

THE EFFECTS OF TELECOMMUNICATION PRICE WARS ON CONSUMERS IN
NAIROBI KENYA

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ABSTRACT

In the recent past Kenya's telecom sectors average mobile call rate was at five shillings per minute Kenya shillings. Today as we speak the calling rate has dropped to three shillings per minute. Safaricom, Airtel, Orange and Yu have all reduced their prices from the original price levels. Nairobi County may find the price war, very little is known about how responsive consumers would be to the price decreases and how the price reduction affects consumers' spending. This research looked at how consumers perceived the existence of price war in the telecommunication industry and how they have responded to these price decreases. The research also looked at the effect of price war on consumer spending on telecommunication and effects on service quality in the industry. The research analysis was based on a consumer survey that involved 150 subscribers in Nairobi County primarily from four tertiary institutions in Nairobi. The research findings showed that the recent acquisition of the mobile operator Zain by Airtel of India prompted the all-out price war. And consumers the intended beneficiaries were aware of the price war phenomena in the telecommunication industry. The price war has caused an increase in multiple subscriptions in Kenya, a situation which was also worsening because of introduction of dual sim card mobile phone in the market. However people were unwilling to change or switch completely to different network because of high switching cost. This research found out that spending by consumers across networks has decreased because subscribers have acquired additional sim cards therefore, many people carefully chose network to use in order to get the best rate depending on who they are calling. Because more attention is given to winning the current price war, key service qualities have been neglected. This research established the following service qualities exist in the industry: poor customer service, poor signal availability, average call connection rate, high call drop rate, less accurate billing. Finally the research also established that consumers prefer cheaper brand in terms of services charges. However, that must be in consonance with an excellent service quality.