profitability through attaining and sustaining competitive advantage. A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors (Owusu & Duah, 2018). One thing that is certain, consumer values, needs and behaviors will continue to evolve.

Even though the demands and needs of the environment are constantly evolving industry management has struggled to adjust companies according to the needs and demands of the environment. As increased competition threatens the attractiveness of an industry and reducing the profitability of the players pressure mounts on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment (Nashiruddin, 2019). There is need for firms therefore to focus on gaining competitive advantage to enable them respond to, and compete effectively in the market. Asimakopoulos and Whalley (2017) argue that a company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces. This sustainable competitive advantage is born out of core competencies that yield long-term benefit to the company. Additionally, Goparaju (2017) notes that to succeed in building a sustainable competitive advantage across India, a firm must try to provide what buyers will, perceive as superior value.

For an organization to survive in a competitive environment, it has to adjust its strategic response by developing competitive strategies especially at the market level. The generic competitive strategies proposed by Porter (2008) to gain competitive advantage fall in to three broad categories. These are cost leadership, differentiation and focus strategies. If a firm in an industry is able to deliver benefits to buyers at a low cost, the firm will have competitive advantage over rivals who cannot do this provided that it can sell at prices that are at or near the industry average. An organization that is able to use its value chain to create competitive advantage is able to continually reinvent itself and therefore have sustainable competitive advantage that will ensure that it will remain competitive in the long run unlike organization that try to be competitive based on factors that can be easily imitated by others such as price (Ryu, 2018).

Prosperous business people are those who can steer their organizations through the turbulent environment, and do it better than competition. Though easy in theory, in practice, it is not easy to do. Many competitive industries are very difficult to penetrate, despite all the techniques that may be available to utilize as pointed out by Capineri and Rietveld (2018). Any firm that is seeking success has to look at the competition, and likewise, be aware of ways in which competition affects its strategies. A method of analyzing competition is by doing industry
analysis. Porter (1980) analyzed the forces influencing competitiveness in an industry and the elements of industry structure. He derived that the foundations of industry structure are bargaining power of buyers, bargaining power of suppliers, threat of new entrants and the threat of substitute products.

Ryu (2018) points out that, the core task of a strategist is to comprehend and cope up with competition. Although, most managers habitually define competition in a narrow sense, whereby they make an assumption that competition only happen among today’s direct competitors. Nevertheless, competition for higher profits goes far beyond reputable industry opponents to also include the other four competition forces, which include bargaining power of suppliers, threat of potential entrants, bargaining power of buyers, and threat of substitute products or services (Satyanarayana, Rao & Naidu, 2017). The comprehensive opposition that has resulted from all the five forces helps to describe the industries outline and gives a formation on the nature of competitive relations within a particular industry.

Competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and services that justifies a higher price (Porter, 1985). In similar line of reasoning with the guru of competitive forces, Kang and Park (2017) define competitive advantage along the three dimensions of cost, differentiation and focus with competitors trying to set themselves apart from those perceived as “stuck in the middle” without competitive advantage. Porter’s (1985) work suggests that being able to produce an event at a lower cost compared to the competitors is one-way to competitive advantage. Similarly, Ryu (2018) points out that a firm experiences competitive advantages when its actions in an industry or market create economic value and when few competing firms are engaging in similar actions. Baxter (2019) also adds that competitive advantage is tied to performance, arguing that a firm obtains above-normal performance when it generates greater-than-expected value from the resources it employs. The competitive advantage is measured using indicators such as market coverage, market share, profitability and efficiency.

Various theoretical frameworks and perspectives have been advanced that attempt to explain competitive advantage. Gaining and sustaining competitive advantage is the overarching objective of firms’ strategy. One of the big cornerstones of industry and competitive analysis involves carefully studying the industry’s competitive process to discover the main sources of competitive pressure and how strong they are. David (2019) demonstrates this by explaining that the first fundamental determinant of a firm’s profitability is industry attractiveness. David also demonstrates how Porter’s (1985) seminal work provides a powerful instrument for thoroughly analyzing environmental forces and market structures in an industry, with the 5 forces model providing a flexible framework for describing and assessing competitive pressures as well as industry attractiveness.

According to the Telecommunication report (2018), Africa presents great opportunities in the telecom sector. The liberalisation of the sector, the extension of services by multinational conglomerates and the active competition currently in place in the sector have all contributed to the telecom revolution. Since the processes of liberalisation and privatization have been taken into consideration by African countries such as Uganda, Tanzania, Nigeria, Sudan, South Africa and Kenya; their telecommunication infrastructures have improved drastically. Many African governments have developed their telecommunication infrastructure by privatizing their former state-owned enterprises.
Global telecommunications companies are still rushing to East African markets of Kenya, Uganda and Rwanda. However, majority of the firms end up merging or exit the markets after a short stint which can be associated to the competitive environment which the telecommunications firms are operating in. This thus demands for accurate competitive analysis in the face of competition which also adversely affects the application and continued use of the five forces in Kenya. Internationally, the use of Porter’s Five Forces model involves a continuous process of environmental evaluation and monitoring in addition to obtaining competitive intelligence on present and potential rival. Ole Kulet, Wanyoike and Koima (2019) have concluded that this is the reason many telecommunication firms use scenario planning to anticipate and respond to unstable and disruptive environmental changes. This study thus seeks to establish the influence of Porter’s Five competitive forces model on the competitive advantage of telecommunication industry in East Africa.

**Porter’s Five Forces Framework**

Although there are various tools for analyzing the competitive environment such as the Five forces analysis, Game plan, Value Chain model, PESTEL model and the Strategic group analysis (Porter, 1998), the researcher chose the Five forces analysis model due to the role played by these five forces in the Kenyan telecommunications industry. Porter’s Five forces model of competitive analysis is an illustration of how the Five competitive forces can be used to explain low profitability and viable entries to an industry (David, 2019).

These Five forces are the threat of new entrants, buyer power, supplier power, threat of substitutes, and rivalry among the already established firms. The intensity of these forces highly determines the average expected level of profitability in an industry and their thorough understanding, both individually and in combination, is beneficial in deciding what industries to enter, and in assessing how a firm can improve its competitive position (Ole Kulet et al., 2019).

Threat of new entrants which determines how easy (or not) it is to enter a particular industry. If an industry is profitable and there are few barriers to enter, rivalry soon intensifies. When more organizations compete for the same market share, profits start to fall. It is essential for existing organizations to create high barriers to enter to deter new entrants (Ryu, 2018). Threat of new entrants is high when: Low amount of capital is required to enter a market, existing companies can do little to retaliate, existing firms do not possess patents, trademarks or do not have established brand reputation, there is no government regulation, customer switching costs are low (it doesn’t cost a lot of money for a firm to switch to other industries), there is low customer loyalty, products are nearly identical, and economies of scale can be easily achieved (Porter, 2008).

Strong bargaining power allows suppliers to sell higher priced or low quality raw materials to their buyers. This directly affects the buying firms’ profits because it has to pay more for materials. Suppliers have strong bargaining power when: There are few suppliers but many buyers, suppliers are large and threaten to forward integrate, few substitute raw materials exist, suppliers hold scarce resources, and cost of switching raw materials is especially high (Ayub, Kwendo & Liyai, 2019).

Buyers have the power to demand lower price or higher product quality from industry producers when their bargaining power is strong. Lower price means lower revenues for the producer, while higher quality products usually raise production costs. Both scenarios result in lower
profits for producers (Ryu, 2018). Buyers exert strong bargaining power when: Buying in large quantities or control many access points to the final customer, only few buyers exist, switching costs to other supplier are low, they threaten to backward integrate, there are many substitutes, and buyers are price sensitive (Okolo, 2019).

The other force is threat of substitutes. This force is especially threatening when buyers can easily find substitute products with attractive prices or better quality and when buyers can switch from one product or service to another with little cost (Nashiruddin, 2019). Rivalry among existing competitors is the major determinant on how competitive and profitable an industry is. In competitive industry, firms have to compete aggressively for a market share, which results in low profits. Rivalry among competitors is intense when: There are many competitors, exit barriers are high, growth of industry is slow or negative, products are not differentiated and can be easily substituted, competitors are of equal size, and low customer loyalty (Ariffin & Sahid, 2019). A summary construct of the 5 forces is demonstrated in Figure 1 adopted from Porter (1980) using football or sports as the market of rivalry. The market concept in this case is most likely applicable elsewhere when clearly observed.

![Diagram of 5 Forces of Competitiveness]

**Source:** Adapted from Porter (1980)

**Figure 1: 5-forces of competitiveness**

**1.1 Statement of the Problem**

Telecommunications industry is regarded as one of the most important and fastest growing industries globally, yet the high rate of failure by many firms both old and new cannot go unnoticed (Nashiruddin, 2019). The penetration rate of telecommunications services has
increased steadily over the years with leading firms including Vodafone, Airtel and MTN having a visible imprint in some areas while total getting annihilated in other areas as witnessed on the Indian and European markets (Ryu, 2018). Traversing continents simply means the 5 forces cannot be neglected at any one time and those firms that do not treat these strategically have barely survived on the competitive telecommunications market globally (Valinejad & Rahmani, 2018). Airtel which is a global firm has been almost run aground in some African countries due the strong competitors that they encounter for example, Kenya’s Safaricom Limited (David, 2019). Africa as a continent is one of those places where mobile telecommunication is still at its growing stage. Even though there are growing opportunities in the industry which can be evidenced by the amount of Foreign Direct Investments (FDI) of some international companies into the continent each year myriads of such investors face very tough market environments that leave them making losses (Mahdi & Dewando, 2019).

Global telecommunications companies are still rushing to East African markets of Kenya, Uganda and Rwanda. However majority of the firms end up merging or exit the markets after a short stint which can be associated to the competitive environment which the telecommunications firms are operating in. This thus demands for accurate competitive analysis in the face of competition which also adversely affects the application and continued use of the five forces in Kenya. Internationally, the use of Porter’s Five Forces model involves a continuous process of environmental evaluation and monitoring in addition to obtaining competitive intelligence on present and potential rival. Wati (2018) posits that this is the reason many telecommunication firms use scenario planning to anticipate and respond to unstable and disruptive environmental changes.

Other scholars including Indiatsy et. al. (2014) as well as Nekmahmud and Rahman (2018) observe that though many practitioners and scholars both at local and international scene still value use of Porter’s five forces model, there has been a high level debate on the model application to the complex contemporary industry environment with technological changes and a rapidly changing environment. Some scholars have argued that internet advancement has done a lot in changing the the industry environment thus challenging the model.

Studies on industry attractiveness and competitiveness have been documented but on different contexts. Barba-Sanchez, Calderón-Milán and Atienza-Sahuquillo (2018) study ICT value in improving performance with a focus on corporate competitiveness. The scholars concluded that the intensity of use and corporate importance of the same affects how the 5 forces are approached by different firms specifically depending on the attractiveness of that industry as well as the barriers in place to limit new entrants. Gomera, Chinyamurindi and Mishi (2018) studied SMEs in South Africa relating the link between strategic planning and performance with an observation that the 5 forces must form a core thread in the formation of any such strategic plans. In local scene; Kawira (2017) examined the effect of porter’s five forces on strategy formulation at Standard Chartered Bank Kenya, Hussein and Muchemi (2019) studied the SACCOs in Nairobi County and focused on how they faced the 5 forces in determining their performance. The scholars concluded that the 5 forces were an integral part of the planning for the SACCOs and that without fully strategizing for their countenance, the SACCOs were bound to face a competitive environment that is very hard to survive.

In a study on the Relevance of the Five Forces Model to the Kenyan Mobile telephony Industry, it was noted that the Five Forces are forces to reckon within the Kenyan mobile telephony
environment but also followed a similar pattern in citing additional forces but arranged them in different layers such as the foundational forces and other forces (Okoreh, 2017). While different studies have been done on industry attractiveness and application of Porters model, very few studies have focused on the analysis of the industry competitiveness of the telecommunications industry in Kenya using Porters five model. Other studies in various countries applied different methodologies and different industries in applying the 5 forces. This study thus sought to bridge this gap through establish the influence of Porter’s five Forces on competitive advantage in telecommunication industry in Kenya using desktop methodology.

2.0 LITERATURE REVIEW
2.1 Theoretical Foundation

The emergence of strategy has led to a new thinking in the area of industry analysis. Porter (1980) developed the Five Force industry analysis Model, which has a theory that there are five forces that determine competition in an industry. These forces form the basic characteristics of competition in an industry. As pointed out by Novikov (2018) the strongest competitive force determines the profitability of an industry and its importance in strategy formulation. By far, the Five Forces Model, which forms the basis of this study, is the most influential and widely used framework for evaluating industry attractiveness. Similarly, Marshall (2018) postulates that Porter’s five forces that typically shape the industry structure are strictly applicable regardless of whether a firm plans for them or not.

It has been contended that the power of these forces exceptionally decides the normal expected level of benefit in an industry and their careful understanding, both separately and in blend, is advantageous in choosing what enterprises to enter, and in surveying how a firm can enhance its focused position including space exploration firms(Benjamin, 2018). The quality of each of the five forces is contrarily corresponding to the cost and benefits with the end goal that a feeble aggressive force may fill in as an open door, while a solid one, may fill in as a risk but would be well handled if the 5 forces are carefully inculcated (Agwu, 2018).

However there has been quite a debate on the effectiveness of the 5 forces as pointed out by Fuchs (2019) who contents that different industries have a completely different approach to the assumptions made in the 5 forces by Porter. The scholar specifically dismisses the deductive reasoning and the simplistic assumptions that customers can have the power to dictate prices in some industries. Fuchs also notes that the partial analysis done by firms cannot predict correctly the actual response on the market thus giving false results in testing the 5 forces which could result in failed performance.

Garland (2019) has put up a spirited critique of the 5 forces arguing that there is always a way of consumers and suppliers accessing each other without undergoing the forces by Porter which means that in the modern times, the forces are not entirely applicable depending on the industry in question. Garland adds that some market including beauty and aesthetics will require different planning with disregard to the 5 forces. Similarly, the scholar points to the disregard of many influential factors in the model including the assumption that the consumers have no access to the substitute products and that there are no alternative markets altogether. Gnjidić (2018) adds more criticism to the 5 forces stating that industrial competitiveness and competition is under some control especially with the antitrust rules and the dynamism of most markets. Finally, Wee
(2018) argues that the 5 forces if viewed together will always be at odds making it impossible to have a single strategy on approaching them on the same market at any one point.

Baxter (2019) in support of the five competitive forces has indicated that they reflect the fact the competition in an industry goes well beyond the established players. All the five forces jointly determine the intensity of industry competition and profitability, and the strongest force or forces are governing and become crucial from the point of view of strategy formulation. Thus according to Benjamin (2018) it is imperative to establish the strategic agenda for dealing with these contending forces and to grow despite them, a company must understand how they work in the industry and how they affect the company in its particular situation.

2.2 Conceptual Framework

The Figure below is a figurative representation of the variables to be explored by this study with independent variables comprised of entry barriers, rivalry among competitors, bargaining power of buyers, bargaining power of suppliers and threat of substitutes, with dependent variable as competitive advantage.

- **Entry Barriers**
  - Customer switching costs
  - Capital requirements
  - Government policy

- **Rivalry among competitors**
  - Rate of industry growth
  - Exit barriers
  - Diversity of competitors

- **Bargaining power of buyers**
  - Low switching costs
  - Many substitute products

- **Bargaining power of suppliers**
  - Switching costs of suppliers
  - Presence of substitute inputs
  - Supplier concentration (low)

- **Threat of substitutes**
  - Low Switching costs
  - High exit barriers
  - Low industry growth

**Independent Variables**

**Competitive Advantage**
- Market coverage
- Market share
- Profitability
- Efficiency

**Dependent Variable**

Figure 1: Conceptual Framework
2.3 Empirical Review

Benjamin (2018) has defined Porter’s 5 forces as the industrial framework proposed by Porter (1980) for analysing business competition using 5 specific measures including rivalry among the market firms, threat of substitutes, consumer bargaining power, supplier pricing power and entry barriers to that market. Other scholars including Gnjidić (2018) and Garland (2019) have enumerated measures of these 5 forces which generally involve the use of SWOT and PESTEL analysis. Isoraite (2018) has pointed out that there are both advantages and disadvantages of the 5 forces being analysed. One disadvantage is that the forces consideration fails to indicate where different cultures could be more responsible for the market control as opposed to these forces. Isoraite cites the case of cartels forcing the market forces to be distorted and hence any analysis results would be a total misguide of the market competitiveness. Bashir and Verma (2017) however point to the innovativeness of the modern firm as the key area of competitiveness and that intelligence in terms of human resources will also be the new front for competitiveness. However, there is a differing view from Genoveva and Siam (2017) who conduct studies to create new frontiers in competitive advantage apart from Porter’s 5 forces. These two scholars create a model that involves the evaluation of both internal and external factors followed by a SWOT analysis that involves BCG (Boston Consulting Group) Matrix and finally a QSPM (Quantitative Strategic Planning Matrix). With this model, Genoviva and Siam point out that the market development as well as penetration of any market would be achieved.

Qosasi, Maulina, Purnomo, Muftiadi, Permana and Febrian (2019) study the Indonesian SME market in an effort to establish how ICT has no impact on the competitiveness of their market. The study aims to show that resources alone cannot be used as a form of competitive edge for a firm and that there has to be a strong sense of entrepreneurship valuable use of this asset or else it remains a bragging tool by most firms without any competitive edge. Using a quantitative approach to survey 462 apparel SMEs, the scholars apply a Structural Equation Modeling (SEM) with partial least squares (PLS) to establish results. In their findings, the observation is made that ICT has no significant effect on competitiveness unless it is has entrepreneurial orientation and organizational agility well inculcated. Qosasi et al., (2019) conclude that ICT capability can create competitive advantage only if well put under entreprenuerial conversion with 5 forces well calculated through organizational agility. This global study points towards consideration of all the 5 forces but with underlying factors specifically ICT and it is relevant in this paper as it points towards other factors other than 5 forces that firms have to be aware of in their market analysis for competitive advantage. Belwal and Amireh (2018) study two major telecommunications companies in Oman to determine the customer loyalty, satisfaction and organizational profitability. Using a SERVQUAL model and applying a SEM-PLS technique, the scholars establish that there is reliability and attitudinal loyalty that goes beyond the 5 forces. The results also demonstrate that entry onto the market is not directly based on the 5 forces but reliability and assurance dimensions are very significant on the market. The study concludes that both of the two giant telecoms of Oman; Ooreedoo and Omantel have more loyalty to their firms than the 5 forces would propose. Reliability and assurance therefore plays a greater role for market sustainability than the 5 forces but all of them are silently factored into these two variables.

Chesula and Kiiriinya (2018) conducted a study on competitiveness in the telecommunication sector in Kenya using porters five forces model. The study specifically sought to use porters five
forces model to empirically review the competitive structure of the industry and extract key insights for strategically marketing the key players. The study reviewed important data from publications, published interviews and regulatory authorities reports on the industry. Porter’s five forces model was then used to analyze the competitiveness of the industry. The study found that porter’s five forces model offers both positive and negative impact to the players in the industry. Companies with less market share are affected the most as they struggle to match the market leaders. The impact of the five forces model is vital for the formulation of business competitive strategies by players in the telecommunication industry.

Rahman (2019) studies the Bangladesh smart-phone industry using the 5 forces model. Through a collection of data from various sources including the internet, the scholar collates all factors that can be classified into the 5 forces categories. The findings indicate that customers have strong switching power from one set to another which then translates into suppliers having moderate to almost weak power to supply on the market. In terms of entry, the Bangladesh firms have created strong brand positioning and target segmentation to add to the huge tax by the government on any imported new handsets making it very hard to enter the Bangladeshi market. Similarly, Rahman established that the substitutes in the market were very flexible with low-income people having plenty of cheaper low-end phones while high-income people have variety of high-end phones. Rahman concludes that the strongest force on the Bangladeshi market for smart-phones is rivalry among competitors while there was moderate power for consumers as well as the threat of new entrants. Malhotra and Batra (2019) study the Indian market with the aim of establishing customer's competing strategies in the telecom service sector. By collecting data from working employees in the telecommunication industry, the scholars focus on reasons why customers switch service providers. Through exploratory factor analysis, the study tests Porter’s 5 forces to conclude through their results that the major rival firms have to maintain a strong relationship with the customers by offering heavy incentives such as lucrative offers to friends and families. In this way, the consumers have a strong pull on the market which the suppliers cannot ignore. The study also concludes that it is through this power that customers are able to influence the switching or none-switching to new providers or suppliers of their telecom services. Kawira (2017) examined the effect of porter’s five forces on strategy formulation at Standard Chartered Bank Kenya. The study aimed at determining how industry rivalry, threat of new entrants and buyer power affect strategy formulation. The study adopted a cross-sectional descriptive research method in analyzing, interpretation, and presentation of data. The study focused on 30 employees in management and supervisory role at Standard Chartered Bank head office in Nairobi and data was collected by use of questionnaires. The study found that intensity of rivalry among companies makes companies to craft strategies to achieve market share. Rivalry among existing competitors enhances new product introduction. The study found that when exit barriers are high, the intensity of rivalry is greatest. The study revealed that rivals are highly committed to the business and have ambitions for leadership. This found that persistent price competition teaches customers to pay less consideration to product features and service. The study found that entry of new companies to the market affects strategy formulation. It was noted that flexible licensing regulations enhanced strategy formation. From the study, it was examined that high customer switching costs initial capital requirement regulation and the local conditions facing the organizations affect strategy formulation.
Kulmia (2014) analyzed the competitiveness of the supermarket industry in Kenya using Porters Five Forces model. The objectives of the study were to assess the effect of the bargaining power of suppliers, bargaining power of consumers, threat of substitutes, current level of competitive rivalry and threat of new entrants on competition within the supermarket industry in Kenya. This study used descriptive research design. The target population of this study was 309 staff working in the marketing departments in Nakumatt, Uchumi, Naivas and Tuskys. The study established that the bargaining power of suppliers was influencing the competition in the supermarket industry most, followed by bargaining power of consumers, threat of substitutes, current level of competitive rivalry and threat of new entrants. The study also established that it is not difficult for suppliers to enter their business, that purchases from the suppliers represent a large portion of the suppliers business and that the supermarkets stock various brands from different suppliers hence reducing the power of suppliers. The study also established that the bargaining power of consumers has an effect on the pricing and location of the supermarkets. It was also found that there are no government policies regulating entry into the supermarket industry. The study concluded that entrants in the industry, current level of competitive rivalry, threat of substitutes, bargaining power of consumers and bargaining power of suppliers positively and significantly influence competitiveness within the supermarket industry in Kenya.

Mburu (2015) conducted a study to establish how large Multinationals within the Kenya Beverage Industry employ Porter’s Five Forces to enhance competitive advantage which in turn influence the firms’ performance. The study sought to find out to what extent do barriers to entry, rivalry among established firms, bargaining power of buyers, bargaining power of suppliers, substitute products and government policies affect the industry forces in deriving competitive advantage of large multinational firms in Kenya. A descriptive survey design was used to achieve the purpose of this study and the target population comprised of three large multinationals in the Kenyan Beverage Industry namely: East African Breweries Limited, Coca Cola (Nairobi Bottlers Limited) and Nestlé Foods. On threat of new entrants, the study found that, the Kenyan Beverage Industry is attractive for long-term profitability. The findings also indicated that the MNC’s share value exceeds that of other industry players in the same segment and thus very attractive to lure new entrants. Additionally, the study also found that the bargaining power of suppliers does certainly affect the competitive advantage of the three MNC’s. With regard to bargaining power of buyers, the study found that innovation through technological development impacts the quality of products sold through buyers and has a positive impact on return on assets. Furthermore, the study found on intensity of rivalry that being market leaders empowers organizations to play a coordinative role in the industry of price leadership. Price competition among rivalry firms is unstable and impacts the industry negatively from the perspective of profitability.

Indiatsy, Mwangi and Mandere (2014) conducted a study to establish the Application of Porter’s Five Forces Model on Organization Performance with Cooperative Bank of Kenya Ltd as their case study. A descriptive survey design was used and a triangulation of both quantitative and qualitative methods. A sample of 62 respondents was randomly selected from the stratified target population of top, middle and operational level managers in Cooperative Bank of Kenya and given questionnaires. The study concluded that there was a strong positive relationship shown by R value of 0.8 between Porter’s Five Forces model and the performance of Cooperative Bank of Kenya. It also concluded that the strength and effects of substitutes should not be ignored;
competitors are significant in benchmarking, keeping the management on toes and increasing efficiency and effectiveness thus aiding in success and achievement of competitive edge through innovation; the Bargaining power of buyers within the banking industry is critical in terms of understanding the bank’s buyers and successfully meeting their demands as a way of retaining them and achieving high customer satisfaction for repeat sales; the Bargaining power of sellers apply to the banking industry was a factor to watch as increase in the cost of their services leads to an increase in the cost of services offered by Cooperative Bank and the quality of their services also such as assured security and clean working environment determines employee motivation and satisfaction. Threat of new entrants was found to apply to the banking industry due to the presence of various microfinance organizations, youth funds, women funds and savings and Credit Societies (SACCOs) performing similar roles and offering such products and services at lower rates and needed mitigation measures as stated in the recommendations of the study.

Mathooko and Ogutu (2015) conducted a study to establish the extent to which Porter’s five competitive forces (PFCF) framework, among other factors drive the choice of response strategies adopted by public universities in Kenya. The study design was descriptive and utilized a cross-sectional survey of all the public universities in Kenya by administering a structured questionnaire to the top management team. Additional primary data were collected through observations and interviews. Secondary data were also collected in order to corroborate the data collected from the primary sources. The study found out that PFCF framework influenced the choice of response strategies adopted by the public universities “to a great extent”, the most influence being the threat from new entrants. The influence of the choice of response strategies by PFCF framework was independent of the age and category of the universities. Pressure from stakeholders, changes in government policies and regulations, reforms in higher education, unethical response strategies by some universities and university location also influenced the choice of response strategies.
Table 1: Summary of Reviewed Literature

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<td>Kenya’s Banking industry using 5 forces</td>
<td>Cross-sectional descriptive design</td>
<td>High customer switching capability intensified strong market rivalry</td>
</tr>
<tr>
<td>Genoveva and Siam (2017)</td>
<td>new frontiers in competitive advantage</td>
<td>SWOT, BCG and QSPM</td>
<td>Market development and penetration possible</td>
</tr>
<tr>
<td>Mburu (2015)</td>
<td>Kenya’s beverage market and multinationals</td>
<td>Descriptive study design</td>
<td>Bargaining power of suppliers was low while entry was quite attractive</td>
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<tr>
<td>Kulmia (2014)</td>
<td>Kenya’s supermarket sector using 5 forces</td>
<td>Descriptive study design</td>
<td>Supplier power was very strong and that entry was not restrictive</td>
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<tr>
<td>Indiatsy, Mwangi and Mandere (2014)</td>
<td>Kenya’s Banking industry using 5 forces</td>
<td>Triangulation of both qualitative and quantitative methods</td>
<td>Substitutes and strong in Kenya and threat of new entrants especially from SACCOs was real</td>
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3.0 RESEARCH METHODOLOGY

A research design is the structure of research. Coopers and Schindler (2014) state that a research design is a general plan or strategy for conducting a research study to examine specific testable research questions of interest. The paper used a desk based methodology. As depicted by name Desk Research is the research technique which is mainly acquired by sitting at a desk. Desk research is basically involved in collecting data from existing resources hence it is often considered a low cost technique as compared to field research, as the main cost is involved in executive’s time, telephone charges and directories. The desk-based research comprised the examination of existing literature on review methodologies, to help situate this current study within the context of existing evidence. It also involves an analysis of published reports and databases in some cases conference papers or journal articles (Kahn et al., 2006). However, it could also be a complete waste of time and money if the researcher does not have the proper

4.0 FINDINGS AND DISCUSSION

The study findings indicated that there was no much threat of new entrants in the market. In the second statement, the research sought to find out if the company attracted more competitors since the sector was profitable and competitors liked to have a slice of the profits. This shows that profitability of the telecommunications sector did not mean automatic attraction of firms to it. This could be as a result of entry barriers as pointed out by Porter (1985). As such, a firm that seeks to enter the telecommunications sector has to have enough financial resources to do so. The findings do agree with those of Kipruto, Ombui and Iravo (2016) who found that there was no much of threat of new entrants in the telecommunications sector in Kenya.

The study findings also indicated that the intensity of rivalry was high as the firms competed for existing clients. Results further showed that more competition in the industry had led to increased production levels and had shaped the competitive structure of an industry. This means that firms in the sector were highly sensitive to competition in the sector. This agrees with Mintel (2012) who points out that if competition is high operators try to differentiate their services in order to outperform their rivals. These findings show that firms were always on the lookout to ensure that they remained competitive. Similarly, the findings are in line with Mburu (2015) who found on intensity of rivalry that being market leaders empowers organizations to play a coordinative role in the industry of price leadership. Price competition among rivalry firms is unstable and impacts the industry negatively from the perspective of profitability.

On bargaining power of buyers, the findings indicated that consumers can easily switch from one service provider to another at little or no cost and this drives up competition in the market. This is further facilitated by the fact that some subscribers subscribe to more than one network and only utilizes a particular service from a network that offers the best price and quality of service. The findings further showed that buyers have full discretion on if and when to purchase and use products and services. In addition, the consumers are presented with a variety of product and services that are readily available. This way the buyer controls their spending making them unpredictable and as a result organizations have to carry out numerous market analysis in order to strategize accordingly. The findings are consistent to those of Rajasekar and Raee (2013) who found out that there was high bargaining power of buyers in Oman.

In addition, the findings showed that bargaining power of suppliers was not a very strong determinant of the performance of operators. In this regard, the findings obtained showed that the suppliers in the telecommunications industry do not have high bargaining power. The study
findings disagree with those of Kulmia (2017) who found that bargaining power of suppliers was influencing the competition in the supermarket industry most, followed by bargaining power of consumers, threat of substitutes, current level of competitive rivalry and threat of new entrants. The study also established that it is not difficult for suppliers to enter their business, that purchases from the suppliers represent a large portion of the suppliers business and that the supermarkets stock various brands from different suppliers hence reducing the power of suppliers.

On threat of substitutes, the study findings indicated that there was high threat of substitute of products. Such substitutes are voice over internet technologies that allow making phone calls using the internet as the conduit which in this case the only cost incurred by subscriber is internet cost, they also cited that another substitute product is online messaging platforms such as ‘Whatsapp’ that allows multiple messaging over the internet as well as making calls. Results are in agreement with Mintel (2012), the findings make it clear that there was low market growth in the telecommunication industry and the growth of a particular company was possible only at the expense of a competitor and that; there the high strategic stakes tied up in capital equipment, research or marketing and capacity could only be increased by large amounts, in this case operators applied watertight strategies so as to retain their share of the market. These findings are true since subscribers were the same and marking gains in the market could only be achieved if competitors lost their grip on some of their customers. In addition, it is evident that companies in the telecommunications sector had to have meticulous strategies so as to retain competitiveness in the market owing to the immense investments made in the market.

5.0 CONCLUSIONS AND RECOMMENDATIONS

Conclusion
The study concludes that the threat of new entrants applies to the mobile phone providers in the Kenyan Telecommunication industry due to the presence of various competing organizations. These organizations are offering similar products and services such mobile money transfer services, handheld devices, airtime and accessories.

The study concludes that the bargaining power of suppliers applies to the mobile phone providers in the Kenyan Telecommunication industry the Kenya. The suppliers in this industry have formed associations so as to negotiate prices with the providers. A case in point is where Safaricom negotiates directly with county governments to get a seamless and flat council rate for all their marketing activities.

On bargaining power of buyers of mobile phone provider’s firms studied have spent time and energy in ensuring their customers are well protected and incentivised so as to stick to their respective mobile networks. Safaricom has loyalty program called Bonga points that is easy and seamless to use. Customers can redeem airtime, data bundles and handsets at a discount. This retention strategy helps in customer to stick to the network.

On intensity of rivalry, the study concludes that to strategize and win in this highly competitive industry, product differentiation, process innovation, product innovation and technological innovation are some of the strategies the companies use to stay ahead.
On threat of substitute products, the industry has a number of substitutes that can highly influence the profitability of these companies. These substitutes include WIFI services offered in restaurants, airports, stadiums and entertainment places. Strength and effects of substitutes should not be ignored. The focus based on these substitutes.

**Recommendations**

The study recommends that the telecommunication firms should keep monitoring their business environment so as to structure the appropriate strategies to keep up with competition and technological changes. Since the telecommunications sector is competitive firms had work hard to ensure that they could manage any sudden competition arising from new entrants since this could affect their profitability. Firms had to ensure that they kept their products in high quality and price levels so as to survive any competition emanating from any new entrants.

In order to be in a position to deal with Industry rivalry, it is vital for firms to have place good strategies aimed at maintaining competitiveness. In this regards, firms had to have highly flexible prices, water tight marketing strategies and, robust customer care among others.

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

On the study methodology, the observation from findings indicate that there is need to have multiple tools in the surveys of respondents when testing the 5 forces. Similalry, there have been very few Kenyan studies using such models as SEM-PLS, BCG and Dublin. More scholars and resarchers should try these methodolgies on the Kenyan context. Another recommendation concerns use of online surveys. In this case, very few studies have applied the met hodology yet it could be used to access the many customers across the country who are in use of telecoms services enabloing them to respond to the 5 forces inquiries. It is also imperative that the telecommuications industry be studied incomparison to a heavy-tehcnology industry like aviation and medical field, both locally and globally using the 5 forces for competitiveness.

**Acknowledgements:** Grateful to my mentor Dr. Macharia for his insightful guidance

**REFERENCES**


