ANALYSIS OF COMPETITION IN THE MOTOR VEHICLE ASSEMBLY SECTOR IN KENYA USING PORTER’S FIVE FORCES MODEL

BY

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DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University – Africa for academic credit

Signed: ________________________________ Date: ________________

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This project has been presented for examination with my approval as the appointed supervisor.

Signed: ________________________________ Date: ________________

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ABSTRACT
The purpose of the study was to analyze competition in the motor vehicle assembly sector using Michael Porter’s 5 forces competitive model. The research questions included to what extent does the rivalry among existing competitors affect the attractiveness of the motor vehicle assembly sector, to extent does the bargaining power of buyers affect the attractiveness of the motor vehicle assembly sector, to what extent does the bargaining power of sellers affect the attractiveness of the motor vehicle assembly sector, to what extent does the threat of new entrants influence the attractiveness of the motor vehicle assembly sector and to what extent does the threat of substitute products influence the attractiveness of the motor vehicle assembly sector

A survey research design was adopted. From a sample of 60 respondents, 57 responded creating an effective response rate of 95%. The study collected primary data using structured questionnaires that contained both closed and open ended questions. An initial pre-test was administered to identify any ambiguity and clarify the questionnaires. In this study, the descriptive statistics such as percentages and frequency distribution was used to analyze the demographic profile of the participants. The demographic data was tabulated using percentages and frequency. The coefficient of variation was used where data was skewed. Additional statistical analysis such as correlation and regression were used to show the relationship between the dependent variable and the whole group of independent variables. The results of the study were presented using tables and figures. Data analysis was conducted using the Statistical Package for Social Science (SPSS)

The major finding on existing competitors was that it was hard to exit the motor vehicle assembly sector considering the investments incurred when setting up and running the operation. The threat of new entrants was highest in loyalty of the buyers to the current competitors. Most threat of substitute products and services existed when the relative price and performance of a substitute product are better than those of an existing one. Buyer power existed where buyers were concentrated within the industry and the bargaining power of suppliers was highest when the suppliers within the industry are powerful and have the capability of getting into the business of their buyers within the industry. Generally, there
was a weak significant correlation between the two variables, number of firms and the bargaining power of suppliers in the industry.

The study recommended that motor vehicle assembly firms can engage in vigorous price competition, differentiate their products from competitors and imitators as well as enhance the product features to meet the market. In addition, the suppliers of motor vehicle assemblers should continuously innovate their products as well as provide a wider assortment of products and services by monitoring and meeting varying needs of the consumers in the market.

For further studies, since the number of firms was to represent the level of competition as the dependent variable against Porters five forces as the independent variables, the findings could not adequately indicate the correlation and regression between the variables in this study. Therefore, the study suggests that future researchers could use the T-test to show the relationship between the variables to confirm the similarities of the findings.
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I acknowledge the support I received from my family and special friends as I undertook this study.
DEDICATION

I dedicate this study to God, without who I would not have life or the ability to make any significant impact in society.

Special recognition to my mum, Pauline, who has encouraged me and supported me in my studies. Thank you for believing in me!
# TABLE OF CONTENTS

DECLARATION ......................................................................................................................... i
COPYRIGHT ............................................................................................................................. ii
ABSTRACT ................................................................................................................................. iii
ACKNOWLEDGEMENT ............................................................................................................... v
DEDICATION ............................................................................................................................. vi
TABLE OF CONTENTS ............................................................................................................. vii
LIST OF FIGURES .................................................................................................................... x
LIST OF TABLES ........................................................................................................................ xi
CHAPTER ONE .......................................................................................................................... 1

## 1.0 INTRODUCTION ............................................................................................................. 1
1.1 Background of Study ...................................................................................................... 1
1.2 Statement of the Problem ........................................................................................... 5
1.3 Purpose of the Study ................................................................................................. 6
1.4 Research Questions .................................................................................................. 6
1.5 Importance of the Study ............................................................................................ 7
1.6 Scope of the Study ...................................................................................................... 8
1.7 Definition of Terms ................................................................................................... 8
1.8 Chapter Summary ...................................................................................................... 9

CHAPTER TWO ....................................................................................................................... 10

## 2.0 LITERATURE REVIEW .................................................................................................... 10
2.1 Introduction .................................................................................................................. 10
2.2 Intensity of rivalry among existing competitors ..................................................... 10
2.3 Threat of New Entrants ............................................................................................. 15
2.4 Threat of substitute products or services ................................................................. 19
2.6 Bargaining power of suppliers .................................................................................. 27
2.7 Chapter Summary ........................................................................................................ 31

CHAPTER THREE .............................................................................................................. 32

3.0 RESEARCH METHODOLOGY .................................................................................. 32
3.1 Introduction ................................................................................................................... 32
3.2 Research Design .......................................................................................................... 32
3.3 Population and Sampling Design .............................................................................. 33
3.4 Data Collection Methods ........................................................................................... 34
3.5 Research Procedures ................................................................................................... 35
3.6 Data Analysis Methods ............................................................................................... 35
3.7 Chapter Summary ........................................................................................................ 36

CHAPTER FOUR ........................................................................................................... 37

4.0 RESULTS AND FINDINGS ....................................................................................... 37
4.1 Introduction .................................................................................................................. 37
4.2 General Information ................................................................................................... 38
4.3 Rivalry among Existing Competitors ..................................................................... 42
4.4 Threat of New Entrants ............................................................................................. 43
4.5 Threat of Substitute Products and Services ............................................................... 46
4.6 Bargaining Power of Buyers ..................................................................................... 47
4.7 Bargaining Power of Suppliers ................................................................................ 48
4.8 Correlation of Michael Porter’s Five Forces ............................................................... 49
4.9 Regression of Michael Porter Five Forces ................................................................. 51
4.10 Chapter Summary ..................................................................................................... 57
CHAPTER FIVE ........................................................................................................................................ 60

5.0 SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS ...................... 60

5.1 Introduction .................................................................................................................................. 60

5.2 Summary ...................................................................................................................................... 60

5.3 Discussion .................................................................................................................................... 62

5.4 Conclusions ................................................................................................................................. 71

5.5 Recommendations ...................................................................................................................... 73

REFERENCES .................................................................................................................................. 75

APPENDICES .................................................................................................................................... 81
LIST OF FIGURES

Figure 4.1: Response Rate..................................................................................37

Figure 4.2: Age of the Respondents..................................................................39

Figure 4.3: Education Level.................................................................................39

Figure 4.4: Years of Experience.........................................................................40
LIST OF TABLES

Table 3.1: Sample size Distribution.................................................................34
Table 4.1: Managerial Level..............................................................................38
Table 4.2: Departments of Respondents..........................................................41
Table 4.3: Number of Rival Firms.................................................................41
Table 4.4: Rivalry among Existing Competitors.............................................43
Table 4.5: Threat of New Entrants.................................................................45
Table 4.6: Threat of Substitute Products and Services.................................46
Table 4.7: Bargaining Power of Buyers..........................................................47
Table 4.8: Bargaining Power of Suppliers.......................................................48
Table 4.9: Correlation of Michael Porter’s Five Forces..................................50
Table 4.10: Regression of Existing Competitors...........................................52
Table 4.11: Regression of Threats of New Entrants.......................................53
Table 4.12: Regression of Threat of Substitute products................................54
Table 4.13: Regression of Bargaining Power of Buyers.................................55
Table 4.14: Regression of Bargaining Power of Suppliers...............................56
Table 4.15: Model Summary………………………………………………………………………………56

Table 4.16: Coefficients of Porter’s Five Forces and Number of Firms…………………………57
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of Study

Globally, the use of Porter’s Five Forces model involves a continuous process of environmental scanning and monitoring as well as obtaining competitive intelligence on present and potential rival firms. It is for this reason that companies employ scenario planning to anticipate and respond to volatile and disruptive environmental changes. Strategic management identifies the general environment and the competitive environment (Dess, Lumpkin, and Eisher, 2006).

Firms are constantly in search of a desired competitive position and according to Porter (1980) a firm can gain competitive position within an industry if managers stop defining competition too narrowly - that is against direct competitors. The competition for profit goes way beyond the established industry rivals and factors other four forces that shape the industry competition. The five forces include bargaining power of buyers, bargaining power of suppliers, threat of new entrants, rivalry among existing competitors and threat of substitute products. Porter’s model defines an industry’s structure and shapes the nature of competitive interaction within an industry.

The five forces are each unique in themselves and have widely been used by firms in strategic management and other disciplines to gain advantage over other firms. The threat of entry to an industry brings undue pressure to the current industry prices, costs and rate of investment necessary to compete. This is because the firm seeking entry is usually in a pursuit to gain market share. The new entrants can occasion turbulence in an industry especially in situations where a new entrant is diversify from other markets and can leverage existing capabilities and cash flows. The new entrant may also find challenge, since they might find unequal access to distribution channels, restrictive government policy and other factors that may slow down the new entrant initially (Porter, 1980).

Power of the buyer influences the appropriation of the value that is created within an industry especially when considering factors such as the size of the buyer and the concentration of the customers. Buyer’s awareness is also a factor that needs to be taken care of since it leads to their ultimate decision making (Karagiannopoulos, G, Georgopoulos, and Nikolopoulos,
Rivalry among existing industry competitors takes many different forms from differentiation strategies, advertising campaigns, price discounting, service improvement, new product introductions, product and service ranges, number and size of the firm and a wide range of other forms (Porter, 2008). The power of the supplier, where powerful suppliers normally want to gain the highest value by charging higher prices, compromising on quality and even shifting the extra cost to industry participants. Suppliers can reduce profit realized in industry particularly when a firm is unable to transfer its cost to the end product price (Karagiannopoulos, G, Georgopoulos, and Nikolopoulos, 2005). Threat of substitutes does affect an industry’s profitability since substitutes perform in a similar manner to the industry existing product. Substitutes are easily overlooked because they may appear to be different from industry’s existing product. They pose issues on the existing players on areas such as costs of switching since this entails costs like retraining, retooling and redesigning that are incurred when a customer switches to a different type of product.

This makes them to further point that Porter’s argument that 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 (Karagiannopoulos et al., 2005). Other scholars have also criticized the static nature of the model as a challenge to innovation in a rapidly changing industrial structure such as environmental trend or event, such as changes in the ethnic composition of a population or a technological innovation which may pose a greater impact on some industries than on others (Dess, et al., 2005). It was rightly noted that another critical point that the model ignores the pivotal role of complements by focusing on industry and group structures rather than individual companies (Brandenburg and Nalebuff, 1995).

The shift towards the internet consequentially impacts on the five competitive forces and influence the Industry structure rather than porter’s argument that industry structure is not fixed but rather is shaped to a considerable degree by the choices made by competitors. Another argument is that firms can gain advantage and at the same time reduce the buyers bargaining power which shows that Porter’s five forces model is relevant.

In the late 1980’s, a research showed that only a few of the influences Porter flagged commanded strong empirical support. They assert 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 rivals, and the simplicity of its application inspired numerous companies as well as business schools to adopt its use (Wheelen and Hunger, 2000). These factors of the static nature of the five forces model, innovation, and lack of complements may impact on the application of the five forces model to the motor vehicle assembly sector.

In the African continent, scholars have shown the importance 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, complementors and other PESTEL factors to the model (Aosa, 2009).

This is a confirmation of the varying positions of different academicians. However, it fails to establish without doubt that the Porter’s model can apply to the Kenyan motor vehicle industry. It is further argued that establishing more forces that can be added to the model is a development in itself without rendering the five forces stated by Porter to be irrelevant. It is important to note that all theories should be open to development based on further research and time. 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, 2010).

Today’s motor industry is traced to Henry Ford who laid the foundations for the current mass production techniques. A close examination of the car today has the basic characteristics of the car back then: still has four wheels, a petroleum engine and made from metal parts. However, Ford was unable to sustain its competitive advantage and soon lost its commanding market share to General Motors which relied on a decentralized organizational structure and offered a broader product portfolio to consumers. During the post-world war II era, after the 1970s, the US saw increased competition from Japan which used lean production techniques first introduced by Toyota (Holweg, 2008). However, Holweg and Pil (2004) argue that vehicle manufacturers can no longer rely on excellence only noting that the performance
between them has been reducing. This is because competitive forces are far from being static. At the turn of the century, there were a rising number of countries which could produce cars of good quality and at a much lower cost compared with Europe, US or Japan. This led the automotive industry to change its locational preferences. There were closures of automobile industries in the west while on the other end there was increasing opening up of such industries in developing economies Eastern Europe, Brazil, India and China. In Japan, corporations were faced with crises, a good example being the case of Nissan. In spite of this, the industry was mature with high barriers to entry and an increasing global demand for cars as a result of expanding markets (Holweg, 2008). This shows the cut throat competition in the industry.

The business environment in Kenya has been occasioned by many changes key among them being: increased competition, accelerated implementation of economic reforms, increased customer demands, privatization and commercialization of public sector, international privatization, price controls and liberalization of both domestic and foreign markets (Aosa, 1992). To ensure survival and success, organizations need to develop capability and capacity to manage threats and exploit emerging opportunities promptly. This requires formulation of competitive strategy that refers to the positioning of a firm to maximize the value of the capabilities that distinguish it from its competitors (Chiteli, 2013).

The Motor Vehicle Assembly sector in Kenya is growing as Kenya is increasingly becoming a key area of interest for some of the World’s large vehicle manufacturers. The sector has three major players which include Kenya Vehicle Manufacturer (KVM), Associated Vehicle Assemblers (AVA) and General Motors East Africa. Kenya Vehicle Manufacturer was incorporated in 1974 as Leyland Kenya Limited and started operations in 1976. It was the first vehicle assembly plant to be incorporated in Kenya. It changed to its current name in 1989. It was initially intended to produce light and heavy commercial vehicles which included Land Rovers, Range Rovers, Volkswagen Microbuses and Leyland trucks and buses. Today, its model range now numbers 11 and includes Nissan Series, Land Rover, Foton and Hyundai models. KVM is owned by the Kenyan Government (35%), CMC Holdings Limited (32.5%) and D.T. Dobie and Company (32.5%). It has its plant in Thika (Daynes, 2012). Associated Vehicle Assemblers was founded in 1977 and is based in
Mombasa. Its current clients include Mitsubishi Motors, Scania, TATA Motors as well as the Toyota. General Motors East Africa is the largest manufacturer of commercial vehicles in the East Africa region. It accounts for half of assembled units in Kenya (Juma, 2013). General Motors deals with vehicle assembly and distribution, sales, parts and service of the following brands: Isuzu, Chevrolet, Opel, Hummer and ACdelco (Kenya Motor Industry Association, 2015).

1.2 Statement of the Problem

The growing preference for local assembly is expected to create more jobs and reduce idle capacity among the three major plants — Kenya Vehicle Manufacturer (KVM), Associated Vehicle Assemblers (AVA) and General Motors East Africa. This is a result of imports of parts used in local assembly are exempted from the 25 per cent import duty levied on fully built cars — giving room to the assemblers to produce cheaper vehicles. The move is set to rev up job creation in the auto sector, which had been hit hard by cheap second-hand imports and concerns over their quality standards. The vehicle assemblers are expected to gain from increased demand for their services by global vehicle manufacturers who want to gain from friendly taxes on locally assembled units (Juma, 2013).

Already, Toyota Kenya through its subsidiary- Hino, has invested 500 million shillings in a truck and bus assembly plant in Mombasa. It has entered the sector by partnering with Associated Vehicle Assemblers which is the largest assembler in Kenya. This is in response to the tax incentive by the Kenyan government on completely knocked down units. Toyota which has mainly been confined to small cars and trucks segment is taking competition to other bus makers including General Motors of East Africa (Marete, 2013).

The study seeks to determine the extent of rivalry among existing competitors within the motor vehicle assembly sector in Kenya by considering the possibility of other firms consolidating to form an equally big opponent against the market leader or if there is a possibility of the market leader acquiring other competing firms in the future. The researcher seeks to determine the bargaining power of buyers by identifying how concentrated or fragmented the buyers are, the extent to which buyers are becoming more knowledgeable about motor vehicle assembly and its costs, whether there are new channels of distribution.
that are emerging that can favour the buyers better and if there is a likelihood of a shift in customer tastes (Porter, 2008).

The study seeks to know the bargaining power of the suppliers by identifying how concentrated or fragmented the suppliers are, the extent to which suppliers are becoming more knowledgeable about motor vehicle assembly and its costs, the extent of forward or backward integration by the suppliers, the level of differentiation by the suppliers and the level of new distribution channels emerging. The researcher seeks to identify the threats brought about by new entrants into the motor vehicle assembly sector by identifying the increasing and decreasing economies of scale and scope, future sales and profits likely to attract outsiders, the loyalty of buyers to current competitors and if it is difficult to overcome, the increase or decrease in the future concentration of competitors, the market fragmentation in to more niches or consolidation in to fewer, less or more government regulations in the future, and competitors likeliness to retaliate against a new entrant. The researcher intends to analyse the motor vehicle assembly sector using Michael Porter’s 5 Forces competitive model. The result expected to improve firm’s competitive position and lead to increased market share and profits when firms in this industry use the knowledge relayed to them about the motor vehicle assembly sector. The research is to be based on the motor vehicle sector in Kenya, where the researcher intends to to carry out the research and help increase the competitive position of firms in this sector by enabling them to come up with strategies that fit their situation to get the desired results in terms of increased market share and profits using results from the search (Porter, 2008).

1.3 Purpose of the Study
The purpose of the study was to analyze competition in the motor vehicle assembly sector using Michael Porter’s 5 forces competitive model.

1.4 Research Questions
1.4.1 To what extent does the rivalry among existing competitors affect the attractiveness of the motor vehicle assembly sector?

1.4.2 To what extent does the bargaining power of buyers affect the attractiveness of the motor vehicle assembly sector?
1.4.3 To what extent does the bargaining power of sellers affect the attractiveness of the motor vehicle assembly sector?

1.4.4 To what extent does the threat of new entrants influence the attractiveness of the motor vehicle assembly sector?

1.4.5 To what extent does the threat of substitute products entrants influence the attractiveness of the motor vehicle assembly sector?

1.5 Importance of the Study

In this highly turbulent environment that firms are competing in, there is need to determine the competitive position of firms in order to establish and maintain a favourable position and gain a competitive advantage over competitors. Building and maintaining a favourable competitive advantage might involve investing in a lot of resources, creativity and knowing that competition can originate from other areas other than existing rival competitors such as from substitute products and services, the bargaining power of the customer and the suppliers and from new competitors. All these require an elaborate and clear industry analysis that a firm is operating in and especially in the motor vehicle assembly sector.

1.5.1 Management

The study establishes the competitive position of firms within the motor vehicle assembly sector using Michael Porter’s 5 forces model which the managements of firms in this sector or firms considering entering the sector might find useful as they work towards attaining a favourable competitive position within the motor vehicle assembly sector. The study will assist managers in the sector in creating strategies they can use to be able to operate efficiently considering the porter’s five forces.

1.5.2 Employee

The employees of firms operating within the motor vehicle industry are part of the five forces – the supplier power, and they can paralyze a firm’s function if they refuse to work as intended and do not deliver the right quality products and services. The study will thus be able to assist in making them understand their importance in assisting the firms attain its
intended competitive position within the motor vehicle assembly sector. The study intends therefore to bring out importance of the firm partnering with the employees in order to achieve the desired competitive position.

1.5.3 Government
The study will be useful to the government which has a symbiotic relationship with firms operating in all sectors of the economy by creating an enabling environment that is suitable for the firms to operate in and collect taxes. The study will thus come up findings that will assist the government to understand and consequently create a better business environment for the firms operating in the motor vehicle assembly sector.

1.5.4 Consumers
The study will be useful to the buyers who are the main consumers of motor vehicles. The study will make consumers understand their roles as buyers and what power they possess in determining how firms need to operate in order for it to meet buyers’ demand.

1.5.5 Academics and Researchers
The study will be useful to academics and researchers within institutions as a basis of reference for future studies when establishing the industry analysis of firms within the motor vehicle assembly sector using Michael Porter’s forces model. This study will also assist them in understanding the sector and other similar sectors.

1.6 Scope of the Study
The study targeted managerial and non – managerial employees who have been working in the production, marketing, operations, procurement and human resources departments of the three motor vehicle assembly firms who have worked in the sector for more than two years in order to get quality responses.

1.7 Definition of Terms

1.7.1 Turbulent environment
Turbulent environment is defined as the unpredictable and rapid changes in an organization’s external and internal environments, or in an economy leading to its performance being
affected. The market stability is always being threatened by new technologies, new products and new competitors. It thus an environment where trying to cope with turbulence is the essence of survival (Hardy, 1995).

1.7.2 Competitive position
It is the organization’s ranking within an industry in terms of size and business strength; and thus leading to classification of the firm and its competitors either as a market leader, market challenger, market follower, or market niche follower, according to the market share it holds (D’Aveni, 2007).

1.7.3 Strategic management
Strategic management is defined as the set of decisions and actions that result in the formulation and implementation of plan designed to achieve a company’s objectives (Pearce and Robinson, 2007).

1.8 Chapter Summary
This chapter addresses the background of the study giving the problem statement and the purpose of the study. Research questions are also framed to assist carry out the study. The importance of the study to the management, employees, government, consumers, academicians and researchers was also highlighted in the chapter. Terms were also defined and so was the scope of the study.

Chapter two will review literature on relevance of the Michael Porter’s five forces model to the sector, practical uses of the model in analyzing competitiveness in the sector and the major weaknesses of the model. Chapter three addresses the research methodology used. Chapter four presents the results and findings of the study while Chapter five will provide a summary, discussion, conclusion and recommendations of the study.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter will review literature to analyze the motor vehicle assembly sector using Michael Porter’s five forces competitive model. The research review will proceed to analyze to what extent rivalry among existing competitors affect the competitive position of firms, how the threat of new entrants and threats of substitute products or services and on how the bargaining power of buyers and bargaining powers of suppliers affect the competitive position of firms within the motor vehicle assembly sector.

2.2 Intensity of rivalry among existing competitors
Competition in business is very healthy and is used as an inspirational marketing tool which keeps firms alert and by extension, it ensures dynamic marketplaces and the search for better solutions that meet their customers’ needs. The end result for competition is the number of innovations that lead to the creation of better products and services for each competing firm. A firm’s competitive positioning is determined most directly by companies in mutual competition with the rival suppliers, thus in principle firms affect the average profitability of an industry. Thus if competition is fierce the average profitability of a firm within the industry is low and buyers choose the best offer for the lowest price. The industries’ structural and behavioral characteristics affect level of competition within an industry and are under influence of factors such as market regulations, political choices, technological advances and externalities. The structural aspects of market concentration and distribution of power in the market and can affect industry through partnerships, mergers and acquisitions (Waart, 2005).

There are several types of competition that highlight rivalry among existing competitors and they consist of service improvements, new product introductions, price discounting and advertising campaigns. A high level of rivalry between existing competitors can influence the profitability of an industry. This highly dependent on intensity with which companies compete and, second, on the basis on which they compete (Porter, 2008). This Force can be
influenced by industry growth rate, fixed costs/ storage costs, number of firms/ competitor balance, switching costs between competitors, differentiation, or exit barriers (Hubbard & Beamish, 2010; Slater & Olson, 2012; Johnson, Scholes, & Whittington, 2008).

There are instances where companies engage in stiff competition. They are issues such as product differences, high industry growth, easy product switching costs, concentration and balance information complexity within an industry, diversity of competitors, intermittent overcapacity, and equal levels of brand identity where there are high corporate stakes by firms with the intention of furthering their overall corporate strategy. Firms jockey for position and thus may attack each other, or tacitly agree to coexist with each other, perhaps even agreeing to form alliances depending on other factors such as threat of substitutes that may drive firms to band together (Hopkins and Swift, 2008).

2.2.1 Competitors of equal size and power

Competitors are numerous or are roughly equal in size and power. This leads to undesirable practices such as firms poaching business from each other. In the absence of an industry leader, practices that are beneficial for the industry are not enforced. The industry experiences slow growth due to the fight for the market share and high cost of exiting the industry that are characterized by highly specialized assets and management devotion to a particular type of business (Porter, 2008).

2.2.2 Low switching costs

High competition arises when there are few or low switching costs for nearly identical products or services in an industry for the same customers. However, where then the switching costs are high due to instances such as high initial costs or high penalties involved when intending to move from the first firm’s product to another firm’s products, there tends to be low competitive rivalry, since it’s not that easy to win over a client that will incur heavy costs of switching to the other firms product (Porter, 2008).

2.2.3 High Exit Barriers

Exit barriers in an industry usually arise because of the presence of highly specialized assets or management’s devotion to a particular business. The presences of such barriers ensure
companies remain in the market in spite of earning low or negative returns. This means that excess capacity is still in use. The result of this is the suffering of the profitability of healthy competitors as a result of the weak ones staying put in the market (Porter, 2008).

2.2.4 Minor Product Differentiation

According to Porter (1980) in industries where there is little product differentiation the firms tend to have intense rivalry for the same client, unlike in an industry that has highly differentiated products that sometimes lead to different uses for the differentiated products and in turn leads to competition having different dimensions apart from one on one rivalry for the same client with undifferentiated products.

2.2.5 Slow Industry Growth

Slow growth brings about competitive fights for market share. In some situations, there is a change in industry growth that leads to industry maturity, and that industry maturity leads to declining growth rate that results to intensified rivalry, declining profits and often shake outs. The end result is industry rivalry that becomes greater when the industry experiences slow growth. The end result is tough battles for the market share, however, when the industry is growing fast, the firms tend to create their different competitive advantages, in terms of differentiation and focusing and the rivalry intensity is not that great (Porter, 1980).

2.2.6 Commitment to Business

This crops up in situations where there are competitors who are highly dedicated to the business and have high aspirations for leadership. More so, this is mostly seen if they have goals that go beyond economic performance in that particular industry. These instances include employment creation, prestige, being a unit of a larger firm that participates in an industry for image reasons or for purposes of offering a full line of its products, clashes of ego and personality of firm leaders in media and high technologies. In such cases, the competition will therefore become stiffer when a firm wants to be perceived in a certain manner that will in the long run make the customer want to be associated with it (Porter, 2008).
2.2.7 New Technological Innovations

New technological innovations can lead to an increase in fixed costs in the production process and thereby raising the volatility of rivalry. This was seen when there was a shift from batch to continuous – line photofinishing in the 1960s (Porter, 1980).

Muir (1991) states that advertising, product differentiation and competitive pricing are examples of the way firms compete against each other in order to attain a superior competitive positioning in an industry. There exists competition from firms within the industry from suppliers to retailers that compete mainly on price, and this cut throat competition arises from the fight for market share.

Firms tend to compete for more market share that are usually translated to more market power and/or higher profits. Therefore, firms with more sales volume compared to their competitors are able to lower their average cost using economies of scale. The rivals’ response might lead to imitation of the other firm’s innovations and this enables it reduce the competitive advantage achieved by the innovating firm. It is clear from this that a firm to achieve a better competitive advantage, it needs to have an innovation action that rivals are slow to react to, or one that generates no response from the rivals (Williams, 2007).

According to studies conducted by Bullard & Wan (2010) the relationship between firm size, competitive strategy, competitive forces and financial performance, shows the severity of rivalry among existing competitors created significant impact on business level performance within the industry. Smaller firms within an industry were found to be more innovative than large firms in introducing new inventions and innovations, and consider outsourcing overseas as one of their global competitive strategies.

2.2.8 Strategies to Improve Competitiveness with Existing Competitor’s Rivalry

Firms usually engage several strategies in order to be more competitive such as engaging in price competition that leads to transferring the benefit to the consumers at the expense of the firms operating in the industry (Porter, 2008). Price cutting is common where firms are handling perishable products and want to dispose them before they lose value. A classic example is that of tomatoes that can rot to information that diffuses rapidly and becoming not...
so useful and outdated to computer models that become obsolete. Product and service rivalry have few switching costs for buyers and are usually identical (Williams, 2007). When there is stiff competition as seen in the paper and the aluminum industry firms are usually forced to reduce their prices below average cost and at times nearly close to marginal costs so as to steal incremental customers while at the same time making some contribution that will enable the firm to cover their fixed costs (Porter, 2008). Firms in a bid of being more efficient at times increase their capacity, in order to disrupt the industry’s supply – demand balance and leading to long recurring periods of overcapacity and price cutting (Porter, 2008).

2.2.9 Weaknesses on Existing Competitor’s Rivalry and Porter’s Defense

According to Thurlby (1998) the model doesn’t shed light on soft factors such as culture, skill, and intangible assets such as reputation when looking at rivalry among its existing competitors. There are some weaknesses cited by other scholars when one looks at the definition of competitor and customer according to the model has today changed. This is because it is now a common thing in some industries to see the two interchanged. For example, in the software development industry there can be a scenario where two firms may be competing for a contract against each other and concurrently collaborating for a second one. This illustrates that although an industry might be well defined, the market itself might not be homogenous. This can be attributed to the buyer behavior, high degree of segmentation in the market and segmented product differentiation opportunities.

New technologies especially the radical ones, can lead to increased rivalry threatening performance of other competing firms (Hopkins and Swift, 2008).

Porter (2008) states that products and services that are complimentary to each other are also a factor that should be considered when looking at the rivalry among existing competitors. He emphasized that although complimentary products are important especially when they affect the overall demand for an industry’s profitability and thus they affect the profitability of an industry through the way they influence the five forces. Compliments can factor into an industry’s rivalry. They will affect the rivalry positively when the switching costs are raised. On the other hand, they will affect the rivalry negatively when product differentiation is neutralized.
2.3 Threat of New Entrants

Rivalry emerges when one or more competitors sees an opportunity to better meet customer needs or is under pressure to improve its performance. In this world of business turbulence, firms have to always prepare themselves for the possibility of new competitors entering the business there are in especially where there are high profits or sales growth (Toufic, 2010). The level of rivalry among competing sellers is illustrated by how strongly they use such competitive strategies as lower prices, snazzier features, better customer service, longer warranties, special promotions and new product introductions. Rivalry can range from friendly to cut throat, this depends on how frequently and the aggressiveness companies undertake fresh moves that threaten rivals’ profitability. Normally, rivals are clever at adding new twists to their product offerings that enhance buyer appeal, and they persist in trying to exploit weaknesses in each other’s market approaches (D'Aveni, 2007).

Irrespective of the level of rivalry, every firm is challenged to create a successful strategy for competing ideally. That strategy should be one that produces a competitive advantage over rivals and strengthens its position with buyers (Toufic, 2010). A major complication in most industries is that the success of any one firm’s strategy is pegged on the strategies that its rivals uses and the resources that rivals are willing and able to put behind their strategic efforts. The “best” strategy for one firm in struggling for competitive advantage depends, in simple terms, on the competitive capabilities and strategies of rival firms. That means that when one firm makes a strategic move, its rivals often respond with offensive or defensive counter strategies. This pattern of action and reaction makes competitive rivalry a “war-games” type of contest that is conducted in a market setting according to the rules of fair competition. From a strategy making point of view, it is clear that competitive markets are economic war fields (Muir, 1999).

Not only do competitive battles among rival sellers assume different intensities but also the kind of competitive pressures that emerge from cross-company rivalry also vary over time. The relative emphasis that rival companies put on price, quality, performance features, customer service, warranties, advertising, dealer networks, new product innovation, and so on shifts as they try different tactics to catch buyers’ attention and as competitors initiate fresh offensive and defensive maneuvers (Hall, 2006). Rivalry is therefore dynamic, the
current competitive scene is ever-changing as companies react, sometimes in rapid-fire order and sometimes methodically, and as their strategic emphasis moves from one mix of competitive tactics to another (Waart, 2005).

The new entrants can bring different competitive dynamics within an industry and therefore coming up with new ways of business operation. In light of gaining market share, new entrants normally bring in new capacity and desires within an industry and therefore cause pressure on prices, costs, and the rate of investment necessary to compete. This is clearly seen when the new entrants are diversifying from other markets and they seek to leverage their existing capabilities and cash flows in order to shake up competition (Porter, 2008).

The threat of new entrants therefore puts a cap on the potential profits to an industry since they have to keep their prices down and enhance investment in order to discourage new competitors. When the threat of entry barriers is low the new firms expect little retaliation from well established competitors, however, when it is high, a firm can expect intense retaliation from existing competitors within the industry. New entrants are more of a threat in the current times than was expected in the previous years, with increased entry to markets and in form of entry by takeover, by another firm that is interested in joining the industry. New entrants can enter and poach the existing industry players (Porter, 2008).

2.3.1 Emerging Technologies or New Technological Developments

Emerging technologies or new technological developments usually create new forms of competition. The result of this is increased business competition that is hugely driven by constant progress in technology from new competitors in the industry. The new technological developments make it less costly and easier for a new firm to enter an industry. However, an industry’s existing players may be using updated and expensive technology that deters new entrants from entering an industry (Porter, 2008).

2.3.2 Increasing Economies of Scale and Scope

Muir (1999) argues that in industries where the economies of scale and scope is increasing, the new entrant might find it difficult in joining the industry due to the enormous resources that are required to produce and compete at almost the same level. Where the economies of
scale and scope are decreasing or low in the industry, the potential entrant might find it easier entering an industry since the resources required to produce and compete to the existing competitors are not so high.

2.3.3 Market Fragmentation in to More Niches

Where the market is breaking up into more niches it is easier for new entrants to join an industry and find appropriate space within the market to position itself within that niche. This is because the market dynamics to consider within a specific niche are specific and not as diverse as a market with many niche markets. When the market is consolidating in to fewer markets, the potential entrant might find it difficult in joining that particular industry since the market dynamics to be considered are many and thus sometimes might need a lot of resources (Williams, 2007).

2.3.4 Concentration of Competitors

When the competitors are more concentrated within an industry, it becomes harder for a new entrant to enter into that industry since the market is saturated with the existing competitors and thus it becomes difficult for the new entrant to get customers from the ones that are with the existing competitors or fight for new customers in to that market. On the flipside, when the competitors are less concentrated, then it becomes easier for a potential entrant to enter into an industry and compete to get new customers in to the market and also try to draw customers from other firms to their firms (Hopkins, 2008).

2.3.5 Exiting of a Current Competitor

In instances where one of the current competitors will be exiting the industry, especially when the sales and profits within the industry are expected to be attractive In the future, then the potential entrant might not want to fill the gap that is left by the exiting firm. This is particularly true when the exiting firm did not exit the industry for reasons such as hostile market conditions and rather it is for reasons such as finding far much profitable industries or the exiting firm finding itself with internal problems such as high debts or getting into liquidation (Porter, 2008).
2.3.6 Experience and Learning of the Industry Requirement

It becomes difficult for an entrant to enter an industry where the experience and learning of an industry is an important requirement. In select cases, favorable competitive environment can encourage firms that operate in different industries, to want to join the profitable industry, especially when they have unique capabilities such as sophisticated customer management systems, cost effective billing, extensive customer base and purchasing skills that bring an advantage in the market, especially when the experience and learning of the industry is not a major requirement when it comes to entering an industry (Bullard & Wan, 2010).

2.3.7 Government regulations

Government regulations do determine whether an entry to an industry will be easy or hard. A government can make entry policies to an industry hard to meet by having the required licenses and conditions stringent. The effect will be new firms will avoid the industry. Time is also a key determining factor. The time required to meet all the government conditions might lead to a new entrant avoiding a certain industry. Where the government regulations and policies set are easy to meet, then the entry into an industry becomes easy (Porter, 2008).

2.3.8 Existing Customer Retention Programs

New entrants might find it difficult in penetrating into an industry where existing firms have invested in good customer retention programs that make buyers loyal to them. It also happens that when existing firms are not taking good care of their customers or lack loyal clients, the new firms can enter the industry confidently (Bullard & Wan, 2010).

The threat of new entrants is in many industries used as a way of increasing competition in the markets as it leads to more benefits to the consumers. Potential entrants may face barriers of entry due to various reasons that differ depending on the industry the new entrant intends to operate in. In an industry like the mobile telecommunication industry the number of mobile firms operating in the industry is limited by the government due to the scarcity of frequencies (Jaspers, Hulsink, & Theeuwes, 2013).
Entry barriers arise when it becomes hard or not economically viable for an outsider to replicate the incumbent’s position. Firms that come in to a market with radically innovative products are less likely to get an immediate response from other rivals compared to when the innovation is an incremental kind (Karagiannopoulos et al., 2005).

The common form of barriers that are usually in place are like, need to invest in differentiation, economies of scale and scope, government regulations, investment required however different from the scale, strong alliance between product manufacturers and suppliers, switching costs, experience or learning curve, research and development in cases such as military market, and other various sorts of barriers (Porter, 2008).

2.3.9 Scholars’ Weaknesses on Threat of New Entrants and Porter’s Defense

According to Parthasarathy (2007) who analyses porter’s five forces in India’s singular business environment believes that the model does not consider the government as a force in the model. When it comes to threat of a new competitor, state protectionism and lack of infrastructure are great barriers than they are in developed countries. The reason is because governments of emerging economies are usually reluctant to let new firms in to many sectors. Where the government is open to new players in the industry there are a lot of interventionist policies at other stages.

Porter (2008) responds by stating that the government operates in numerous levels and through many different policies which affect the structure in many ways. He goes on to recommend firms entering an industry protected by the government to come up with creative strategies which are able to circumvent the barriers put up by the governments’ restrictive policies. He adds his response to other scholars’ critics of his model stating that it brings out the government as a barrier and not as a force that he might have forgotten about.

2.4 Threat of substitute products or services

According to Porter (2008) substitutes are products that perform equally or almost the same function as an industry’s product by a different means. The threat of substitute is sometimes seen to be indirect in that when a substitute product replaces a buyer’s industry’s product. Substitute products are usually overlooked since they seem to be very different from the industry’s product.
When the products have high switching costs that include retaining costs, redesigning and retooling costs that are incurred by a consumer when changing from one product to another then the barrier to substitute products being accepted by consumers occurs. Substitute products and services can maintain sales growth over the legacy product, so long as the economic substitution possibilities are not exhausted (Karagiannopoulos et al., 2005).

Porter (2008) states that industry profitability suffers when the threat of substitutes is high, since the substitute product places a ceiling on prices thus reducing the industry’s profit potential. Substitute products do reduce the highest profits an industry can attain. A good illustration is when the emerging market demand for wired telephone lines reduced due to consumers opting for to make mobile phones as the one and only phone line. The threat of substitutes is usually high when a firm offers an attractive price performance trade off to the industry’s product with the example of long distance telephone services to the inexpensive internet based phone services, the buyer switching cost to the substitute product are low with an example of switching from branded drugs to generic drugs which involve minimal costs.

2.4.1 Relative Price

When a substitute product improves the relative price, performance compared to the existing products, it poses a threat to the existing products since it is more affordable compared to the existing products and still satisfying the same need. However, if the relative price – performance of the substitute declines when compared to the existing products in the market, then it poses little or no threat unless it is sold far more cheaply and still be known to fulfill the same market need effectively (Hopkins, 2008).

2.4.2 New Production Methods

New production methods can favor the use of substitutes as compared to the existing products by being cheaper in terms of the end product or by having a higher quality product that satisfies the market need better. In this scenario, then the substitute products poses a threat to the existing products in the market. On the other hand, if the new production methods do not favor the use of substitute products due to the end substitute products leading to an expensive end product or not being able to satisfying the market needs, then the substitute does not pose any threat to the existing products in the market (Porter, 2008).
Advances in technology can dramatically alter an industry’s landscape, making it possible to produce new and/or better products at a lower cost and opening up a whole new industry frontiers. Technological developments can also produce changes in capital requirements, minimum efficient plant sizes, vertical integration benefits and learning or experience curve effects. When firms are successful in introducing new ways to market their products, they can spark a spark of buyer interest, widen industry demand, increase product differentiation, and/or lower unit costs- any or all which can alter the competitive position of rival firms and force strategy revisions (Hopkins, 2008).

2.4.3 Buyers Low Switching Cost to Substitute Products

When the buyer’s cost of switching to substitute products are low or affordable, then the substitute products pose a threat to the existing products, since the consumers will opt for a more affordable products that will fulfill the same needs effectively. When the consumer’s cost of switching to substitute products are high due to instances such as high initial cost incurred to get to begin to use the substitute product or high penalties involved when intending to move from the existing product to the substitute product, then the substitute products pose no threat to the existing products (Hopkins, 2008).

There exist markets where buyers are price sensitive. A strong competitive approach to use in such markets is to be a low cost provider of goods and services in order to attract many customers. Usually, the aim is to create a sustainable cost advantage over its competitors and follow up with using the firm’s lowest cost edge as a basis for either under pricing competitors and gaining market share at their expense or earning higher profit margin by selling at the market rates. The cost advantage supernormal profits, being the low cost provider in an industry provides some attractive defenses against five competing forces: meeting the challenges of rival competitor’s, it is a defense against the power of buyers, it has the effect of countering bargaining leverage of suppliers, making it harder for new rivals to win customers and low price is a defense against substitute product (Mota, 2012).

A low cost provider strategy is usually beneficial in the following instances: first, when the industry’s products are standardized, price competition among rival sellers is vigorous; secondly, when most buyers utilize the products in the same way; thirdly, when buyers incur
low switching costs; and fourthly, when buyers are large and have significant power to bargain down prices (Thompson & Strickland, 2013). On the other hand, there are several risks associated with a low cost provider strategy and they include the following: technological breakthrough that can open up cost reductions for rival firms that can nullify a low cost leader’s past investments, the rival firms may find it easy and inexpensive to imitate the leader’s low cost methods thus making any advantage short lived (Toufic, 2010).

A company aiming to gain cost advantage can fail to react to the changing market needs. In addition, heavy investments in cost reduction can lock a firm into both present strategies, leaving it vulnerable to new technologies and to growing interest in something other than a cheap price and a low cost zealot risks left behind as buyers opt for enhanced quality, innovative performance features, faster service and other differentiating features (Porter, 2008). The following are some of the recommendations that can be applied to overcome the risk in a low cost provider strategy: to avoid risks and pitfalls of a low cost leadership strategy, managers must understand that the strategic target is low cost relative to competitors. Also in pursuing low cost leadership, managers must take care not to strip away features and buyers consider essential (Mota, 2012)

Therefore, it is clearly seen that rivalry is stronger when customers’ costs to switch brands are low. The lower the costs of switching the easier it is for rivals to raid one another’s customers. On the other hand, high switching costs give a seller some protection against the efforts of rivals to raid its customers (Waart, 2005). It is also seen that rivalry is stronger when one or more competitors is dissatisfied with its market position and launches moves to bolster its standing at the expense of rivals. Firms that are losing ground or in financial trouble often react aggressively by acquiring smaller rivals, introducing new products, boosting advertising, discounting prices, and so on. Such actions can trigger a new round of competitive maneuvering and a hotly contested battle for market share (D'Aveni, 2007).

2.4.4 Direct and Indirect Substitutes

Since direct substitutes are usually known by competitors who deliver the same product to the market while indirect products are not known, indirect substitutes pose a greater market threat than direct substitutes. The result is competition brings in confusion within an industry
that does not consider indirect substitute to be competing products early enough. The same can also be demonstrated in inter-industries, where raiding by one industry substitutes into another industry’s products, with the example of postal services being invaded by courier businesses, that were replaced by internet and network services. This shows that indirect substitutes that have an innovation that gives a high additional value should be noted early and strategies put in place to counter such products (Meredith, 2007).

The more substitutable the differentiated goods within each industry, the more intense the competition within the intra-industry and the higher the growth rate, while the more the substitutable the differentiated goods across industries are, the more intense the competition within the inter-industry and the higher the growth rate (Minniti, 2009).

Minniti (2009) further explains that the substitute products form an s shape curve during the substitution process where there are different segments such as; new customers, conservative customers, early adopters, late adopters, returning customers, balanced customers and customers with mixed behaviors.

2.4.5 Scholars Weaknesses on Threat Substitute and Porter’s Defense

An analysis of the substitute products in India, most consumers view Mars bars similarly as Cadbury’s Dairy Milk, while they are priced similarly in United Kingdom, they are priced differently in India. This is because that is the only way you can effectively differentiate your product. The competition within that industry is dominated by two or three top players and it by seems to be flooded; however, it is the small firms that are many and are always being fought by the large firms instead of the big firms fighting each other (Parthasarathy, 2007).

Porter (2008) responds by stating that rivalry is especially destructive to industries’ profitability if it gravitates solely to price since price competition ends up transferring profit from an industry to its consumers.

2.5 Bargaining Power of Buyers

The determinants of buyer power of the buyer depend on the bargaining leverage and the price sensitivity. A firm’s customers always wish to get high quality products at the lowest price possible. The ability to do the part of the buyer depends on how much they buy in terms
of how much informed they are, how much they buy in terms of volumes and their willingness to experiment with alternatives (Mintzberg and Ghosal, 1998).

Buyers have the ability to play suppliers off against each other and thus force suppliers revenue down and also affect their profitability. This is because the bargaining power of the buyer can force down an industry’s profitability by exerting pressure on suppliers, thus forcing them to improve on their product or service quality or by negotiating prices downwards. When analyzing buyer power in an industry, the factors to focus on are the relative size and concentration of customers. It also prudent to consider the concentration or differentiation of the industry competitors (Muir, 1999).

Buyers are powerful when and if they have negotiating leverage relative to the industry participants, especially if they are price sensitive and using their clout to primarily pressure price reductions. Different buyers differ in terms of the bargaining power they possess over their suppliers. A supplier has negotiating leverage if they have few buyers that purchase in relatively large volumes in industries where there are few suppliers in number and especially with high fixed costs such as telecommunication equipment (Porter, 2008).

There are several instances where a buyer can have negotiating leverage. According to Porter (2008) this can occur when there are few buyers. This is more so for bulk buyers who are powerful in industries with high fixed costs. Examples of such industries include oil drilling and telecommunications. The high fixed costs and marginal costs increase the pressure on rivals to ensure filled capacity through discounting. Negotiating leverage can also occur when industry’s products are undifferentiated or standardized hence buyers believe they could always find the substitute products by playing one seller against the other.

The buyer has negotiating leverage when industry’s products are undifferentiated or standardized thus buyers believe they could always find the substitute products.

2.5.1 Concentration of Buyers

Where buyers are more concentrated their bargaining power tends to be high and thus can get products at cheaper prices, better quality products that are dictated by their measure of quality. On the other hand, when buyers are fragmented, their bargaining power tends to be
low and thus cannot have a solid voice on the prices or quality of the products that they are purchasing from their suppliers. In an industry where there are many types of buyers, it is important to distinguish between potential buying power from the buyer willingness or incentive to use that power – the willingness that drives mainly from the risk of failure associated with a product’s use.

2.5.2 Buyers becoming More or Less Backward Integrated

The ability of a buyer to backward integrate within an industry gives the buyer a higher buying power especially when the vendors are too profitable, the cost of setting up to start their suppliers kind of business are low, the kind of products being supplied by the supplier do not meet the standards required by the buyer. When the buyer cannot backward integrate due to the high costs involved in starting supplier business, the supplier controlling the raw materials of the end product, the supplier’s knowledge of coming up with the finished products unique and only known by the firm then it becomes difficult to backward integrate. For example Producers of soft drinks and beer have long controlled the power of packaging manufacturers by threatening to make, and at times actually making, packaging materials themselves (Porter, 1980).

2.5.3 Buyer Knowledge about a Technology and its Costs

When the buyer becomes more knowledgeable about the technology being used and the cost of attaining one being affordable, then the buyer gets more power, since if frustrated by the sellers, the buyer can always decide to backward integrate and start producing the products for the firm and probably for other consuming firm as. However, if the cost of the technology is too expensive to acquire or if the knowledge of the technology is not easy to attain, then the buyer does not have high buying power and might therefore be forced to continue trading with the same suppliers even if not so satisfied (Muir, 1999).

2.5.4 Buyers increasing or Decreasing needs for the Products

When the buyers need the firm products greatly than before then the buyer has lesser power and needs the seller to have the products in plenty to satisfy their needs and has low bargaining power even if the product might be sold at a higher price than would normally
cost when the product did not have an increasing need. However, when the needs of the product are becoming lesser in demand then the buyer has power over the seller and can negotiate for low purchasing prices or ask for an improved quality for the same product at an affordable price (Karagiannopoulous, G, Georgopoulous, and Nikolopoulos, 2005).

2.5.5 Channels of Distribution

When there are many sellers and there are new channels of distribution, the buyer has high bargaining power, since he can choose the seller of choice depending on the one offering the best prices and quality for the same products in the market with extra benefits such as after sale services. However, when there are few channels of distribution, the buyer has little buying power since there are a limited variety of sellers to choose from.

2.5.6 Shifting Customer Tastes

In instances where the customer’s tastes are shifting, the buyers have more buying power, especially when the seller is slow to react to these changes and wants to retain the buyers by giving them incentives in a bid to clear his/her stock. The buyer on the other hand has low buyer power when the seller changes with varying customer tastes (Hopkins H., 2008).

Emerging social issues and changing attitudes and lifestyles can be powerful instigators of industry change. Consumer concerns about salt, sugar, chemical additives, cholesterol, and nutrition have forced food processors to reexamine food processing techniques, redirect research and development efforts into the use of healthier ingredients, and engage in contests to come up with healthier products that also taste good (Williams, 2007).

2.5.7 Scholar’s Weaknesses on Bargaining Power of Buyers and Porter’s Defense

When looking at the forces’ weaknesses the definition of customer and competitor according to the model has in the present times changed, since it is now common in some industries to see the two interchanged. This can be attributed to the buyer behavior, high degree of segmentation in the market and extended product differentiation.

According to Parthasarathy (2007) who looks at the five forces model in India’s singular business environment and brings out the situation bargaining power of the buyer in India,
where most customers accept the given price of the product either because they feel they cannot affect the product price since they cannot get an alternative and want the services too much, or lack knowledge of the true cost and value of the product.

Porter (1980) looks at the government as both a buyer and a supplier and that can influence industry competition by the policies it adopts.

2.6 Bargaining power of suppliers

According to Karagiannopoulos et al. (2005) supplier power is the mirror image of buyer power, where, when analyzing supplier power in an industry, a researcher has to focus on the relative size and concentration of suppliers relative to industry members and the degree of differentiation in the inputs supplied. When suppliers are able to charge customers different prices for differences in value created in the products for those buyers usually it is an indicator that the market is characterized by high supplier power and low buyer power.

2.6.1 Concentration or Fragmentation of Suppliers

According to Muir (1999) when the suppliers become more concentrated than their bargaining power reduces when relating to the buyers, since there are many suppliers fighting to serve the same buyers or clients and thus will be forced to do their business in relation to their clients’ demands. When the suppliers are fragmented the suppliers have more bargaining power when relating to the buyers since they are few with the products needed by the buyers. The suppliers can collude sometimes and sell their products at high prices in order to maximize their profits.

2.6.2 Suppliers becoming More or Less Backward Integrated

The ability of supplier to forward integrate especially when the buyers are too profitable, gives the supplier a higher bargaining power than when the supplier cannot be able to forward integrate, since the buyers know the supplier can always decide to do away with them and sell the further processed products to the end customers. In cases where the buyer controls the distribution channels that will get the products to the end user consumer or further processes the products using certain know how the supplier might not have, then the supplier has lesser power (Porter, 1980).
2.6.3 Suppliers Knowledge about a Technology and its Costs

When the supplier becomes more knowledgeable about the technology being used by the buyers and the cost of attaining one, the supplier becomes more powerful, since if frustrated by the buyers he/she can always decide to forward integrate by producing and selling their products to the end consumers in the required sizes. However, if the cost of the technology is too high or if the knowledge is not easily attained then the supplier does not have a lot of supplier powers in relation to the buyer (Muir, 1999).

Clearly, the introduction of the new technology reduces the cost of operations and administration. This includes the management of accounts, administration of statements, disclosures and other paper based transactions. Such developments can occur at various stages of the supply or value chain and may be customer focused or more back office or process focused. As such, many customer services can be delivered on-line at reduced cost and customized or personalized, using principles of information and knowledge management resulting in enhanced efficiency and effectiveness. While this is clearly a direct benefit there is also the additional benefit of building knowledge about the customer activity, automation of credit checks, and the potential to integrate a range of services, functions, technologies, concepts and even industries (Humprey, 2013).

2.6.4 Channels of Distribution

When there are a few channels of distribution the supplier has little supplier power, since there are few of the suppliers products or services that get to the buyers in the market, however, when there are any channels of distribution belonging to the supplier, then the supplier has more supplier power, since the firms’ products are distributed to as many buyers in the market as possible and thus the products increase in use by the final consumer leads to the awareness of the suppliers products (Karagiannopoulos et al., 2005).
2.6.5 Differentiation of Suppliers Products

According to Porter (2008) when the supplier products are differentiated, the more powerful the supplier becomes, since the firm can sell to different markets and buyers and not rely on certain types of buyers in one market. When the supplier products are less differentiated in the market, the lesser the supplier power, since the firm does not have a wide variety of products to satisfy many different types of buyers in the market that have varying needs for the same products.

Porter (2008) states that powerful suppliers in an industry, do capture more value for themselves by resulting to actions like charging higher prices, limiting quality services, or shifting costs to other industry players. Suppliers who are powerful can pile up many costs to a product leading to high product costs that cannot be passed on to the final product pricing, for fear of having an overpriced product. An example of that of Microsoft which has contributed to the erosion of profitability of personal computer makers, who are forced to compete fiercely among each other and avoiding pricing the computer above a certain price.

A supplier group is powerful if it is more concentrated than the industry it sells to, where a supplier group does not depend heavily on the industry for its high revenues especially when the group is serving many industries and thus can maximize profit from all as it protects the industry by reasonable pricing and assisting in activities such as research and research development. The supplier has power if the industry will experience high switching costs when changing to alternative suppliers, when suppliers offer products that are uniquely differentiated such as the case of patented drugs, there are no substitutes to what the suppliers offer in the market and also when the supplier group threatens to integrate forward in the industry (Porter, 2008)

There is very little bargaining power exerted at the supplier level. Suppliers do not usually depend on one industry and mostly have various industries as their customers. When serving various industries they maximize their profits in industries that earn them highest profits. The suppliers ensure they are able to serve their most profitable markets well, develop differentiated product and also ensure their most profitable markets well, develop
differentiated product and also ensure their customers do have shift to other suppliers due to high switching costs when it comes to specialized equipment.

Porter (2008) states that products and services that are complementary to each other are also a factor that should be considered when looking at the power of the buyer and suppliers. Compliments can affect the power of the buyer and suppliers where companies compete to alter the conditions in the complimentary product industries in favor of their firm’s product. An example is when JVC persuaded movie studios to favor its standard in issuing pre recorded tapes when actually Sony’s standard (a rival firm) was probably superior from a technical standpoint.

Differentiation approach is an attractive where buyer’s needs and preferences are diverse to be fully satisfied by standardized products. A successful differentiation has to study buyer’s needs and behaviors to learn what buyers consider important. Competitive strategy results when sufficient number of buyers become strongly to the differentiated attributes and features. Successful differentiation allows a firm to command to command price for its products, increase units sales, and gain buyer loyalty to its brands. This strategy is successful if buyers value the company’s brand uniqueness(Thompson & Strickland, 2013).

The different types of differentiation strategies includes a different taste, special features, superior service, spare parts availability, value for money, engineering design performance, prestige and distinctiveness, quality manufacture, product reliability, full range of services and complete line of products. Differentiation is attractive because it erects barriers inform of customer loyalty, it also mitigates the buyer bargaining power since the products of alternative sellers are less attractive and enables to fend off threats from substitutes not having comparable attributes or features(Buzzell & Bale, 2010).

Differentiation works best in markets where there are many ways to differentiate the product or service and many buyers perceive these differences as having value. It also works well where buyer needs and uses of the item or service are diverse and there are fewer rival firms who are following a similar differentiation approach. There are also risks associated with differentiation strategy and it includes not lowering a buyer’s cost or does not enhance a buyer’s wellbeing. There is also over differentiation so that prices are too high exceeding
buyer needs, charging high premiums makes it harder to keep buyers away from switching to low cost priced competitor’s and there is no understanding or identifying of what buyers consider as value.

Emerging buyer preferences for differentiated products instead of a commodity product (or for a more standardized product instead of strongly), sometimes the growing numbers of buyers decide that a standard “one size fits all” product with a bargain price meets their needs as effectively as premium – priced brands with snappy features and options (Porter, 2008). Such a development tends to shift patronage away from sellers of more expensive differentiates products to sellers of cheaper commodity products and create a price competitive market environment. (Waart, 2005)

Pronounced shifts toward greater product standardization can so dominate a market that the strategic freedom of rival producers is limited to driving costs out of the business and competing hard on price. (Williams, 2007) On the other hand, a shift away from standardized products occurs when sellers are able to win a bigger and more loyal buyer following by introducing new features, making style changes, offering options and accessories, and creating image differences via advertising and packaging (Toufic, 2010). Then the driver of change is the contest among rivals to cleverly out differentiate one another. Industries evolve differently depending on whether the market forces in motion are acting to increase or decrease the emphasis on product differentiation (Hall, 2006).

2.7 Chapter Summary
The chapter reviewed literature on to what extent does rivalry among existing competitors affect the competitive position of firms, how the bargaining power of buyers and bargaining power of suppliers affect the competitive position of firms and how the threat of new entrants and threat of substitute products or services affect the competitive position of firms within the motor vehicle assembly sector. Chapter three will look at the research methodologies used in carrying out on the competitive positioning of a firm within the motor vehicle assembly sector using the Michael Porter’s Five Forces mode
CHAPTER 3

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter will provide a description of the methodology that was used in conducting the study. It is divided into five sections and includes the research design, the population and sampling design, data collection methods, research procedures and instruments, and data analysis methods.

3.2 Research Design
According to Cooper and Schindler (2011) research design is a plan that guides the time scope and gives a practical guideline of the activities that should be implemented in the research process with a view of answering the research question. Further, the research design gives a clear direction on how to select the various sources and types of information required and defines the relationship among the variables of study.

The research designs used in this study were descriptive and explanatory research. A descriptive research design which aims to answer the who, what, where, which, when or how of the research problem. The objective of a descriptive research is to describe. Descriptive studies are often designed to collect data that describe the characteristics of persons, events, or situations. Descriptive research is either quantitative or qualitative in nature. It may involve the collection of quantitative data such as satisfaction ratings, production figures, sales figures, or demographic data, but it may also include the collection of qualitative information (Uma and Roger, 2013). Explanatory research design will be used in the study to explain the reasons of the phenomenon that the descriptive research method described. This method attempts to answer the question why (Cooper and Schindler, 2011).

The expected respondents will be from three motor vehicle assembly firms in Kenya based in Thika, Nairobi and Mombasa. The independent variables include the existing competitors, bargaining power of suppliers, bargaining power of buyers, threat of new entrants and substitute products while the dependent variable was the attractiveness of the motor vehicle assembly sector.
3.3 Population and Sampling Design

3.3.1 Population

Ducombe and Boateng (2009) define a population as the sum of all the elements about which the researcher intends to make assumptions. In order to address all of the questions of this research, the respondents for this study will be drawn from the three motor vehicle assembly firms. The majority will be from middle level managers across different functions and a few top managers.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

According to Ducombe and Boateng (2009) a sampling frame is the register of all the population elements from which the sample will be drawn and which must closely related to the population. According to Cooper and Schindler (2011) a sampling frame is a list of elements from which the sample is actually drawn and closely related to the population. The sampling frames to be used for this study will be drawn from the human resource department of each of the three firms. A sample of one from each department will be identified and selected. This will ensure that the sampling frame is current, complete and relevant for the attainment of the study objectives.

3.3.2.2 Sampling Technique

A sampling technique refers to the method that is used to select the members of a sample. The members of the sample are selected using either probability or non probability procedures. This study will adopt non-probability sampling for the respondents. Purposive sampling will be adopted which is a sampling technique that allows a researcher to use cases that have the required information with respect to the objectives of his or her study (Mugenda and Mugenda, 2003).
3.3.2.3 Sample Size

Ligthelm & Van (2005) describes the sample size as a smaller set of the larger population. A sample size is a smaller grouping of the entire population under consideration and which should characteristically resemble or reflect the entire population so as to aid in making generalizable conclusions. The choice of a sample size is affected by several factors such as: the variance in the population, the desired precise of the estimate, required level of confidence, the range of error allowed, the number of subgroups of interest within a sample and the cost of research (De Vaus, 1991).

In this case, the total target population was 200 and a sample of 60 was used to represent the rest. The sample size will be divided proportionately according to the varying sizes of the three firms under study.

Table 3.1: Sample size Distribution

<table>
<thead>
<tr>
<th>Firm</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Motors East Africa</td>
<td>30</td>
</tr>
<tr>
<td>Associated Vehicle Assemblers</td>
<td>18</td>
</tr>
<tr>
<td>Kenya Vehicle Manufacturers</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods

The researcher will collect primary data using structured questionnaires containing both closed and open ended questions. A structured questionnaire is one that will be used in large surveys where specific answers are anticipated, in the form of multiple choices or scale questions. Closed ended questions limits the response to predetermined categories and thus quick and easy to answer making them easy to get facts from, while open ended questions will require the respondent to answer in their own words and thus the respondent gave their opinions and feelings.

The questionnaires will be designed according to the research questions and organized according to the outline of the literature review. Therefore, the questionnaires will be
divided into five sections which were: the rivalry among existing competitors, the bargaining power of buyers, the bargaining power of suppliers, the threat of new entrants and finally the threat of substitute products or services. The questionnaires were varied from closed to open ended to provide unlimited data. Ethical standards will be followed while there is provision for unexpected situations.

3.5 Research Procedures
The research procedures included the design and development of the research instrument, pilot testing and administration of interviews and questionnaires, scheduling of subjects or participants, distribution and collection of instruments. Data collection instruments will include questionnaires which will also be used as interview guides for the respondents who will prefer that the researcher helps in writing the responses. The data collection instrument will be pilot tested with 10 respondents for the purpose of ensuring that the questions met the objectives. After the pilot stage, responses and feedback that will be obtained will help the researcher to re-design the questions in terms of length, number of questions and clarity of language. Nevertheless, the pilot test will constitute part of the sample size and the responses will be tabulated along with the others. A pilot test is conducted to detect weaknesses in design and instrumentation (Cooper and Schindler, 2011). Careful piloting is necessary to ensure that all questions mean the same to all respondents (Bell, 1999).

3.6 Data Analysis Methods
The collected data will be coded and entered into the Statistical Package for Social Sciences (SPSS) program according to each variable of the study for analysis. This study will use descriptive statistics. According to Cooper and Schindler (2002) descriptive analysis involves a process of transforming a mass of raw data into tables, charts, with frequency distribution and percentages, which are a vital part of making sense of the data. In this study, the descriptive statistics such as percentages and frequency distribution will be used to analyze the demographic profile of the participants. The demographic data will be tabulated using frequency and percentages. In order to describe the data, it will include means and standard deviation of each variable. The coefficient of variation will be used where data will be skewed. Additional statistics analysis such as correlation and regression will be used to show the relationship between the dependent variable and the whole group of independent
variables. The results of the study will be presented using tables and figures. Data analysis will be conducted using the Statistical Package for Social Science (SPSS).

3.7 Chapter Summary
This chapter consists of the methodology that will be used to describe the methods and procedures used in conducting the study. The research highlights the research design, the target population, the sampling design, sampling frame, sample technique, sample size, data collection methods and research procedure all in that order. The next chapter addresses the results and findings of the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter addresses the results and findings on the analysis of competition in the motor vehicle assembly sector using Michael Porter’s five forces competitive model. The findings are outlined according to specific objectives of the study. The findings are based on the responses from the questionnaires filled and information gathered on the research questions. The first research question was to determine the extent of rivalry among existing affect the attractiveness of the motor vehicle assembly sector. The second provided responses on the extent of bargaining power of buyers that affect the attractiveness of the motor vehicle assembly sector. The third one examined how bargaining power of suppliers affected the attractiveness of the motor vehicle assembly sector. The fourth looked at the threat of new entrants that influence the attractiveness of the motor vehicle assembly sector. The fifth section examined the threat of substitute products or services that influence the attractiveness of the motor vehicle assembly sector.

Out of a targeted 60 respondents, 57 responded to the questionnaires. This represented an effective response rate of 95%. The findings are presented in figure 4.1

![Figure 4.1: Response Rate](image-url)

Figure 4.1: Response Rate
4.2 General Information
The general information is organized in the following areas: managerial level, age range, educational level, years of experience and the departments of the respondents.

4.2.1 Management Level
The results in Table 4.1 indicated that most of the respondents were in Managerial level (60%) and (40%) in Non-Managerial level. This indicated that majority of the respondents dealt with strategic decisions in the management of the business.

Table 4.1: Managerial Level

<table>
<thead>
<tr>
<th>Education</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Managerial Level</td>
<td>34</td>
</tr>
<tr>
<td>Non – Managerial Level</td>
<td>23</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
</tr>
</tbody>
</table>

4.2.2 Age of the Respondents
The findings illustrated that 21% of the respondents were aged between 18 to 24 years, 66% between 25 to 34 years, 8% between 35 to 44 years and 4% between 45 to 55 years. Therefore, the findings indicate that most of the respondents were below 34 years. The findings are indicated on Figure 4.2
4.2.3 Education Level

Figure 4.3 indicates that 48% of the respondents had university level of education, 2% doctorate level, 47% college level and 2% graduate level of education. Thus, the findings indicate that majority of the respondents are relatively educated.
4.2.4 Years of Experience

The study determined the level of work experience among the respondents involved in the study. It was revealed that most of the respondents (62%) had worked for less than 5 years, 34% between 5 to 10 years and 4% between 15 to 20 years. The findings indicate that most of the respondents were relatively experienced. The findings are indicated in Figure 4.4.

![Years of Experience](image)

**Figure 4.4: Years of Experience**

4.2.5 Departments of Respondents

The study determined the departments of the respondents involved in the study. Most of the respondents (33%) worked for operations and administration department, 18% in procurement, 23% worked in production and 26% in marketing department. The results indicate that most of the respondents were in operations and administration department. The findings are indicated on Table 4.2.
Table 4.2: Departments of Respondents

<table>
<thead>
<tr>
<th>Department of Respondents</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Operations/administration</td>
<td>19</td>
</tr>
<tr>
<td>Procurement</td>
<td>10</td>
</tr>
<tr>
<td>Production</td>
<td>13</td>
</tr>
<tr>
<td>Marketing</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
</tr>
</tbody>
</table>

4.2.6 Firms in the Industry

The study aimed at examining the number of rival firms from the respondents involved in the study. The findings on Table 4.3 illustrated that the number of rival firms were between 1 to 4 as mentioned by 100% of the respondents. The results indicate that there are few established firms.

Table 4.3: Number of Rival Firms

<table>
<thead>
<tr>
<th>Number of Rival Firms</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>1-4 firms</td>
<td>57</td>
</tr>
<tr>
<td>5-10 firms</td>
<td>0</td>
</tr>
<tr>
<td>11-15 firms</td>
<td>0</td>
</tr>
<tr>
<td>16-20 firms</td>
<td>0</td>
</tr>
<tr>
<td>Over 20 firms</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>57</td>
</tr>
</tbody>
</table>
4.3 Rivalry among Existing Competitors

The study aimed at determining the rivalry among existing competitors from the respondents involved in the study. The findings in Table 4.4 established the rivalry among firms was highest in the firm finding it hard to exit the industry considering the investments incurred when setting up and running the operations (mean = 3.74). This was followed by minor product differences in the way they are offered leads to stiff competition within the industry (mean = 3.72), slow industry growth leads to fierce competition within the industry (mean = 3.21), competition is highly affected by rivalry among existing competitors (mean = 3.19) and some firms that are operating within the industry have goals that go above profit maximization (mean = 3.09). The least common factors were the consumer incur low costs when changing from a company’s products to those of a competitor’s product (mean = 2.70) and other competing firms have superior or new technologies compared to those of the firm (mean = 1.81). Also, the rivalry among existing competitors was attributed by sub standard products (low quality) and the price of items.
Table 4.4: Rivalry among Existing Competitors

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Coefficient of Variation</th>
<th>Rank of CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition is highly affected by rivalry among existing competitors.</td>
<td>3.19</td>
<td>1.056</td>
<td>0.33103448</td>
<td>3</td>
</tr>
<tr>
<td>Most competitors within the sector are roughly of the same size and power.</td>
<td>2.85</td>
<td>1.414</td>
<td>0.49614035</td>
<td>7</td>
</tr>
<tr>
<td>A consumer incurs low costs when changing from your firm’s products to those of your competitor.</td>
<td>2.70</td>
<td>1.250</td>
<td>0.46296296</td>
<td>6</td>
</tr>
<tr>
<td>It is hard for a firm to exit the sector considering the investments a firm incurs when setting up and running.</td>
<td>3.74</td>
<td>1.049</td>
<td>0.28048128</td>
<td>2</td>
</tr>
<tr>
<td>Minor product differences in the way they are offered leads to stiff competition within the sector.</td>
<td>3.72</td>
<td>1.015</td>
<td>0.27284946</td>
<td>1</td>
</tr>
<tr>
<td>Slow sector growth leads to fierce competition within the sector.</td>
<td>3.21</td>
<td>1.206</td>
<td>0.37570093</td>
<td>5</td>
</tr>
<tr>
<td>Competitors are highly dedicated to the business and have high aspirations for leadership.</td>
<td>3.09</td>
<td>1.120</td>
<td>0.36245955</td>
<td>4</td>
</tr>
<tr>
<td>Other competing firms have superior or new technologies compared to your firm.</td>
<td>1.81</td>
<td>1.035</td>
<td>0.5718232</td>
<td>8</td>
</tr>
</tbody>
</table>

4.4 Threat of New Entrants

The study aimed at determining the threat of new entrants from the respondents involved in the study. The findings in Table 4.5 established that the threat of new entrants was highest in loyalty of the buyers to the current competitors brought about by existing customer retention which make it difficult for new firms to succeed within the sector (mean = 4.00). This was followed by required experience and learning of the industry which might make it difficult
for new firms to enter the sector (mean = 3.66), new technological developments made it easy for a new entrant to succeed in the sector (mean = 3.32), increasing economies of scale and scope of existing competitors reduces the new entrant’s competitive chances (mean = 3.21), it was hard for a new firm to succeed when existing competitors are concentrated (mean = 3.21) and there were fewer government regulations to make it easier for a new firm in the industry to succeed (3.09). While the least common factors meant it is easier for a new firm in the industry to succeed (mean = 2.64) and when one of the existing competitors is exiting the industry it becomes easier for the new entrants to enter and grab the gap (mean = 2.66).
## Table 4.5: Threat of New Entrants

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Coefficient of Variation</th>
<th>Rank of CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition is highly affected by the threat of new competitors within the sector.</td>
<td>2.74</td>
<td>1.052</td>
<td>0.38394161</td>
<td>7</td>
</tr>
<tr>
<td>New technological developments make it easy for a new entrant to succeed within the motor vehicle sector.</td>
<td>3.32</td>
<td>1.086</td>
<td>0.32710843</td>
<td>3</td>
</tr>
<tr>
<td>Increasing economies of scale and scope of existing competitors reduces the new entrant’s competitive chances.</td>
<td>3.21</td>
<td>1.141</td>
<td>0.35545171</td>
<td>5</td>
</tr>
<tr>
<td>It is easier for a new entrant to succeed in a fragmented motor vehicle assembly sector fragmenting into more niches.</td>
<td>2.64</td>
<td>1.206</td>
<td>0.45681818</td>
<td>9</td>
</tr>
<tr>
<td>It is hard for a new firm to succeed when existing competitors are highly concentrated.</td>
<td>3.21</td>
<td>1.215</td>
<td>0.37850467</td>
<td>6</td>
</tr>
<tr>
<td>When one of the existing competitors is exiting then sector it becomes easier for the new entrants to enter and grab the gap.</td>
<td>2.66</td>
<td>1.048</td>
<td>0.39398496</td>
<td>8</td>
</tr>
<tr>
<td>Required experience and learning of the sector might make it difficult for new firms to enter the sector.</td>
<td>3.66</td>
<td>1.089</td>
<td>0.29754098</td>
<td>2</td>
</tr>
<tr>
<td>Fewer government regulation make it easier for a new firm in the sector to succeed.</td>
<td>3.09</td>
<td>1.080</td>
<td>0.34951456</td>
<td>4</td>
</tr>
<tr>
<td>Loyalty of the buyers to current competitors brought about by existing customer retention programs might make it difficult for new firm to succeed within the sector.</td>
<td>4.00</td>
<td>0.909</td>
<td>0.22725</td>
<td>1</td>
</tr>
</tbody>
</table>
4.5 Threat of Substitute Products and Services

The study aimed at describing the threat of substitute products and services from the respondents involved in the study. The findings in Table 4.6 established that the most threat of substitute products and services existed when the relative price and performance of a substitute product are better than those of an existing product then the substitute product will succeed (mean 3.60). This was followed by the existence of new production methods that can make substitute products to succeed better compared to existing products (mean = 3.44) and indirect substitute pose over an unsuspecting competing product that can succeed over the existing products (mean = 3.40). While the competition was least affected by threat of new substitute products (mean = 3.07) and the buyers’ low switching costs to substitute products that can lead to a substitute succeeding better compared to the existing products (mean = 2.96). Threat of substitute products was also associated with counterfeit products and high capital requirements.

Table 4.6: Threat of Substitute Products and Services

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Coefficient of Variation</th>
<th>Rank of CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition is highly affected by threat of new substitutes product and services.</td>
<td>3.07</td>
<td>1.116</td>
<td>0.363518</td>
<td>5</td>
</tr>
<tr>
<td>When the relative price and performance of a substitute product are better than those of an existing product then the substitute product will succeed.</td>
<td>3.60</td>
<td>1.116</td>
<td>0.310</td>
<td>3</td>
</tr>
<tr>
<td>New production methods can make substitute product to succeed better compared to existing products.</td>
<td>3.44</td>
<td>1.056</td>
<td>0.306977</td>
<td>2</td>
</tr>
<tr>
<td>Buyers low switching cost to substitute products can lead to a substitute succeeding better compared to the existing products.</td>
<td>2.96</td>
<td>0.928</td>
<td>0.313514</td>
<td>4</td>
</tr>
<tr>
<td>Indirect substitute can pose an unsuspecting competing product that can succeed over the existing products.</td>
<td>3.40</td>
<td>0.780</td>
<td>0.229412</td>
<td>1</td>
</tr>
</tbody>
</table>
4.6 Bargaining Power of Buyers

The study aimed at establishing the bargaining power of buyers from the respondents involved in the study. The results in table 4.7 revealed that most of the buyer power existed where buyers are concentrated within the industry (mean = 3.96). This was followed by the availability of more distribution channels (mean = 3.74). The least factors of the bargaining powers was on the competition being highly affected by the bargaining power of the buyers (mean = 3.38) and more buyers fighting for the motor vehicles (mean = 3.28). The bargaining power of buyers was associated with getting information from the internet, technology and alternative source of energy.

Table 4.7: Bargaining Power of Buyers

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Coefficient of Variation</th>
<th>Rank of CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition is highly affected by the bargaining power of buyers</td>
<td>3.38</td>
<td>1.074</td>
<td>0.31775148</td>
<td>6</td>
</tr>
<tr>
<td>The more concentrated the buyers within the sector the more powerful they are</td>
<td>3.96</td>
<td>0.658</td>
<td>0.16616162</td>
<td>1</td>
</tr>
<tr>
<td>Buyers within the sector are powerful if they have the capability of getting in to business of their vendors within the sector</td>
<td>3.38</td>
<td>0.874</td>
<td>0.25857988</td>
<td>5</td>
</tr>
<tr>
<td>When buyers become more knowledgeable about new technology and its costs, they easily also do the vendors businesses</td>
<td>3.40</td>
<td>1.245</td>
<td>0.36617647</td>
<td>7</td>
</tr>
<tr>
<td>When buyers have more or increasing needs for motor vehicles, the lesser their bargaining power</td>
<td>3.77</td>
<td>0.729</td>
<td>0.1933687</td>
<td>3</td>
</tr>
<tr>
<td>The more the channels of distribution the more the bargaining power of the buyer</td>
<td>3.83</td>
<td>0.868</td>
<td>0.22663185</td>
<td>4</td>
</tr>
<tr>
<td>When there are shifting customer tastes, the buyer has more bargaining power</td>
<td>3.74</td>
<td>0.675</td>
<td>0.18048128</td>
<td>2</td>
</tr>
</tbody>
</table>
4.7 Bargaining Power of Suppliers
The study aimed at determining the bargaining power of suppliers from the respondents involved in the study. The findings in Table 4.8 established that the bargaining power of suppliers was highest where the suppliers in the industry are powerful and have the capability of getting in to the business of their buyers within their industry (mean = 4.19). This was followed by the competition being highly affected by bargaining power of suppliers (mean = 4.04) and the supplier knowledge about new technology and its costs (mean = 3.98). While the least factors affecting the supplier power was the concentration of the suppliers within the industry (mean = 3.60) and the more differentiated the supplier in the motor vehicle assembly sector, the more powerful the supplier (3.53). The bargaining power of supplier was also associated with the ability to offer credit.

Table 4.8: Bargaining Power of Suppliers

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Coefficient of Variation</th>
<th>Rank of CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competition is highly affected by bargaining power of suppliers</td>
<td>4.04</td>
<td>0.859</td>
<td>0.21262</td>
<td>2</td>
</tr>
<tr>
<td>The more concentrated the suppliers within the sector, the less powerful they are</td>
<td>3.60</td>
<td>1.035</td>
<td>0.2875</td>
<td>6</td>
</tr>
<tr>
<td>Suppliers within the sector are powerful if they have the capability of getting in to the business of their buyers within the sector</td>
<td>4.19</td>
<td>0.576</td>
<td>0.13747</td>
<td>1</td>
</tr>
<tr>
<td>When suppliers become more knowledgeable about the new technology and its costs, they can easily do the buyer’s business</td>
<td>3.98</td>
<td>0.988</td>
<td>0.24824</td>
<td>3</td>
</tr>
<tr>
<td>The more the channels of distribution, the lesser the bargaining power of the supplier</td>
<td>3.70</td>
<td>0.954</td>
<td>0.25784</td>
<td>4</td>
</tr>
<tr>
<td>The more differentiated the supplier in the motor vehicle assembly sector, the more powerful the supplier</td>
<td>3.53</td>
<td>0.952</td>
<td>0.26969</td>
<td>5</td>
</tr>
</tbody>
</table>
4.8 Correlation of Michael Porter’s Five Forces

The findings in Table 4.9 established that the threat of substitute products was strongly correlated ($r=.574, p<0.05$) to the bargaining power of buyers at a significance level of 0.05. In addition, the results established that the threat of substitute products was strongly correlated ($r=.531, p<0.05$) to the bargaining power of suppliers at a significance level of 0.05. Further, the findings established that the bargaining power of buyers was strongly correlated ($r=.595, p<0.05$) to the bargaining power of suppliers at a significance level of 0.05. However, the results indicated that there was no significant relationship between the number of firms and the porter’s five forces.
Table 4.9: Correlation of Michael Porter’s Five Forces

<table>
<thead>
<tr>
<th></th>
<th><strong>FIRMS</strong></th>
<th><strong>FIRMS</strong></th>
<th><strong>Threat of New Entrants</strong></th>
<th><strong>Threat of Substitute Products</strong></th>
<th><strong>Bargaining Power of Buyers</strong></th>
<th><strong>Bargaining Power of Suppliers</strong></th>
<th><strong>Mean</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pearson Correlation</td>
<td>.200</td>
<td>.156</td>
<td>.227</td>
<td>.262</td>
<td>.210</td>
<td>3.1951</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.211</td>
<td>.331</td>
<td>.154</td>
<td>.099</td>
<td>.188</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>41</td>
<td>41</td>
<td>41</td>
<td>41</td>
<td>41</td>
<td>41</td>
</tr>
<tr>
<td><strong>Existing Competitors</strong></td>
<td>Pearson Correlation</td>
<td>.200</td>
<td>1</td>
<td>.107</td>
<td>.315*</td>
<td>.107</td>
<td>.243</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.211</td>
<td>.473</td>
<td>.031</td>
<td>.472</td>
<td>.100</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>41</td>
<td>47</td>
<td>47</td>
<td>47</td>
<td>47</td>
<td>47</td>
</tr>
<tr>
<td><strong>Threat of New Entrants</strong></td>
<td>Pearson Correlation</td>
<td>.156</td>
<td>.107</td>
<td>1</td>
<td>.280</td>
<td>.009</td>
<td>-.039</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.331</td>
<td>.473</td>
<td>.</td>
<td>.057</td>
<td>.954</td>
<td>.796</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>41</td>
<td>47</td>
<td>47</td>
<td>47</td>
<td>47</td>
<td>47</td>
</tr>
<tr>
<td><strong>Threat of Substitute Products</strong></td>
<td>Pearson Correlation</td>
<td>.227</td>
<td>.315*</td>
<td>.280</td>
<td>1</td>
<td>.574**</td>
<td>.531**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.154</td>
<td>.031</td>
<td>.057</td>
<td>.</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>41</td>
<td>47</td>
<td>47</td>
<td>47</td>
<td>47</td>
<td>47</td>
</tr>
<tr>
<td><strong>Bargaining Power of Buyers</strong></td>
<td>Pearson Correlation</td>
<td>.262</td>
<td>.107</td>
<td>.009</td>
<td>.574**</td>
<td>1</td>
<td>.595**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.099</td>
<td>.472</td>
<td>.954</td>
<td>.000</td>
<td>.</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>41</td>
<td>47</td>
<td>47</td>
<td>47</td>
<td>47</td>
<td>47</td>
</tr>
<tr>
<td><strong>Bargaining Power of Suppliers</strong></td>
<td>Pearson Correlation</td>
<td>.210</td>
<td>.243</td>
<td>-.039</td>
<td>.531**</td>
<td>.595**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.188</td>
<td>.100</td>
<td>.796</td>
<td>.000</td>
<td>.000</td>
<td>.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>41</td>
<td>47</td>
<td>47</td>
<td>47</td>
<td>47</td>
<td>47</td>
</tr>
</tbody>
</table>

*Correlation is significant at the 0.05 level (2-tailed)

**Correlation is significant at the 0.01 level (2-tailed)
4.9 Regression of Michael Porter Five Forces

The study aimed to determine the regression of Michael Porter’s five forces.

The general form of the equation is:

\[ Y = a + bX \]

Where:

- \( Y \) is the predicted value of the Y variable for a selected X variable
- \( a \) is the \( Y \) – Intercept. It is the estimated value of \( Y \) when \( X = 0 \). In other words, it is the estimated value of \( Y \) where the regression line crosses the \( Y \) – axis when \( X \) is zero.
- \( b \) is the slope of the line, or the average change in \( Y \) for each change of one unit (either increase or decrease) in the independent variable \( X \).
- \( X \) is any value of the independent variable that is selected.

For the case of this study, the regression will be as follows:

\[ Y \text{ (NF)} = a + b_{EXC}X + b_{TNE} + b_{TSUBP} + b_{BPB} + b_{BPS} \]

- \( NF \) represents the Number of Firms
- \( EXC \) represents Existing Competitors
- \( TNE \) represents New Entrants
- \( TSUBP \) represents Threat of Substitute Products
- \( BPB \) represents Bargaining Power of Buyers
- \( BPS \) represents Bargaining Power of Suppliers

4.9.1 Regression of Existing Competitors

The findings in Table 4.10 indicate that there is a weak significant correlation between the two variables, number of firms and the existing competitors in the industry (\( r=0.193, \)
p=0.057). R square is 0.037 which implies that only 3.7% of the intensity of the competition is determined by existing competitors. In addition, with every increase in one unit of the existing competitors, the level of competition from the number of firms increases by a margin of 0.405 units.

**Table 4.10: Regression of Existing Competitors**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.193</td>
<td>.037</td>
<td>.012</td>
<td>1.222</td>
</tr>
</tbody>
</table>

a Predictors: (Constant), EXC

**Coefficients**

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.979</td>
<td>1.010</td>
<td>1.960</td>
<td>.057</td>
</tr>
<tr>
<td>EXC</td>
<td>.405</td>
<td>.330</td>
<td>.193</td>
<td>1.226</td>
</tr>
</tbody>
</table>

**4.9.2 Regression of Threats of New Entrants**

The findings in Table 4.11 indicate that there is a weak significant correlation between the two variables, number of firms and the threat of new firms in the industry (r=0.184, p=0.202). R square is 0.034 which implies that only 3.4% of the intensity of the competition is determined by new entrants. In addition, with every increase in one unit of the threat of new entrants, the level of competition from the number of firms increases a margin of 0.477 units.

The equation of the regression line is: **Number of Firms = 1.689 + 0.477TNE**

52
Table 4.11: Regression of Threats of New Entrants

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.184</td>
<td>.034</td>
<td>.009</td>
<td>1.224</td>
</tr>
</tbody>
</table>

a Predictors: (Constant), TNE

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Std. error</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.689</td>
<td>1.301</td>
<td>1.299</td>
<td>.202</td>
</tr>
<tr>
<td>TNE</td>
<td>.477</td>
<td>.408</td>
<td>.184</td>
<td>1.170</td>
<td>.249</td>
</tr>
</tbody>
</table>

4.9.3 Regression of Threat of Substitute products

The findings in Table 4.12 indicate that there is a weak significant correlation between the two variables, number of firms and the threat of substitute products in the industry (r=0.149, p=0.028). R square is 0.022 which implies that only 2.2% of the intensity of the competition is determined by threat of substitute products. In addition, with every increase in one unit of the threat of substitute products, the level of competition from the number of firms increases by a margin of 0.268 units.

The equation of regression line is: Number of Firms = 2.276 + .268 TSUBP
Table 4.12: Regression of Threat of Substitute products

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>R</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.149</td>
<td>.022</td>
<td>-.003</td>
<td>1.231</td>
<td></td>
</tr>
</tbody>
</table>

a Predictors: (Constant), TSUBP

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Std. error</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>2.276</td>
<td>.995</td>
<td></td>
<td>2.289</td>
<td>.028</td>
</tr>
<tr>
<td>TSUBP</td>
<td>.268</td>
<td>.285</td>
<td>.149</td>
<td>.941</td>
<td>.352</td>
</tr>
</tbody>
</table>

4.9.4 Regression of Bargaining Power of Buyers

The findings in Table 4.13 indicate that there is a weak significant correlation between the two variables, number of firms and the bargaining power of buyers in the industry (r=0.309, p=0.941). R square is 0.96 which implies that only 3.1% of the intensity of the competition is determined by bargaining power of buyers. In addition, with every increase in one unit of the bargaining power of buyers, the level competition from the number of firms increases by a margin of 0.863 units.

The equation of regression line is: **Number of Firms = .114 + .863BPB**
Table 4.13: Regression of Bargaining Power of Buyers

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.309</td>
<td>.096</td>
<td>.072</td>
<td>1.184</td>
</tr>
</tbody>
</table>

Predictors: (Constant), BPB

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.114</td>
<td>1.529</td>
<td>.075</td>
</tr>
<tr>
<td>BPB</td>
<td>.863</td>
<td>.425</td>
<td>.309</td>
<td>2.029</td>
</tr>
</tbody>
</table>

4.9.5 Regression of Bargaining Power of Suppliers

The findings in Table 4.14 indicate that there is a weak significant correlation between the two variables, number of firms and the bargaining power of suppliers in the industry (r=0.380, p=0.522). R square is 0.380 which implies that only 38% of the intensity of the competition is determined by bargaining power of suppliers, the level of competition from the number of firms increases by a margin of 1.113 units.

The equation of regression line is: **Number of Firms = -1.084 + 1.113 BPS**
Table 4.14: Regression of Bargaining Power of Suppliers

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.380</td>
<td>.145</td>
<td>.123</td>
<td>1.151</td>
</tr>
</tbody>
</table>

a Predictors: (Constant), BPS

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-1.084</td>
<td>1.676</td>
<td>-.646</td>
</tr>
<tr>
<td>BPS</td>
<td>1.113</td>
<td>.434</td>
<td>.380</td>
<td>2.567</td>
</tr>
</tbody>
</table>

4.9.6 Multiple of Regression of Michael Porter Five Forces

The findings in Table 4.15 indicate that there is a moderate significant correlation between the two variables, number of firms and existing competitors, new entrants, threat of substitute products, bargaining power of buyers and the bargaining power of suppliers in the industry (r=0.601, p=0.000). R square is 0.601 which implies that only 60% of the intensity of competition is determined by existing competitors, new entrants, threat of substitute products, bargaining power of buyers and the bargaining power of suppliers.

Therefore, the equation of multiple regression line is: Number of Firms=5.327-0.104 (EXC)+0.438 (TNE) +0.158 (TSUBP)-0.231 (BPB) – 0.742 (BPS)

Table 4.15: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.601</td>
<td>.361</td>
<td>.264</td>
<td>1.019</td>
</tr>
</tbody>
</table>
Table 4.16 depicts the Porter’s Five Forces have a moderate relationship with the number of firms

Table 4.16: Coefficients of Porter’s Five Forces and Number of Firms

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>5.327</td>
<td>1.154</td>
<td>4.617</td>
</tr>
<tr>
<td></td>
<td>Rivalry among existing competitors</td>
<td>-0.104</td>
<td>0.230</td>
<td>-0.087</td>
</tr>
<tr>
<td></td>
<td>Threat of new entrants</td>
<td>0.438</td>
<td>0.202</td>
<td>0.374</td>
</tr>
<tr>
<td></td>
<td>Threat of Substitutes</td>
<td>0.158</td>
<td>0.219</td>
<td>0.151</td>
</tr>
<tr>
<td></td>
<td>Bargaining power of buyers</td>
<td>-0.231</td>
<td>0.238</td>
<td>-0.183</td>
</tr>
<tr>
<td></td>
<td>Bargaining power of sellers</td>
<td>-0.742</td>
<td>0.270</td>
<td>-0.532</td>
</tr>
</tbody>
</table>

A Dependent Variable: Number of Rival Firms

4.10 Chapter Summary

This chapter gives an introduction to the results and findings of the study. It also gives the general information based on managerial level, age range, educational level, years of experience and the departments of the respondents. The chapter also gives details on the firms in the sector while highlighting the rivalry among existing competitors, threat of new entrants, threat of substitute products and services, bargaining power of buyers and bargaining power of suppliers. The chapter also sought to analyze in detail the correlation of
Michael Porter’s five forces on the effect of rivalry on competition among existing competitors, threat of new competitors, threat of substitute products and bargaining power of buyers and suppliers.
CHAPTER FIVE

5.0 SUMMARY, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
In this section, the researcher provides a discussion on the findings of the research as compared to the findings in the literature review, the summary of the study and recommendations for further improvement on identifying the measures to be taken in from analyzing the competition in the motor vehicle assembly sector using Michael Porter’s five forces. The research is concluded on the basis of the conclusions drawn from the research questions.

5.2 Summary
The first research question aimed to determine the rivalry among existing competitors and the findings established that the rivalry among firms was leading factor in competition where the firms found it hard to exit the industry considering the investments incurred when setting up and running the operations. This was followed by minor product differences in the way they are offered leads to stiff competition within the sector, slow sector growth leads to fierce competition within the sector, competition is highly affected by rivalry among existing competitors and some firms that are operating within the sector have goals that go beyond profit maximization. The least common factors were the consumer incurs low costs when changing from your company’s products to those of a competitor and other competing firms have superior or new technologies compared to your firm. Also, the rivalry among existing competitors was attributed by sub standard products (low quality) and the price of items. There was a weak significant correlation between the two variables, number of firms and the existing competitors in the industry (r=0.193, p=0.057) this means that the regression is trivial.

The second research question aimed to examine the threat of new entrants and the findings revealed that the threat new entrants and the findings revealed that the threat of new entrants was significant where loyalty of the buyers to the current competitors brought about by existing customer retention programs might make it difficult for new firms to succeed within the sector. This was followed by required experience and learning of the industry might make it difficult for new firms to enter the industry, new technological developments made it easy
for a new entrant to succeed within the motor vehicle assembly sector, increasing economies of scale and scope of existing competitors reduces the entrants’ competitive chances, it was hard for a new firm to succeed when existing competitors are highly concentrated and there was fewer government regulations making it easier for a new firm in the sector to succeed. While the least common factors were it is easier for a new entrant to succeed in a fragmented motor vehicle assembly market fragmenting into more niches and when one of the existing competitors is exiting the industry it becomes easier for the new entrants to enter and grab the gap. In addition, the threat of new entrants was associated with lack of knowledge on the rural market and their needs, maintenance of product and experience and marketing. There was a weak significant correlation between the two variables, number of firms and the threat of the new entrants in the industry ($r=0.184$, $p=0.202$) this means that the regression is trivial.

The third research question aimed to analyze the threat of substitute products and the findings revealed that the most threat existed when the relative price and performance of substitutes are better than those of an existing product. In such a case, the substitute product will succeed. This was followed by the existence of new production methods that can make substitute products to succeed better compared to existing products and indirect substitutes pose over an unsuspecting competing product that can succeed over the competing products. While the competition was least affected by threat of new substitute products, the buyers’ low switching costs to substitute products can lead to a substitute succeeding better compared to the existing products. Threat of was associated with high capital requirements. There was a weak significant correlation between the two variables, number of firms and the threat of substitute products in the industry ($r=0.149$, $p=0.028$) this means that the regression is trivial.

The fourth research question investigated the bargaining power of buyers and the results revealed that most of the buyer power existed where buyers were concentrated within the industry. This was followed by the availability of more distribution channels; increasing needs for motor vehicles lessened their bargaining power and shift in customer tastes. The least factors of the bargaining power was on the competition being highly affected by the bargaining power of buyers and more buyers fighting for motor vehicles. The bargaining power was associated with getting information from the internet. There was a weak
significant correlation between the two variables, number of firms and the bargaining power of buyers in the industry (r=0.309, p=0.941) this means that the regression is trivial.

The fifth research question determined the bargaining power of suppliers and the findings established that the bargaining power of suppliers was the leading factor of competition as the suppliers were powerful and have the capability of getting into the business of their buyers within the industry. This was followed by the competition being highly affected by bargaining power of suppliers and supplier knowledge about new technology and its costs. While the least factors affecting the supplier power was the concentration of the suppliers within the industry and the more differentiated the suppliers in the motor vehicle assembly sector the more powerful the supplier. The bargaining power of suppliers was also associated with the ability to offer credit. There was a weak significant correlation between the two variables, number of firms and the bargaining power of suppliers in the sector (r=0.96, p=0.522) this means that the regression is trivial.

5.3 Discussion

5.3.1 Intensity of Competitive Rivalry among Existing Competitors

The study revealed that the competition is highly affected by rivalry among existing competitors. According to studies carried out by Wan and Bullard (2008), the relationship between firm size, competitive strategy, competitive forces and financial performance, shows that the severity of rivalry among existing competitors created significant impact on business level performance within the industry. Smaller firms within an industry were found to be more innovative than large firms in introducing new inventions and innovations, and consider outsourcing overseas as one of their global competitive strategies.

Secondly, the findings established that rivalry among firms was the leading factor of competition in the industry while the firms found it hard to exit the industry considering the investments incurred when setting up and running the operations. The finding is supported by Porter (2008) who suggests that when there is high cost of exiting the industry that are characterized by highly specialized assets and management devotion to a particular type of business, then the rivalry among existing competitors becomes greater. For this case, there is high cost of operation in the motor vehicle assembly sector to keep firms within the market.
Porter confirms that the firms find themselves with excess capacity that remains in use, while the profitability of healthy competitors is affected by the sick one that tries to hang on.

Third, minor product differences in the way the products were offered led to stiff competition within the industry. Mintzberg, Ahlstrand and Lampel (1998) support the idea that firms tend to engage in stiff competition when there are existing issues such as intermittent overcapacity, product differences, high industry growth, easy product switching costs, concentration and balance information complexity within an industry, diversity of competitors, equal levels of brand identity and where there are high corporate stakes by firms with the intention of furthering their overall corporate strategy. Firms jockey for position and thus may attack each other, or tacitly agree to coexist with each other, perhaps even agreeing to form alliances depending on other factors such as threat of substitutes that may drive firms to band together.

Fourth, the study revealed that slow industry growth leads to fierce competition within the industry. Porter (1980) concurs that a change in the industry growth leads to industry maturity, and industry maturity leads to declining growth rate that results to intensified rivalry, declining profits and often shake outs. The industry ultimately experiences rivalry that becomes greater when the industry experiences slow growth. The end result is tough battles for the market share, however when the industry is growing fast the firms tend to create their different competitive advantages, in terms of differentiation and focusing and the rivalry intensity is not that great.

The study established that some firms operating within the sector have goals that go above profit maximization. Porter (2008) explains that where there are competitors that have larger goals that go beyond profit maximization, the competition gets stiffer. One of the least factors of competition was the consumer incurring low costs when changing from your company’s product to those of a competitor’s product. The result revealed that other competing firms have superior technologies compared to competitors. The results contrast Hopkins and Swift (2008) findings that new technologies can lead to increased rivalry threatening the performance of other competing firms.
Another one of the least factor involved rivalry among existing competitors which was attributed by low quality products and the price of items. According to Waart (2005), competition in business is healthy and can be used as an inspirational marketing tool which keeps firms on toes, ensures dynamic market places and search for better solutions that meet their customers’ needs. The result of competition is the number of innovations that lead to creation of better products and services for each competing firm. Thus if competition is fierce the average profitability of firms within the industry is low and buyers choose the best offer for the lowest price. Generally, there was a weak significant correlation between the two variables, number of firms and the existing competitors in the industry (r=0.198, p=0.057). R square is 0.037 which implies that only 3.7% of the intensity of the competition is determined by existing competitors. In addition, with every increase in one unit of the existing competitors, the level of competition from the number of firms increases by a margin of 0.405 units meaning that the regression is trivial.

5.3.2 Threat of New Entrants

The study revealed that the threat of new entrants was the highest in loyalty of the buyers to the current competitors brought about by existing customer retention programs that might make it difficult for new firms to succeed within the industry. Wan and Bullard (2008) concur that when existing firms have put up good customer rendition programs that make buyers loyal to them, the new entrant might find it difficult in penetrating in to the sector. On the other hand, when the existing firms are not taking good care of their customers or do not have loyal clients the new firms can enter into the sector comfortably.

This was followed by required experience and learning of the industry that might make it difficult for new firms to enter the sector (mean=3.66, SD=1.089, rank=2). Braddorn and Hartley (2007) agree that experience and learning as one of the common form of barriers that usually exist especially when a competitor needs to invest in differentiation, economies of scale and scope, government regulations, investment required however different from the scale, strong alliance between product manufacturers and suppliers, switching costs, research and development among other various sorts of barriers.
The new technological developments made it easy for a new entrant to succeed within the sector (mean=3.32, SD=1.086, rank=3). Porter (2008) states that emerging technologies or new technological developments often create new forms of competition. This leads to heightened business competition that is largely driven by accelerating progress in technology from new competitors in the industry. The new technological developments make it less expensive and easier for a firm to enter an industry. In some cases however, an industry’s existing players maybe using updated and expensive technology that deters new entrants from entering an industry.

It was hard for a new firm to succeed when existing competitors are highly concentrated (mean=3.21, SD=1.215, rank=5). According to Hopkins (2008), when the competitors are more concentrated it becomes harder for a new entrant to enter into an industry, however, when competitors are less concentrated it becomes easier for a potential entrant to enter into an industry. There were fewer government regulations that make it easier for a new firm in the sector to succeed (mean=3.09, SD=1.08, rank=6). Government regulations can make entry into an industry to be easy or hard depending on the policies that are set to enter in to certain industries. When the government regulations and policies set are easy to meet, then the entry into an industry becomes easy and the vice versa is also true (Porter, 2008).

While the least common factors were it was easier for a new entrant to succeed in a fragmented motor vehicle assembly sector fragmenting into more niches (mean=2.64, SD=1.206, rank=8). Williams (2007) explains that where the market is fragmenting in to more niches it is easy for a new entrant to join the industry. When the market is consolidating into fewer markets the potential entrant might find it difficult in joining that particular industry. In addition, when one of the existing competitors is exiting the industry. In addition, when one of the existing competitors is exiting the industry it becomes easier for the new entrants to enter and grab the gap (mean=2.66, SD=1.048, rank=9). In addition, the threat of new entrants was associated with lack of knowledge on the rural market and their needs, maintenance of product and experience and marketing. The findings in Table 4.11 indicated that there was a weak significant correlation between the two variables, number of firms and the threat of new firms in the industry (r=0.184, p=0.202). R square is 0.034 which implies that only 3.4% of the intensity of the competition is determined by new entrants. In addition,
with every increase in one unit of the threat of new entrants, the level of competition from the number increases by a margin of 0.477 units meaning that the regression is trivial.

5.3.3 Threat of Substitute Products

The study revealed that the threat of substitute products existed most when the relative price and performance of a substitute product are better than those of an existing product, then the substitute will succeed (mean=3.60, SD=1.116, rank=1). Porter (2008) agrees that the industry profitability suffers when the threat of substitutes is high, since the substitute product place a ceiling on prices thus reducing the industry’s profit potential. Substitute products do also reduce the highest profit an industry can attain. In addition, according to Hopkins (2008), when a substitute product improves the relative price performance compared to existing products, it poses a threat to the existing product. However, if the relative price performance of the substitute is declining compared to the existing products in the market, then it poses no threat unless it is sold far more cheaply.

This was followed by the existence of new production methods that can make substitute products to succeed better compared to existing products (mean=3.44, SD=1.056, rank=2). Porter (2008) affirms that in situations where the new production methods favor the use of substitutes, then the substitutes poses a threat to the existing products in the market. On the other hand, if the new production does not favor the use of substitutes, then the substitute do not pose any threat to the existing products in the market.

The study revealed that indirect substitute pose an unsuspecting competing product that can succeed over the existing products (mean=3.40, SD=0.780, rank=3). Meredith (2007) states that indirect substitutes pose a greater market threat than direct substitutes, since direct substitutes are usually known by competitors who deliver the same products to the market while indirect substitute products are not known. The result is competition that brings in confusion within an industry that does not consider indirect substitutes to be competing products early enough. The same can also be demonstrated in inter-industries, where raiding by one industry substitutes into another industry’s products. This shows that indirect substitutes that have an innovation that gives high additional value should be noted early and strategies put in place to counter such products.
While the competition was least affected by threat of new substitutes (mean=3.07, SD=1.116, rank=4). Minniti (2009) states that the more substitutable the differentiated goods within each industry are, the more intense the competition within the intra–industry and the higher the growth rate, while the more substitutable the differentiated goods across industries are, the more intense the competition the inter–industry and the higher the growth rate. For this case, the findings indicate that the threat of substitute products less affected the level of competition. Threat of substitute was also associated with counterfeit products and high capital requirements. The findings in Table 4.12 indicated that there was a weak significant correlation between the two variables, number of firms and the threat of substitute products in the industry (r=0.022, p=0.028). R square is 0.022 which implies that only 2.2% of the intensity of the competition is determined by the threat of substitute products. In addition, with every increase in one unit of the threat of substitute, the level of competition from the number of firms increases by a margin of 0.268 units this means that the regression is trivial.

However, there was significant relationship between the threats of substitute products and the bargaining power of buyers (r=0.574, p<0.05) at a significance level of 0.05. In addition, the results established that the threat of substitute products was strongly correlated (r=.531, p<0.05) to the bargaining power of suppliers at a significance level of 0.05.

**5.3.4 Bargaining Power of Buyers**

The study results revealed that most of the buyer power existed where buyers were concentrated within the industry (mean=3.96, SD=0.658, rank=1). Porter (2008) concurs that in an industry where there are many types of buyers, it is vital to distinguish between potential buyer power from the buyer willingness or incentive to use that power, the willingness that drives mainly from the risk of failure associated with a product’s use. Where buyers are more concentrated their bargaining power is high and thus can get products at cheaper prices, however when buyers are fragmented then their bargaining power is low.

This was followed by the availability of more distribution channels (mean=3.83, SD=0.868, rank=2). Karagiannopoulos et al. (2005) affirms that when there are few channels of distribution the buyer has little buyer power since there are a few variety of vendors to choose from. However, where there are many and new channels of distribution, the buyer has
power since they can choose the vendor of choice depending on the one that gives the best prices for the same product in the market.

Increasing the needs for the motor vehicles lessened their bargaining power (mean=3.83, SD=0.868, rank=2). Porter (2008) explains that when buyers need the firm products greatly than before the the buyers have less power and need the seller to have the products in plenty in order to satisfy their needs of the products and thus have low price bargaining power. However, when the needs of the product are becoming lesser in demand then the buyer has power over the vendor and can negotiate for low purchasing prices.

The shift in customer tastes (mean=3.74, SD=0.675, rank=4) contributed to the bargaining power of the buyers. Hopkins (2008) confirms that in situations where the customer’s tastes are shifting, the buyers have more buying power, especially when the vendor is slow to these changes and wants to retain the buyers. The buyer on the other hand has low buyer power when the seller changes with varying customer tastes.

The least factors of the bargaining power of buyers was on the competition being highly affected by the bargaining power of buyers (mean=3.38, SD=1.074, rank=7). According to Muir (1999), the bargaining power of the buyer can force down an industry’s profitability by exerting power on suppliers, thus forcing them to improve on their product or service quality or by negotiating prices downwards. Buyers have the ability to play suppliers off against each other and thus force suppliers revenue down and also affect their profitability. When analyzing buyer power in an industry, the important determinants to focus on are the relative size and concentration of customers. One has also got to consider the concentration or differentiation of the industry competitors.

There were more buyers fighting for the motor vehicles (mean=3.28, SD=0.994, rank=8). Porter (2008) explains that buyers are powerful if they have negotiating leverage relative to the industry’s participants especially if they are price sensitive and using their clout to primarily pressure price reductions. In view of the suppliers different buyers differ in terms of the bargaining power they possess. Thus a customer has negotiating leverage if they have few buyers that purchase in relatively large volumes in industries where there are few suppliers in number and particularly with high fixed costs.
The bargaining power of buyers was associated with getting information from the internet. Muir (1999) argues that when the buyer becomes more knowledgeable about the technology being used and the cost of attaining one, the buyer gets more power since if frustrated by the sellers, he can always backward integrate. However, if the cost of the technology is too high or if the knowledge of the technology is not easily attained then the buyer does not have a lot of power. The findings in Table 4.13 indicated that there was a weak significant correlation between the two variables, number of firms and the bargaining power of buyers in the industry ($r=0.309$, $p=0.941$). R square is 0.309 which implies that only 3.1% of the intensity of the competition is determined by bargaining power of buyers in the industry ($r=0.309$, $p=0.941$). R square is 0.309 which implies that only 3.1% of the intensity of the competition is determined by bargaining power of buyers. In addition, with every increase in one unit of the bargaining power of buyers, the level of competition from the number of firms increases by a margin of 0.863 units that means that the regression is trivial. Though, the findings established that the threat of substitute products was strongly correlated ($r=.574$, $p<0.05$) to the bargaining power of buyers at a significance level of 0.05.

5.3.5 Bargaining Power of Suppliers

The study findings established that the bargaining power of suppliers was highest where the suppliers within the industry are powerful and have the capability of getting into the business of their buyers within the industry (mean=4.19, SD=0.576, rank=1). According to Karagiannopoulos et al. (2005), supplier power is the mirror image of buyer power where, when analyzing supplier power in an industry, a researcher has to first focus on the relative size and the concentration of suppliers relative to industry members and secondly the degree of differentiation in the inputs supplied. When the suppliers are able to charge customers different prices for differences in value created in the products for those buyers usually is an indicator that the market is characterized by high supplier power and the same instance lower buyer power.

This was followed by the competitors being highly affected by bargaining power of suppliers (mean=4.04, SD=0.859, rank=2). Porter (2008), states that powerful suppliers in an industry, do capture more value for themselves by resulting to actions lick charging high prices, limiting quality or services, or shifting costs to other industry players. Suppliers who are
powerful, this include suppliers of labor, can pile up many costs to a product leading to high costs that cannot be passed on to the final product pricing, for fear of having an overpriced product.

The study also revealed that the supplier knowledge about new technology and its costs (mean=3.98, SD=0.988, rank=3). Muir (1999) explains that when the supplier becomes more knowledgeable about the technology being used by the buyers and the cost of attaining one, the supplier becomes more powerful, since if frustrated by the buyers he can always decide to forward integrate. However, if the cost of the technology is too high or if the knowledge of the technology is not easily attained, then the supplier does not have a lot of supplier power.

The least factors affecting the supplier power was the concentration of the suppliers within the industry (mean=3.60, SD=1.035, rank=5). According to Muir (1999), when the suppliers become more concentrated their bargaining power reduces when relating to the buyers. When the suppliers become more concentrated their bargaining power reduces when relating to the buyers. When the suppliers are fragmented the suppliers have more bargaining power when relating to buyers since there are few with the products needed by the buyers. In addition, there were more differentiated the supplier in the motor vehicle assembly sector the more powerful the supplier (mean=3.53, SD=0.952, rank=6). According to Porter (2008), when the supplier products are differentiated the more powerful the supplier becomes, on the other hand, when the supplier products are less differentiated the lesser the power of the supplier, since he does not have a wide variety to satisfy many different types of buyers.

The bargaining power of supplier was also associated with the ability to offer credit. According to a research carried out by Gold et al. (2005), there is little bargaining power exerted at the supplier level. Suppliers do not usually depend on one industry and mostly have various industries as their customers. When serving various industries they maximize their profit in industries that earn them maximum profits. The suppliers ensure they are able to serve their most profitable markets well, develop differentiated product and also ensure their customers do not shift to other suppliers due to high switching costs when it comes to specialized equipment.
In general, the findings 4.14 indicated that there was a weak significant correlation between the two variables, number of firms and the bargaining power of suppliers in the industry (r=0.380, p=0.522). R square is 0.380 which implies that only 38% of the intensity of competition is determined by bargaining power of suppliers. In addition, with every increase in one unit of the bargaining power of suppliers, the level of competition from the number of firms increases by a margin of 1.13 units meaning that the regression is trivial. But the threat of substitute products was strongly correlated (r=.531, p<0.05) to the bargaining power of suppliers at a significance level of 0.05.

5.4 Conclusions

5.4.1 Intensity of Competitive Rivalry among Existing Competitors

The findings established that the rivalry among firms was the highest in the firm finding it hard to exit the industry considering the investments incurred when setting up and running the operations. This was followed by minor product differences in the way they are offered leads to stiff competition within the industry, slow industry growth leads to stiff competition within the industry. Competition is highly affected by rivalry among existing competitors and some firms that are operating within the industry have goals that go beyond profit maximization. The least common factors were the consumer incurs low costs when changing from your companies’ products and other competing firms have superior or new technologies compared to your firms. Also, the rivalry among existing competitors was attributed by sub standard products (low quality) and the price of items.

5.4.2 Threat of New Entrants

The findings revealed that the threat of new entrants was highest in loyalty of the buyers to the current competitors brought about by existing customer retention programs might make it difficult for new firm to succeed within the industry. This was followed by required experience and learning of the industry that might make it difficult for new firms to enter the sector, new technology developments made it easy for a new entrant to succeed within the sector, increasing economies of scale and scope of existing competitors reduces the entrant’s competitive chances, it was hard for a new firm to succeed when existing competitors are highly concentrated and there were fewer government regulations making it easier for a new
firm in the industry to succeed. While the least common factors were it is easier for a new entrant to succeed in a fragmented motor vehicle assembly market fragmenting into more niches and when one of the existing competitors is exiting the industry it becomes easier for new entrants to enter and grab the gap. In addition, the threat of new entrants was associated with lack of knowledge on the market and their needs.

5.4.3 Threat of Substitute Products

The findings revealed that the most threat of substitute products existed when the relative price and performance of a substitute product are better than those of an existing product then the substitute product will succeed. This was followed by the existence of new production methods that can make substitute product to succeed better compared to existing products and indirect substitute pose over an unsuspecting competing product that can succeed over the existing products. While the competition was least affected by threat of new substitute products, the buyers’ low switching costs to substitute products that can lead to a substitute succeeding better compared to the existing products.

5.4.4 Bargaining Power of Buyers

The results revealed that most of the buyer power existed where buyers were concentrated within the industry. This was followed by the availability of more distribution channels, increasing needs for motor vehicles lessened their bargaining power and the shift in customer tastes. The least factors of the bargaining power of buyers was on the competition being highly affected by the bargaining power of buyers and more buyers fighting for motor vehicles.

5.4.5 Bargaining Power of Suppliers

The findings established that the bargaining power of suppliers was highest where the suppliers within the industry are powerful and have the capability of getting in to the business of their buyers within the sector. This was followed by the competition being highly affected by bargaining power of suppliers and the supplier knowledge about new technology and its costs. The least factors affecting the supplier was the concentration of suppliers within the sector and the more differentiated the supplier is in the sector, the more powerful the
supplier. The bargaining power of suppliers was also associated with the ability to offer credit.

5.5 Recommendations

5.5.1 Recommendation for Improvement

5.5.1.1 Intensity of Competitive Rivalry among existing Competitors

The strategy that works best in this situation is that the organization can be involved in vigorous price competition, the industry products should be differentiated, quality of products should be enhanced and products with enhanced performance and features among other differentiating features should be sourced from the suppliers. To avoid the risks and pitfalls of this strategy, managers must understand the target market and strive to meet its needs. In addition, managers must take care not to strip away features of the products that buyers consider essential.

5.5.1.2 Threat of New Entrants

The motor vehicle assembly sector can differentiate its products to add value in the market. This works best where buyer needs and uses the product for a similar differentiation approach. The price of motor vehicles should not be at a premium so as to enhance the buyer’s wellbeing. This is because charging high premiums makes it harder to keep buyers away from switching to low cost priced competitors and there is no understanding or identifying of what buyers consider as value.

5.5.1.3 Threat of Substitute Products

The motor vehicle assembly sector can differentiate its products from imitations. The differentiating factor can be enhanced by how well firms in the industry manage their marketing practices and strong brands should be used in the market as well as implement positioning strategies as a means to differentiation. In addition, the industry should engage various stakeholders who include customers, community and the government in education of the best brands.
5.5.1.4 Bargaining Power of Buyers

Motor vehicle assemblers should continuously enhance the features of the vehicles so as to serve the needs of the existing customers in a better way and at the same time build a strong customer relationship with the consumers through provision of superior quality products. In addition, the sector should reinforce loyalty programs so as to gain customer loyalty. Further, the players in the industry should develop and use metrics that make these customers’ behaviors transparent so as to quicken their ability to respond to customer dynamism.

5.5.1.5 Bargaining Power of Suppliers

The suppliers should continuously innovate on their products as well as provide a wider assortment of products and services by monitoring and meeting varying needs of the consumers in the market. The development of products should attract new customers as well as strengthen loyalty of the existing customers. There is also need to involve their customers in product development and build customer loyalty

5.5.2 Recommendations for Further Studies

Since, the numbers of firms was to represent the level of completion as the dependent variable against Porter’s fives (Independent variable), the findings could not adequately indicate the correlation and regression between the variables in this study. Therefore, the study suggests that future researchers could use the T – test to show the relationship between the variables to confirm the similarities of the findings.
REFERENCES


APPENDICES

APPENDIX I: STUDENT INTRODUCTORY LETTER

Ndung’u Alex Gathuku,

United States International University (USIU) - Nairobi,

P.O. Box 14634 – 00800,

Nairobi, Kenya.

Dear Respondent,

I am a student pursuing a Masters Degree in Business Administration at the United States International University in Nairobi Kenya. In partial fulfillment of the degree requirements, I am undertaking a research project on the analysis of competition in the motor vehicle assembly sector in Kenya.

You have been selected to form part of this study. This is to kindly request you to assist me collect data by filling in the attached questionnaire.

The information you provide will be used exclusively for academic purposes and treated with the confidence it requires. Upon request, the findings of this study will be availed to you.

Thank you in advance.

Yours faithfully,

NDUNG’U ALEX GATHUKU.
APPENDIX II: QUESTIONNAIRE

(Declaration: The information presented here will be treated confidential and will be used purely for education purposes)

PART I: GENERAL INFORMATION.

1. Name of the respondent (Optional) ………………………………………………………………………………………………

2. Managerial Level:
   Managerial level [ ]  Non – managerial level [ ]

3. What is your age range?
   18 – 24 Years [ ]  44 – 55 Years [ ]
   25 – 34 Years [ ]  Above 55 years [ ]
   35 – 44 Years [ ]

4. Educational level
   Secondary level [ ]  College level [ ]
   University level [ ]  Graduate level [ ]
   Doctorate level [ ]

5. For how long have you worked in the motor vehicle assembly sector?
   Less than 5 years [ ]  15 – 20 Years [ ]
   5 – 10 Years [ ]  Above 20 years [ ]
   11 – 15 Years [ ]

6. Department of respondent ………………………………………………………………………………………………
PART II: RIVARLY AMONG EXISTING COMPETITORS.

7. How many rivals firms do you have in your sector?

<table>
<thead>
<tr>
<th>1 – 4</th>
<th>16 – 20</th>
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<tr>
<th>5 – 10</th>
<th>Over 20</th>
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<th>11 – 15</th>
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</table>

Indicate the extent to which you agree with the following statement by using a scale of 1 to 5 where 1 = Strongly Disagree and 5 = Strongly Agree. Circle ( O ) which best describes your opinion of the statement.

<table>
<thead>
<tr>
<th>Rivalry among existing competitors</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Competition is highly affected by rivalry among existing competitors.</td>
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<tr>
<td>9. Most competitors within the sector are roughly of the same size and power.</td>
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<td>10. A consumer incurs low costs when changing from your firm’s products to those of your competitor.</td>
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<tr>
<td>11. It is hard for a firm to exit the sector considering the investments a firm incurs when setting up and running.</td>
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<td>12. Minor product differences in the way they are offered leads to stiff competition within the sector.</td>
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<tr>
<td>13. Slow sector growth leads to fierce competition within the sector.</td>
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</tbody>
</table>
14. Competitors are highly dedicated to the business and have high aspirations for leadership.

15. Other competing firms have superior or new technologies compared to your firm.

16. What other factors are contributing to firms’ rivalry within the motor vehicle assembly sector?

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### PART III: THREAT OF NEW ENTRANTS.

<table>
<thead>
<tr>
<th>Threat of new entrants</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>17. Competition is highly affected by the threat of new competitors within the sector.</td>
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<tr>
<td>18. New technological developments make it easy for a new entrant to succeed within the motor vehicle sector.</td>
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<td>19. Increasing economies of scale and scope of existing competitors reduces the new entrant’s competitive chances.</td>
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<tr>
<td>20. It is easier for a new entrant to succeed in a fragmented motor vehicle assembly sector fragmenting into more niches.</td>
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<td>21. It is hard for a new firm to succeed when existing competitors are highly concentrated.</td>
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<tr>
<td>22. When one of the existing competitors is exiting then sector it becomes easier for the new entrants to enter and grab the gap.</td>
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<tr>
<td>23. Required experience and learning of the sector might make it difficult for new firms to enter the sector.</td>
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<tr>
<td>24. Fewer government regulations make it easier for a new firm in the sector to succeed.</td>
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</tbody>
</table>
25. Loyalty of the buyers to current competitors brought about by existing customer retention programs might make it difficult for new firm to succeed within the sector.

26. What other factors are contributing to the threat of new firms entering motor vehicle assembly sector?

…………………………………………………………………………………………………………

PART IV: THREAT OF SUBSTITUTE PRODUCTS OR SERVICES.

27. How many types of component suppliers do you have in your organization?

1 – 5

6 – 10

10 – 15

15 – 20

Over 20

Indicate the extent to which you agree with the following statement by using the scale of 1 to 5, where 1 = Strongly Disagree and 5 = Strongly Agree. Circle (O) which best describes your opinion of the statement.
<table>
<thead>
<tr>
<th>Threat of substitute products and services</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>28. Competition is highly affected by threat of new substitutes product and services.</td>
<td></td>
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</tr>
<tr>
<td>29. When the relative price and performance of a substitute product are better than those of an existing product then the substitute product will succeed.</td>
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<tr>
<td>30. New production methods can make substitute product to succeed better compared to existing products.</td>
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<tr>
<td>31. Buyers low switching cost to substitute products can lead to a substitute succeeding better compared to the existing products.</td>
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<tr>
<td>32. Indirect substitute can pose an unsuspecting competing product that can succeed over the existing products.</td>
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<tr>
<td>33. What other factors are contributing to the threat of substitute products within the motor vehicle assembly sector?</td>
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</table>

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87
PART V: BARGAINING POWER OF BUYERS

34. How many buyers do you have in your organization within the following categories?

Very small sized orders [ ] Middle sized orders [ ]
Small sized orders [ ] Large sized orders [ ]
Very large sized orders [ ]

35. Which category contributes highest to the turnover of your organization?

---------------------------------------------------------------

Indicate the extent to which you agree with the following statement by using a scale of 1 to 5, where 1 = Strongly Disagree and 5 = Strongly Agree. Circle ( O ) which best describes your opinion of the statement.
<table>
<thead>
<tr>
<th>Bargaining power of buyers</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
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</thead>
<tbody>
<tr>
<td>36. Competition is highly affected by the bargaining power of buyers</td>
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<tr>
<td>37. The more concentrated the buyers within the sector the more powerful they are</td>
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<tr>
<td>38. Buyers within the sector are powerful if they have the capability of getting in to business of their vendors within the sector</td>
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<tr>
<td>39. When buyers become more knowledgeable about new technology and its costs, they easily also do the vendors businesses</td>
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<td></td>
</tr>
<tr>
<td>40. When buyers have more or increasing needs for motor vehicles, the lesser their bargaining power</td>
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<td>42. The more the channels of distribution the more the bargaining power of the buyer</td>
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<tr>
<td>43. When there are shifting customer tastes, the buyer has more bargaining power</td>
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44. What other factors are contributing to the buyer’s power within the motor vehicle assembly sector?

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PART VI: BARGAINING POWER OF SUPPLIERS

45. How many substitute products are there in the sector?

None ☐     2-3 ☐

1 ☐     4-5 ☐

Over 5 ☐

<table>
<thead>
<tr>
<th>Bargaining power of suppliers</th>
<th>Strongly Agree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>46. Competition is highly affected by bargaining power of suppliers</td>
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<tr>
<td>47. The more concentrated the suppliers within the sector, the less powerful they are</td>
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<tr>
<td>48. Suppliers within the sector are powerful if they have the capability of getting in to the business of their buyers within the sector</td>
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<td>49. When suppliers become more knowledgeable about the new technology and its costs, they can easily do the buyer’s business</td>
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<td>50. The more the channels of distribution, the lesser the bargaining power of the supplier</td>
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<tr>
<td>51. The more differentiated the supplier in the motor vehicle assembly sector, the more powerful the supplier</td>
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</tbody>
</table>

52. What other factors are contributing to bargaining power of suppliers within the motor vehicle assembly sector?
53. What other factors are contributing to the increase in number of new competitors within the motor vehicle assembly sector?

54. Any suggestions or comments?