Influence of the Porter's Five Forces Model Strategy on Performance of Selected Telecommunication Companies in Kenya

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Abstract- Porter's Five Forces model is a powerful management tool for analyzing the current industry profitability and attractiveness by using the outside perspective. The general objective of this study was to establish the influence of Porter's five models on the performance of telecommunication companies in Kenya. The study was guided by the following specific research objectives: to establish the influence of new entrants on the performance of telecommunication companies in Kenya; to determine how substitute products affect performance of telecommunication companies in Kenya; to establish the effect of bargaining power of suppliers on performance of telecommunication companies in Kenya and; to establish the effect of industry rivalry on the performance of telecommunication companies in Kenya. The population of study comprised of selected telecommunications companies operating in Kenya during the study period. The study used both primary and secondary data. The study used structured questionnaires so as to be able to collect the primary data. These questionnaires were pilot tested before they were fully disbursed to the respondents. Secondary data in this analysis covered a period of 6 years from 2010 to 2015. The results were presented in Figures and Tables. Out the 84 respondents targeted, 77 of them responded. This gave an average return rate of 92%. This was deemed sufficient for analysis. The findings show that there was no much of threat of new entrants in the telecommunications sector in Kenya. The fact that the sector was profitable did not mean automatic attraction of firms to it. The study went on to show that the threat of substitute products faced firms in the telecommunications sector was not much. It is apparent that although internet based communication services were present; they did not have enough subscribers and did not pose enough threat of substitution to the three telecommunications companies. In addition, the findings show that bargaining power of suppliers was not a very strong determinant of the performance of operators. In this regard, the findings obtained show that the suppliers in the telecommunications industry do not have high bargaining power. Industry rivalry was a strong factor affecting the performance of telecommunication firms. Such competition was however strong among suppliers themselves and did not seem to affect the performance of firms considerably. However, since entry to the industry was not easy, Industry rivalry among operators was high since it was not easy for customers to go for substitute products in the market. Performance in the telecommunications sectors was moderate. This could be due to the fact that performance in the three firms was not uniform-with Safaricom Limited having the best performance. Industry rivalry often made firms not achieve their goals and objectives. However, the firms were still able to make profit and perform well. They were also able to make high quality and quantity of products irrespective of Porters five forces in the telecommunications industry. It is recommended that since changes emanating from new entrants in the market could influence the power of suppliers, companies had to have mechanisms of responding to such changes so as to remain in business and since subscribers were the same and making gains in the market could only be achieved if competitors lost their grip on some of their customers; firms had to use all available strategies so as to retain competitive edge and deal with any threat from Porter five forces. The researcher recommends a study on the effect of Porter's five forces model strategy on singular aspects of the organizational performance such as financial, human resource productivity among others. In addition, a study could be undertaken on the effect of customer lock-in on operation of Porter's five forces model in the telecommunications model.

Index Terms- Strategy, Competitive edge, Business Rivalry

I. INTRODUCTION

As noted by Mintel (2012) telecommunications industry is regarded as one of the most important and fastest growing industries globally, influencing daily the lives of millions of people. The penetration rate of telecommunications services has increased steadily over the past five years and there were 83.2 million mobile phone subscribers in the UK in 2011. The author further observes that revenues for mobile phone subscriptions will reach £20.3 billion in 2016 in the UK alone.

Africa as a continent is one of those places where mobile telecommunication is still at its growing stage. 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 (Mintel, 2012). Each

year myriads of such investors come to the African continent in pursuit of new markets and cheap environments to set up businesses.

According to Porter's Five Forces model, he developed a framework that facilitates the analysis of an industry by identifying five key groups of forces that can affect competition. He identified them as customers, suppliers, substitutes and potential entrants who are able to affect the performance of a firm. In addition to the external environment scanning tools such as Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis and Political, Economic, Social, Technological, Environmental and Legal (PESTEL) analysis and calculate its dealing with competition, how to retain or increase a company's market share among others. This demands 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**.** According to Aosa (2009) this is the reason many telecommunication firms use scenario planning to anticipate and respond to unstable and disruptive environmental changes.

Although many scholars and practitioners at both the international and local levels still highly value and use Porter's Five forces model, there has been a high level of debate on the application of this model to the complex contemporary industry environment with rapid changes and technological advancement. Some scholars argue that the advance of internet has done much in changing the industry environment and thus challenging the five forces model. They argue that before the advent of the internet, every industry consisted of a physical part and an informational set and the informational set was difficult to handle and access. This makes them to further point that Porter's argument that in as much as the five underlying forces of competition determine the industry attractiveness, it has also been challenged by its failure to explain the expansion of the distance learning industry (Chen, *et. al*., 2011).

A study conducted in 1980s indicated that only a few of the influences Porter flagged had strong empirical support. They argued that despite the fact that the "five forces" framework focuses on business concerns rather than public policy, it also emphasizes extended competition for value rather than just competition among existing busine**ss** rivals, and with the ease of its application inspired numerous companies as well as business schools to adopt its use (Monbiot, 2011). These factors of the static nature of the five forces model, innovation, and lack of complements impacted on the application of the five forces model to the telecommunication industry. This industry which is regulated by the communication authority of Kenya is one of the profitable and fastest growing industries with increase in the number of both local and international financial players. Continentally, scholars have admitted the critical role of Porter's five forces model in Botswana. Rivalry from already established firms, threat of new entrants, threat of substitute products, bargaining power of buyers and sellers are indomitable forces within the African continent and the world in general that any business cannot afford to ignore them (Monbiot, 2011).

In Kenya, some scholars have highly praised the model as applicable to highly competitive environments while adding other forces such as technology, complementary and other PESTEL factors to the model (Aosa, 2009). This confirms the position of different scholars but falls short of clarifying whether the model is applicable or not to the Kenyan telecommunication industry. He argues that the mere coming up with more forces that can be added to the model is a development in itself, but this does not render the five forces stated by Porter to be redundant or irrelevant.

Statement of the Problem

As noted by Chen operators need to strengthen and reshape their marketing strategies in order to survive and gain market share. Consequently, the authors observed that political anxieties, com, et al., (2011) it is clear that telecommunications markets are becoming more competitive and mobile petition from new entrants, social reforms, technological advancements and, build their online presence and develop multi-channel strategies that will attract new globalization are some of the challenges that have greatly affected the growth of this sector. This means that mobile operators need to use various online channels to promote their services customers (Chen, et al., 2011). It is thus very important for a company to establish a competitive advantage which is sustainable, meaning it is not easily eroded by environmental changes or imitated by existing and potential competitors, a continuous process of environmental scanning and monitoring as well as obtaining competitive intelligence on present and potential rivals. This is why many companies

The use of Porter's Five Forces model involves use scenario planning to anticipate and respond to volatile and disruptive environmental changes. Strategic management identifies the general environment and the competitive environment (Aosa, 2009). Although many scholars and practitioners at both the international and local levels still highly value and use Porter's Five forces model, there has been a high level of debate on the application of this model to the complex contemporary industry environment with rapid changes and technological advancement. Such debates have not been backed by studies in that direction.

In Kenya for example, some scholars have highly praised the model as applicable to highly competitive environments while adding other forces such as technology, complementary and other PESTEL factors to the model (Aosa, 2009). Maina (2001) carried out a research on perceived service quality and she found out that there is a significant difference between the customer expectations and the management's perception in this industry. Towet (2002) conducted a study on perceived risks on the use of the mobile phone and found some of the perceived risks by the users as financial and social risks. Muturi (2004) conducted a survey on the factors that determine customer loyalty to mobile service providers and found out that such factors include quality of customer service, reliability of the services, affordability of services and products. As the market matures, customers become more experienced and demanding. The penetration of mobile phones in the country has been explosive; with Kenya among the major global markets for mobile subscriptions in East Africa with penetration rates of more than 80%.

The above studies have addressed various topics in this industry and in regard to strategy but none had done the adoption of Porters Five by telecommunication companies in Kenya to gain competitive advantage, mainly the key players: Safaricom Limited, Airtel Kenya and Orange. This means that there is scarcity of literature on the subject under investigation in the Kenyan context. Furthermore most of the previous studies undertaken on this subject use secondary data; this means that they did not describe the situation as it is in the Kenyan telecommunication sector. This necessitates studies such as this current one. Therefore, this study was to establish the influence of Porters Five model strategy on the performance of telecommunication companies in Kenya.

General Objective

The general objective of the study was to establish the influence of Porter's five models strategy on the performance of telecommunication companies in Kenya.

Specific Objectives

The specific objectives of the study were:

i. To establish the influence of new entrants on the performance of telecommunication companies in Kenya.
ii. To establish the effect of industry rivalry on the performance of telecommunication companies in Kenya.

Conceptual Framework

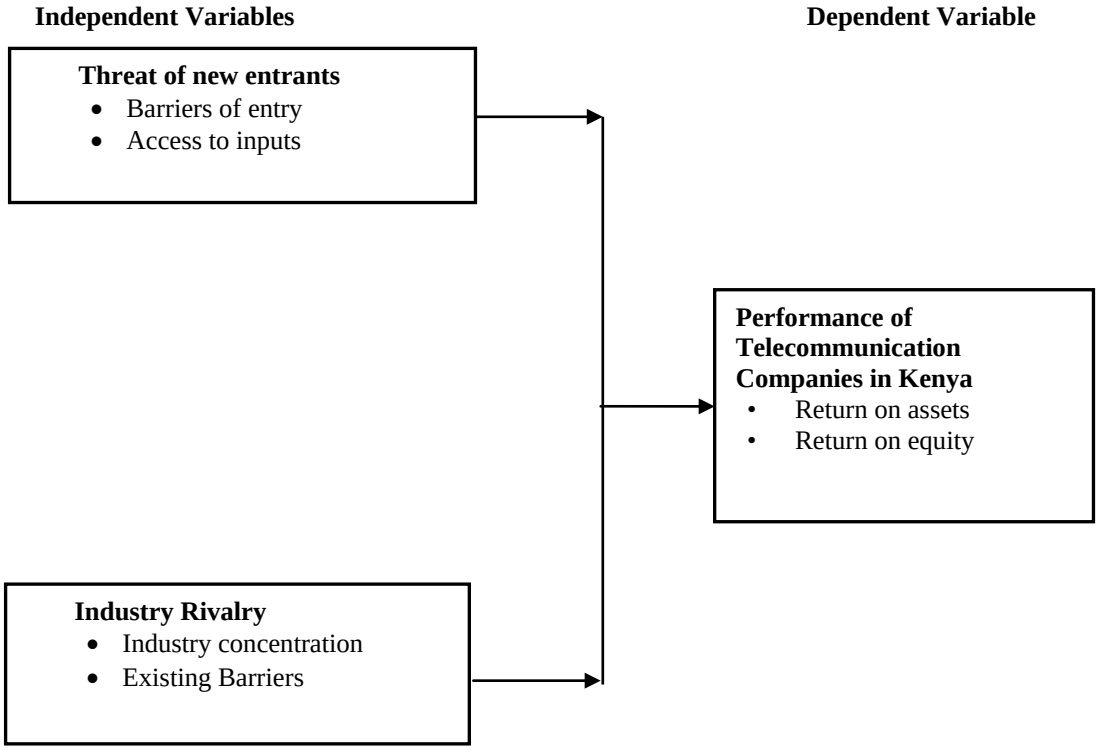

Figure 1: Conceptual framework

II. RESEARCH METHODOLOGY

This chapter presents the methodology of the study. It outlines how the study was carried out. The chapter presents the research design, the population, sample and sampling technique, data collection method and instruments and data analysis.

The study adopted a descriptive research design. The choice of the descriptive survey research design was made based on the fact that in the study, the research was interested on the state of affairs already existing in the field and no variable would be manipulated. A descriptive study attempts to describe or define a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and tabulation of the frequencies on research variables or their interaction as indicated by Cooper and Schindler (2003). Descriptive research portrays an accurate profile of persons, events, or situations (Kothari, 2000).

Cooper and Schindler (2003) define target population as the entire group that is of interest to the researcher. The population of the study was selected telecommunication companies in Kenya (CCK, 2015). The study focused on 3 companies providing mobile telephone technology. These include Safaricom, Airtel and Orange. It targets the top level managers and middle level managers of three companies as at July 2016. These were managers from the planning, administration, finance, marketing, human resources, operations and Information Technology departments. A total of 84 employees (4 per department) from 7 departments in the 3 companies were targeted. These companies were targeted because they are the

main telecommunications companies in Kenya. The fourth company, Equitel, rides on the Airtel mobile telephone platform and is yet to pick up. It was deemed that these 3 companies adequately represented the telecommunications sector.

Copper and Shiner, (2003), defines sampling technique as a selection approach of a few items, (a sample), from a bigger group, (population), to become the basis for estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding a bigger group. A sample is a subgroup of the population that the researcher is interested in, (Kumar, 2005). Mugenda and Mugenda, (2003), in addition say that sampling can broadly be classified into probability and non-probability sampling

Sampling is the procedure a researcher uses to gather people, or things to study. It is a process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of the characteristics found in the entire group (Orodho & Kombo, 2002). The sampling frame for this study consist of employees from planning, administration, finance, marketing, human resources, operations and Information Technology departments of the three companies. In this regard, 4 employees from each of the 7 departments in the 3 companies were targeted. Hence a total of 84 employees.

The study adopted proportionate stratified sampling to obtain the study sample. In stratified proportionate sampling, the population is sub-divided into homogenous groups. The advantage of this sampling method is that it ensures that units from each main group were included for the purposes of making it a reliable representation as posited by Jankowicz (2005). In the case of this study, the target population was divided into the following 7 strata: planning, administration, finance, marketing, human resources, operations and, Information Technology departments of the 3 companies. From these strata a sample of 84 respondents was obtained using the formula presented below.

The study used the simplified formula to calculate sample size that is the one designed by Yamane (1967) and advanced by Cooper and Schindler (2003). The formula employed is: $n=N/(1+N(e)^2$**,** where: n = sample size, N = population size and e =the level of precision (0.05))**.** The sample size is shown in Table 1.

Table 1: Sample Size

Department	**Population**	**Sample (n=N/ (1+N (e)^2)**
Planning	12	12
Administration	12	12
Finance	12	12
Marketing	12	12
Human Resources	12	12
Operations	12	12
Information Technology	12	12
Total	**84**	**84**

The study used primary and secondary data, this is because the telecommunication companies are required to submit their reports with CCK and other disclosures are in their websites. The balance sheet and income statements provided the financial performance measures for the period. Any other relevant notes to the financial statements for the period were considered.

The questionnaire was an ideal instrument for primary data collection, the structure of the questionnaire made analysis and interpretation of data easy and fast. Besides, the respondents were given time to fill in the questionnaire, hence provided in depth information. Both primary and secondary data was collected. Primary data was collected directly from the respondents in the population of the study. The key respondents were the senior management team including the Managing Director, Finance Manager and Marketing Manager, with the Human Resources Manager as the contact person. Sources of secondary data included the firm's intranet, journals, daily reports or papers, brochures, policy documents and other documents that were available in the registries which provided valuable information to the study.

A questionnaire was used to gather the information from the respondents. The questionnaire had sections on the general organizational demographics as well as specific information related to the research questions. The structure of the questionnaire made analysis and interpretation of data easy and fast. Besides, the respondents was given time to fill in the questionnaire, hence provided in depth information. The questionnaire was sent to diverse groups of respondents with different backgrounds in job positions, duties and experience. Hence, its structured approach facilitated the collection of only relevant information from the respondents.

The questionnaire was tested to ascertain validity and reliability a total of 9 respondent managers was reached for comprehension, logic and relevance. This was informed by Kasomo (2007) who elicits that 10 percent of the target population is sufficient for pre-testing of questionnaires in descriptive studies. Respondents in the pre-test were drawn from Safaricom, Airtel and Orange. The Managers used in the pilot testing were excluded in the final sample of the research. Zikmund et al. (2009) recommended that the questionnaire pre-tests should be done by the researcher personally in order to observe the respondents reactions and attitudes. All aspects of the questionnaire were pre-tested including question content, wording, sequence, form and layout, question difficulty and instructions. The feedback obtained was used to revise the questionnaire before administering it to the study respondents.

Validity of the instrument was measured by testing the questionnaire using data from a pilot study. The purpose of the pilot test was to refine the questionnaire so that respondents would have no problems in answering the questions and there would be no problems in recording the data. It would enable one to obtain assessment of the validity of the data that would be collected (Saunders, Lewis & Thornhill, 2007). The questionnaire was also subjected to a review by a group of experts.

Internal validity which is the ability of a research instrument to measure what it is purported to measure consists of various forms: Content validity (also known as face validity) is the extent to which the instrument provides adequate coverage of the investigative questions guiding the study. If the instrument contains a representative sample of the universe of subject matter of interest, then content validity is good. Criterion-related validity reflects the success of measures used for prediction or estimation. One may want to predict an outcome or estimate the existence of a current behavior or time perspective. Construct validity considers both the theory and the measuring instrument being used. The way variables are operationally defined should correspond with an empirically grounded theory (Cooper and Schindler 2008).

Cronbach's alpha was calculated to test for reliability. The Alpha can take any value from zero (no internal consistency) to one (complete internal consistency) where 0.7 will be the acceptable limit. George and Mallery (2003) provide the following rules of thumb: >0.9 -Excellent, >0.8 - Good, >0.7 - Acceptable, >0.6 - Questionable, >0.5 - Poor and <0.5 - Unacceptable.

This involves interpretation of collected data from respondents. Data was analyzed using descriptive methods. This involved compiling and analyzing data using MS Excel and SPSS statistical package and presentation of the data using tables. As soon as data collection was finalized, the questionnaires were checked for completeness and the data compiled, edited and coded before data input. Thereafter, data was classified and checked against reviewed literature to determine its validity and reliability. The data was then coded and edited for completeness using SPSS statistical package. Descriptive statistics in the form of percentages, means and measures of dispersion was used to describe, organize and present quantitative data for ease in data interpretation. This involved the use of tables. A range of inferential statistical tests were also used. The data collected was run through a regression model so as to clearly bring out the effects of change in Porter's five models strategy on performance of the telecommunication companies. The results obtained from the models were presented in tables to aid in the analysis and ease with which the inferential statistics were drawn.

The under-mentioned model was used: $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$

Where: Y = Organizational performance
β_0 = Constant Term; β_1, β_2, β_3 and β_4 = Beta coefficients;
X_1 = Threats of new entrants
X_2 = Rivalry and competition
X_3 = Bargaining power of suppliers
X_4 = Threats of substitutes
ε = Error term

Quantitative data was presented by the use of graphs, frequency distribution tables. These are clear, easy to compute, understand and interpret the findings, (Saunders, 2007). The tables also provide attractive display for easier understanding and communication, (Kumar, 2005). Descriptive statistics in the form of percentages, means and measures of dispersion was used to describe, organize and present quantitative data for ease of data presentation. In addition, graphic representation often makes it easier to see the pertinent features of a set of data, (Minium, 2008). A range of inferential statistical measures was also used.

III. RESEARCH FINDINGS AND DISCUSSION

Response Rate

Out the 84 respondents targeted, 77 of them responded. This gave an average return rate of 92%. This was deemed sufficient for analysis. The return rate is represented in Table 2.

Table 2: Return Rate

Department	Sample	Responded	Response Rate (%)
Planning	12	11	92
Administration	12	11	92
Finance	12	12	100
Marketing	12	10	83
Human Resources	12	11	92
Operations	12	12	100
Information Technology	12	10	83
Total	**84**	**77**	**92**

Descriptive Statistics

The following sections present the findings of the study. This is done in line with the variables of the study. To this end, descriptive statistics (weighted mean) derived from a number of statements concerning the threat of new entrants; threat of substitute products; bargaining power of suppliers; Industry rivalry and performance are presented. The relevance of the findings obtained to this study is drawn.

New Entrants

The study sought to examine the effect of new entrants on performance of telecommunication companies. To this the respondents were asked to indicate their level of agreement on eight statements regarding the effect of new entrants in the performance of a company The data was categorized into a scale of 1 to 5 (1-Not at all, 2-to a little extent, 3- to a moderate extent, 4-to a great extent, 5-to a very high extent). The closer the mean is to five, the higher the agreeability. Table 3 shows the findings obtained.

Table 3: Effect of New Entrants

	Rating							
Attribute	**1**	**2**	**3**	**4**	**5**	**Total**	**Weighted Mean**	**Std. Dev**
a) There are threats of new entrants posed by new competitors in my company	33	25	11	4	4	77	2	13.05
b) My company attracts more competitors since the sector is profitable and competitors like to have a slice of the profits.	19	21	4	22	11	77	3	7.70
c) More competition in the industry has led to increased production levels and has shaped the competitive structure of an industry.	0	1	3	31	42	77	4	19.68
d) We are able to outdo our competitors since we already dominate the market and have built strong relationships of trust and loyalty with our customers	41	1	0	2	33	77	3	19.93
e) The threat of new entrants as influences the ability of my company to achieve profitability and better its performance levels	1	4	2	32	38	77	4	18.05
f) New competitors are highly likely to be attracted to the profits of the our industry as they can enter the industry with relative ease	34	23	13	4	3	77	2	13.16

g)	Since new competitors can easily make entry into the industry, market share can decrease any time and this affects our profitability	35	33	3	1	5	77	2	17.05
h)	New entrants push us to make changes to our existing product quality and price levels.	3	4	6	27	37	77	4	15.60
Average Scores		**21**	**14**	**5**	**15**	**22**	**77**	**3**	**6.56**

The findings obtained as shown in Table 4.3 show that there was no much of such threat (agreement to a little extent, weighted mean of 2). This shows 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. To this the respondents agreed to a moderate extent (weighted mean of 3). 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 respondents went on to agree to a great extent (weighted mean of 4) 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.

The respondents only agreed to a moderate extent (weighted mean of 3) that they were able to outdo the competitors since they already dominate the market and have built strong relationships of trust and loyalty with their customers. These findings show that most of the companies do not dominate their market segment. This is due to Safaricom's dominant position in the market. These findings emphasize the opinion of Porters (1985) that a firm in the market is influenced by different economic and technical factors. For a firm to be able to dominate the market, it has to content with issues related to economies of scale, switching costs, capital requirements, distribution channels and other factors. Safaricom already has the dominant edge. This then explains this response.

Furthermore, the respondents agreed to a great extent (Weighted Mean of 4) that the threat of new entrants had influenced the ability of their company to achieve profitability and better its performance levels. This collaborates the findings of Faesch (2011) that the threat of new entrants as the model created by Porter depicts, also influences the ability of firms existing in the industry to achieve profitability and better their performance levels. It can thus be deduced that firms were aware that new entrants would challenge their profitability. In this accord, they endeavored to work harder in the wake of possibilities for new entrants and affected their profitability.

It was also established (weighted mean of 2) that new competitors were not likely to be attracted to the profits of their industry as they could enter the industry with relative ease. This is disparity with Dutton and Grant (2011) who opined that a high threat of entry means new competitors are highly likely to be attracted to the profits of the industry since they can enter the industry with relative ease. The findings obtained are evidence that it was not easy for new entrants to enter the telecommunications sector. This is most likely as a result of the huge entry costs as pointed out by Porter (1985). In this regard, the profitability of the sector was not enough to attract new entrants, the huge entry costs were deterrents to new competitors.

Furthermore, the respondents point out to a little extent (Weighted Mean of 2) that since new competitors could easily make entry into the industry, market share could decrease any time and this affects their profitability. This again could be attributable to market entry costs. As such, businesses did not see new entrants as been able to slice off profits in the market.

Lastly, the findings show that new entrants push them to make changes to their existing product quality and price levels (agreement to a high extent, weighted mean of 4). These findings agree with Dutton and Grant (2011) who opine that new entrants cause changes to existing product quality and/or price levels among firms already operating in a particular sector. These findings show that irrespective of the fact that it was not easy to enter the telecommunications sector, companies in the sector ensured that they had kept their products in high quality and price levels so as to survive the competition of any new entrants.

Industry Rivalry

The study sought to find out the effect of Industry rivalry on the performance of telecommunication companies. A number of statements were presented to the respondents. The findings obtained were presented in Table 4.

Table 4: Industry Rivalry

Attribute	Rating							
	1	2	3	4	5	Total	Weighted Mean	Std. Dev
a) Since entry to our industry is easy, competition and rivalry is high since it is not easy for customers to go for substitute products in the market	34	31	4	4	4	77	2	15.65
b) Industry rivalry in our industry depends on factors such as differentiation between the products in the market, brand loyalty by the buyers and price comparisons by the media	3	4	3	32	35	77	4	16.56
c) Industry rivalry is high in our sector since it is costly to leave the industry so firms fight to just stay in (exit barriers)	0	0	0	35	42	77	5	21.23
d) There are low market growth in the telecommunication industry and the growth of a particular company is possible only at the expense of a competitor	0	0	1	11	65	77	5	28.11
e) There are high strategic stakes tied up in capital equipment, research or marketing and capacity can only be increased by large amounts, in this case we apply watertight strategies so as to retain our share of the market	0	0	0	3	74	77	5	32.78
f) Our industry is a highly competitive business environment and this has resulted in competitiveness in prices, profitability and performance of firms in the industry	0	0	0	4	73	77	5	32.25
g) Due to competition we have better customer segmentation and this means that our companies can target customers better and provide them with services that fit their needs	0	0	0	3	74	77	5	32.78
h) When it comes to premium (top-level) customers such as corporate who use expensive products from us, competition is higher and we try to differentiate our services in order to outperform our rivals	0	1	1	11	64	77	5	27.54
Average Scores	**5**	**5**	**1**	**13**	**54**	**77**	**4**	**21.94**

As presented in Table 4, the respondents agreed a great extent to the statements provided to them (average weighted mean of 4). The respondents agreed a great extent (average weighted mean) to the statements provided to them. This shows that Industry rivalry was a strong factor affecting the performance of telecommunication firms. The respondents also opined (to a little extent) that since entry to the industry was easy, Industry rivalry was high since it was not easy for customers to go for substitute products in the market. This emanates from the fact that entry into the industry was not easy. This is in line with Porter (1985) who sees entry barriers as a challenge to market entry.

The respondents agreed to a high extent (weighted mean of 4) that competition and rivalry in the industry depended on

factors such as differentiation between the products in the market, brand loyalty by the buyers and price comparisons by the media. This agrees fully with Mintel (2012) who was of the same opinion. It can thus be deduced that the products developed by the operators, brand royalty (such as support for MPESA) and, price regimes of such products influence competition.

The findings go on to show (agreement to a very great extent, weighted mean of 5) that Industry rivalry was high in the sector since it was costly to leave the industry so firms fought to just stay in (exit barriers). This also stresses the findings of Mintel (2012) who also focused on this subject. This is true since the three companies in the telecommunications sectors invested heavily in sector and leaving would mean loss of millions of dollars in infrastructures and other resources.

Also 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 (agreement to a very great extent, weighted mean of 5) 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 (agreement to a very great extent, weighted mean of 5). 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.

The findings also show that the industry was a highly competitive business environment and this had resulted in competitiveness in prices, profitability and performance of firms in the industry (agreement to a very great extent, weighed mean of 5). In support of the findings of Mintel (2012), this means that firms had to offer the best practical prices so as to remain relevant in the market. In addition, firms had to have good profit margins and performance so as to retain competitive edge.

Furthermore, and in agreement with Mintel (2012), the respondents agreed to a very great extent (weighted mean of 5) that due to competition they had better customer segmentation and this meant that their companies could target customers better and provide them with services that fit their needs. In this light, it can be deduced that customers choose their products carefully and once they chose the products of a company, they easily continued consuming such products. As such, companies had to plan well on how to improve on such products.

Lastly, the findings obtained show that when it came to premium (top-level) customers such as corporate who used expensive products from operators, competition was higher and operators tried to differentiate their services in order to outperform their rivals (agreement to a very great extent, weighted mean of 5). This agrees with Mintel (2012) who was of the same opinion. This showed that firms tried to go for top notch customers so as to reap on the huge sales they made to such customers. As such firms endeavored to have services that meticulously fitted the needs of such customers so to outperform rivals.

IV. CONCLUSION

There are a number of conclusions that can be made in relation to the influence of the porter's five forces model on the performance of telecommunication companies in Kenya. To begin with it came out clearly that there was no much of threat of new entrants in the telecommunications sector in Kenya. The study went on to show that the threat of substitute products faced firms in the telecommunications sector was not much. This is attributable to the fact that some of the firms had much control over their clients and that switching was not an easy option. The bargaining power of suppliers was not a very strong determinant of the performance of operators. As such companies in the telecommunications sector have a lot of control over suppliers. This is show by the relationship (not significant) between bargaining power of suppliers and performance of telecommunication companies in the regression model adopted by this study.

Industry rivalry was a strong factor affecting the performance of telecommunication firms. Such competition was however strong among suppliers themselves and did not seem to affect the performance of firms considerably. This is shown by the relationship which was not significant between Industry rivalry and performance of firms in the telecommunications sector. However, since entry to the industry was not easy, Industry rivalry was high since it was not easy for customers to go for substitute products in the market. It was also evident that the three companies in the telecommunications sectors invested heavily in sector and leaving would mean loss of millions of dollars in infrastructures and other resources. As firms tried to remain in the market, they were forced to practice cut-throat competition; they had to have measures aimed at retaining competitive edge.

V. RECOMMENDATIONS

In view of the findings obtained, the following recommendations are made. These recommendations are made in line with the study variables.

Recommendations on New Entrants

Since the telecommunications sector was 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.

Recommendations on Industry Rivalry

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.

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