Entry of bharti airtel into the kenyan market

Business, Company

Mobile telephony industry is among the fastest growing sectors in Kenya. Currently the Kenyan mobile telephony market is dominated by a company known as Safaricom Limited which owns about 78% of the total market share with the remaining market share being shared among other companies which include Zain Company, Telkom Kenya, and Yu Company (Iraki, 2010). Of these, Zain is the second largest company and it is an international company which operates in 15 African countries.

Though Safaricom is the dominant company, the first entrant into the market was Zain which was originally called Kencell and it dominated the market for a while before Safaricom's entry (Kwama, 2010). Telkom Kenya Limited has been in operation in Kenya for a long time but it only started to offer mobile services recently under the brand name Orange. Yu Company is the latest entrant in the market and it is really struggling to establish itself in the market (Kwama, 2010). The mobile telephony sector in Kenya is regulated by theCommunicationCommission of Kenya (CCK).

Traditionally, the CCK's role in the mobile industry has been to regulate the industry by issuing of operating licenses but recently the commission has moved in to regulate the industry in more ways (Kwama, 2010). Originally, the government did not want to regulate the industry in order to stimulate growth in the industry. Now that the industry has grown, the government is moving in to regulate the industry. The growth has been so tremendous and fast; some have described it as unprecedented and unexpected (Iraki, 2010).

The need to regulate the industry has been due to the continued dominance of Safaricom Limited whose market share continues to grow even with the entrance of new mobile companies. The competitors of Safaricom have been struggling to reduce its market share to no avail and it is felt that its continued dominance is hurting competition. The government is planning to control the charges for inter-network communication and this is meant to provide a level ground for all players thus increasing competition (Iraki, 2010).

The CCK has formulated new regulations for the industry which have attracted sharp reactions from Safaricom which is claiming to be unfairly targeted and in fact it is threatening to sue CCK (Kwama, 2010). As for now, the rules are yet to be enacted. The economic and political risks are low in Kenya. Though the country has for a long time struggled with inflation, good politicalleadershiphas changed this and the country's economy has been growing steadily. Last year, the growth was at 2.

5% and this year it is projected to grow by 4. 5% (Galang, 2010). Mobile telephone has been one of the industries that have led to this growth. Politically, the country is stable though it was hit by a wave ofviolencein 2008 following a dispute in general elections. This violence negatively impacted the country's economy but the country managed to recover and since then there has been no problems. The government encourages foreign investment and the economy is fully liberalized (Kwama, 2010).

However, it is important to note that though the government encourages foreign investment, it does not provide capital aid to investors which would not be a problem for Bharti Airtel as it is economically stable. For Bharti Airtel to establish itself in the Kenyan market, it should consider establishing its own wholly owned subsidiary. To do this, it should consider buying a mobile company that is already in existence and then modify its operations.

Its first choice should be Zain Company as it is well established compared to the others and thus will be able to take advantage of its established market share.

Though this method is always expensive, it would not be so for Bharti Airtel which is a well established company. All the other companies that have been entering the market have been starting companies from the scratch and they have been experiencing problems getting subscribers as the market is dominated by Safaricom and somehow mature (Kwama, 2010). With an established base of subscribers, Bharti Airtel's efforts will be concentrated on expanding the subscription base.

Formation of partnerships will not be an option for Bharti Airtel if it will have to compete with Safaricom. To begin with, Bharti Airtel should understand that Safaricom's strategy is not based on offering low prices to attract and keep subscribers; in fact it can be said to be the most expensive network in Kenya (Kwama, 2010). Safaricom's strategy is based on creativity where it has formed numerous partnerships with players in other industries to provide services that add value to people's lives (Kwama, 2010). Bharti Airtel will have to follow suit for success.

To begin with, it should consider partnering with utility companies to enable the subscribers pay their bills conveniently by makingmoneytransfers using their mobile phones as this has been attracting subscribers to Safaricom. It should also consider partnering with banks to enable people make bank transactions using their mobile phones. In addition, it should consider partnering with other mobile telephony companies outside Kenya to provide roaming services for their subscribers who are always travelling outside the country. References Galang, M. (2010, January 28).

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