EFFECT OF COMPETITIVE STRATEGIES ADOPTED BY RIDE HAILING COMPANIES IN NAIROBI, KENYA TO SUSTAIN COMPETITIVE ADVANTAGE IN THE TAXI INDUSTRY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI
DECLARATION

I hereby declare that this is my original work and has not been submitted for any award at any other institution.

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This research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

I wish to dedicate this project to my father, Lucas Malowa, for the encouragement and support without which this study would have seemed impossible.
ACKNOWLEDGEMENT

Special thanks to my supervisor, Dr. J Kagwe for his direction and support throughout the project.

To my family and close friends for their support and patience throughout my Master of Business Administration Programme. Thank you for your patience and your prayers.
This project’s main aim is to identify the competitive strategies ride-hailing companies employ in Nairobi and their effect on the competitive advantage attained within the ride-hailing sector of the taxi industry. The enhanced approaches availed through technological advancements have allowed the improving of efficiency and effectiveness in service providing industries. One such industry is the taxi industry where ride hailing applications have been adopted to differentiate the product and improve efficiency in the sector. The research employed the survey design, which enabled 60 respondents across three ride hailing service providers in Nairobi, Kenya (UBER, Taxify and Little Cab) to participate in the study. The respondents were contractors/driving partners affiliated with the three ride hailing companies listed previously. The research found that the companies mainly applied three competitive strategies; Product Differentiation, Cost leadership and Focus strategies each with a varying degree of influence on the competitive advantage attained. The study concluded that focus strategies such as availability of service across various platforms, certainty and accuracy in pricing and billing and communication and feedback between the companies their contractors and clients had a stronger impact in increasing competitive advantage gained. Cost leadership and product differentiation scored lower influence on competitive advantage due to the similarity in the product offering across the three companies. The study recommends that ride hailing companies actively train their contractors and staff to improve customer service and also, improve communication channels to allow for creative and innovative ideas from the contractors trickle back to the company.
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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Globalization has enhanced communication channels resulting in the proliferation of technology, capital and skill. By increasing the fluidity of these three principal factors of production, it has also inevitably increased the difficulty with which businesses, especially those in service industries, can develop and sustain a competitive edge (De Wit and Meyer, 2010). In addition, it has opened up industries to international and regional regulations and laws further increasing the difficulty with which businesses can develop practical strategies. As a result, companies in high competition and easy entry industries, such as transport and especially taxis, need to be frugal in their innovations to ensure they remain both profitable and responsive to change (Sirmon et al., 2011).

The study is based on three theories. The first is the Rate of Adoption Theory which describes the diffusion as the process that allows the adoption of an innovation and how it gains acceptance in the market place or by members of a given society (Bongaerts et al., 2017). This is relevant to the study as it enables a study of the ride hailing applications strategies in enhancing adoption and permeation of their service into the market; the uptake of which determines the competitive advantage gained. The second theory is the Technology Organization Environment Framework (TOE) Theory which according to Bradford et al. (2014), states that “the process by which an organization adopts and implements technological innovation is influenced by the technological context, the organization context, and the environmental context.” This will enable the study consider how the technological space in Kenya has enabled the ride hailing service industry and
what strategies they have put in place to use this as leverage for competitive advantage. The third theory is the Institutional Theory, which lays emphasis on the key role-played by organizations’ environments in influencing its structure and actions (Keohane & Martin, 2014). This theory lays the foundation for a study into the structure and actions of ride hailing organizations, which influence the competitive strategies they apply to attain competitive advantage.

Taxi hailing companies such as Uber, Taxify and Little Cab developed out of the foresight that differentiating the aspects of the taxi business model would increase both efficiency and profits (Camisón & Villar-López, 2011). Modern taxi businesses consist of a fleet management system that handles vehicle tracking, allocation and pricing, and an operations management system that works to ensure vehicles are in good working condition and that drivers offer clients impeccable customer service. By separating these two functions and leaving the responsibility of the latter to its contractors, taxi hailing companies reduced their overheads significantly. That is to say that by engaging autonomous contractors, these companies are able to minimize their capital obligation with regard to procuring taxis (Walton, 2014). They also relieve themselves of the cost burdens involved in maintaining the vehicles and the lost revenues during maintenance cycles.

As a result, taxi-hailing companies invested these cost savings into mobile innovations and the integration of mapping and billing technologies, which further increased their overall efficiency (Rayle et al., 2014). By taking advantage of the high number of
smartphone users, especially in major towns and cities, the applications they developed increased the success of their market penetration and capitalization. They also enhanced their vehicle inspection procedures to ensure the standardization of the vehicles and services of their contractors. In addition, their overall ride sharing structure reduces the statutory requirements and charges government authorities can impose on contractors resulting in further cost savings that increase overall revenues to both the company and its contractors (Dobson, 2014).

The growing middle class population in Kenya has made the taxi business very attractive to investors. As a result, the taxi hailing industry in the country, and especially Nairobi, continues to experience high growth rates brought about by increased foreign and local investment into the sector. Therefore, it is important for the firms offering these services to develop practical and sustainable strategic plans to enhance their performance and profits in the long term. For that reason, this study aims to assess the adequacy of the current strategies employed by ride-hailing service providers in ensuring high patronage and revenues. It will then use this understanding to make proposals on how they can ensure their continuity and profits as they move into the future.

1.1.1 Concept of Strategy

At its very core, strategy can simply be defined as the overall plan or road map to a desired outcome often through the attainment of a predetermined goal or the solving of an identified challenge. Strategy is position; that is, it reflects decisions to offer particular products or services in particular markets (Aaker & McLoughlin, 2009).
According to Grant (2016), strategy is the broad collection of decision rules and guidelines that define scope and growth direction of a business. Strategy is a unifying theme that gives coherence and directions to the actions and decisions of an organization (Johnson, Scholes and Whittington, 2005). Further, strategy can also be defined as the game-plan management for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance (Thompson, Strickland and Gamble, 2007).

1.1.2 Competitive Strategy

Pearce II and Robinson Jr. (2009) argue that the industry environment provides the general condition for competition that influence all businesses providing a similar product or service. It is within this environment that competitive forces influence the strategic direction of any given company.

A competitive strategy is a search for a favourable competitive position in an industry, the fundamental arena in which competition occurs (Porter, 1985). Competitive strategies are the means with which a firm can create and sustain a profitable stance against other similar businesses in the given industry. A company is therefore considered to be competitive if it is able to attract and maintain more customers above the competing forces (Thompson & Strickland, 2010).

Seeing as competitive strategy grows out of a company’s ability to create value beyond that which it spends on production costs, there are two basic means to attaining
competitive advantage through competitive strategy: cost leadership and differentiation. Cost leadership dominantly focuses on lowering the cost of the product by evaluating the production pipeline and making adjustments that would translate to a reduced product cost. Differentiation on the other hand focuses on innovative ways to adapt the product or service to better match the customer’s needs.

Every competitive strategy has the ultimate function of beating the firm’s rivals. Whether the strategy focuses on customer attraction and retention, application of innovation and technology or the utilisation of the firms’ resources for profit maximization, the sole purpose of the strategic approach is keeping its industry competitors at bay. It is also important to ensure that the firm has the means with which to respond to changes in its environment and that it matches its approach to securing a competitive advantage as compared to the rivals as competitive strategies are as diverse as the firms themselves (Thompson et al., 2008).

1.1.3 Competitive Advantage

Competitive advantage refers to an advantage that a firm has over its competitors that allow it to generate greater sales or profit margins and retain more customers than its competition (Ward, 2016). Competitive advantage, therefore, refers to the upper hand attained by a firm over its rivals that then allows it to achieve greater sales margins and retain a larger share of customers than those of its competitors (Andrews, 1980). A firm is said to have a competitive advantage when it is able to create higher economic value than its rivals in the industry (Nagle, Hogan, & Zale, 2016). Indicators of
competitive advantage form the basis upon which the same can be measured and therefore, inform the improvement of one’s competitive strategy. Key performance indicators are decided based upon the parameters a firm considers critical to their competitive advantage. These indicators include level of return to cost of capital, market share growth, product demand, stakeholder investment and the strength of their returns on investment.

Several performance measurement frameworks have been established to measure a company’s competitive advantage and thus, the relevance of its competitive strategy. They include the Balanced Scorecard (Kaplan & Norton, 1992), SMART Pyramid (Cross & Lynch, 1988/89), Results/Determinants Matrix (Fitzgerald et al, 1991) and Performance Prism (Neely & Adams, 2001). Benchmarking is also one of the ways used to measure the performance of a company’s competitive advantage. Organisations are goal seeking, self-regulating systems adapting to given environments through negative feedback and for purposes of this study, benchmarking is one of the ways to obtain such feedback (Stacy, 2000).

Within the ride hailing industry in Nairobi, several benchmarks can be used to ascertain the competitive advantage gained by a company. These include financial, corporate culture, customer experience, technology and product benchmarks. Although obtaining adequate data from all players in the industry can make this process challenging, competitive advantage largely remains a measure of how well a company’s product is doing in light of other similar offerings in the market.
1.1.4 The Taxi Industry in Kenya

The taxi industry has been an alternative to public transportation in Kenya over many years with taxi companies and private taxis operating countrywide. The industry’s growth was spurred by the increasing population and the inability of the public transport system to meet the growing demand of transportation service especially in the cities and larger towns. This demand is even more pronounced in Nairobi, the country’s capital. According to the Kenya Private Sector Alliance (KEPSA), the average taxi business makes about 95,080 trips daily with an expected growth of an additional 70,520 trips daily by 2025 (ICDC, 2012). Social class stratification also furthered the development of the taxi industry as the growing middle and upper class preferred to have a more comfortable, private form of public transportation.

The emergence of taxi companies offered a more organized, structured approach to the service. Preferred especially by corporates and business men and women with frequent travel requiring airport pick-ups and drop offs, there are now several taxi companies registered in Kenya incorporated from 2000 (ICDC, 2010). These companies would later come together to form the Corporate Taxi Association four years later.

The association has 30 companies operating at the corporate level with fleets of at least 2000 taxis that contribute more than 2.7 billion shillings annually (ICDC, 2010). These include Delight Cabs Ltd, Jatco Taxis, Jimcab and Kenatco that was the earliest entry into the market with operations starting in the 1970s. These companies employ staff to manage their fleet, drivers working on shifts and are able to dispatch taxis as requested
around the clock through a radio linked service that allows them contact their drivers closest to the client. As such, they rely on radio calls to monitor their drivers’ movements as they are required to report once a client is picked up and dropped off to enable the dispatcher to link them with the next client.

Although there is very little information from government and industry reports published on the number of registered drivers in the taxi-hailing sector, the National Transport Authority regulates Kenya’s taxi industry alongside an advisory committee with representatives from the various players in the industry. The authority ensures that the codes of practice in the Taxi Regulation Act 2013 are duly enforced.

1.1.5 Ride-Hailing Companies in Kenya

Digital ride hailing services such as Uber and Taxify use technologies based on sharing economy models (Bellos et al., 2017). Ride hailing companies are taxi services based on the ridesharing approach, that work by providing entities that provide software based online platforms that connect passengers who want rides at an agreed price with available taxi’s closest to their location.

Ride sharing conventions offer clients access to use contracted private civilian vehicles either for free or at a fee to move from one place to another from the access of web or mobile tools (Boruch et al., 2016). It is not a new phenomenon but rather, dates back to 1942 when the U.S. government used the approach to ensure workers could go to work at a time when the high consumption of rubber by the war crippled the country’s public
transport system (Chen et al., 2017). Unlike the wartime model, modern ride sharing services employ the use of GPS, mobile and electronic billing and payment solutions to enhance their efficiency. Early research into ride sharing identified that the success of any venture would have to rely on techniques that would ensure better matching of clients and available transportation resources. The various ride hailing platforms have made this possible (Furuhata et al., 2013).

Ride-hailing refers to the booking and paying for taxi transportation by a private car service through a smartphone/ device application owned by an e-taxi firm (Sadowski & Nelson, 2017). Rather than using the more regular designated taxi stops to obtain the service, the ride-hailing companies provide e-applications that allow the consumer request for (hail), monitor and pay for the taxi service from whatever location. This way, the taxi operator comes to the client instead of the norm where the client had to move around in search of a taxi willing to take them to their destination.

E-hailed taxis bring convenience to both the driver and the user. The passenger initiates the ride through their smart device, logs in their location, their preferred destination and requests for a taxi. All the taxi’s in the area affiliated with the passengers e-hailing application of choice receive a notification of the request, and the closest available taxi driver responds (Edelman & Geradin, 2015). Once a driver in the area responds to the passenger's request, the application gives the passenger the driver’s information – name, car registration details and phone number.
Seeing as all aspects of the booking is handled by the application, there is no need to have a dispatch operator as was the case in the management of taxi companies. It, therefore, takes the passenger less time and increased convenience in finding a suitable match and the driver calls the passenger to confirm acceptance of the request placed. The driver, in turn, receives the passengers' location through the GPS system in their smart device. The costs to be incurred by the passenger only start accruing once the passenger is on board and the trip to their selected destination is underway. Approximates that 80% of the revenue generated goes to the driver with the remainder received by the e-hailing service providers (Teubner & Flath, 2015). However, due to competition in the market, this percentage varies from one service provider to another.

According to Sadowsky & Nelson (2017), the ride-hailing companies’ form a growing sector that is part of a larger movement where technological solutions are developed to bridge the gaps we face in our daily access to services. They allow for the use of resources that once lay dormant by, for instance, tapping into the unemployed labour force by allowing for self-employment through driver partnership with the companies. In some instances, the companies have even gone ahead to act as their driving partners’ guarantors in securing loans that have enabled the drivers not only work for themselves but also, be the owners of their own assets. In addition to this, many households with an additional vehicle not in regular use have been able to translate that asset to an income-generating project and where the driver is not a member of the family, create employment for the driver as well.
The swift uptake of the ride hailing service has also spurred local innovation leading to the creation of a Kenyan owned ride hailing service through partnership by Kenya’s largest telecoms distributor, Safaricom and Craft Silicon, a technological firm also based in Kenya. This is a plus for economic growth as it not only demonstrates high innovation and technological application but also, investment by Kenyan firms in the ride hailing industry. This has translated into more job opportunities to the drivers affiliated to the company. In return, this increase in business revenue also translates into increased tax revenues into the national coffers.

Although several studies have been done on the traditional taxi industry in Nairobi, there has been minimal research into the ride hailing industry, its growth and significance to the country’s economy. This paper builds upon previous study by Onyango (2016) that sought to establish the drivers for the adoption of app-based taxi operators in Nairobi, the challenges they faced and the relationship between e-hailing applications adoption and the competitiveness of app-based taxi operations in Nairobi.

The fact that the industry has taken root and significantly challenged pre-existing taxi service providers is one of the factors that make it a good match for the study of competitive strategy and its role in creating sustainable growth and competitive advantage. Further, the continuous growth of the ride hailing service in Nairobi even amidst the entry of multiple players, including local ones, into the niche provide for a rich backdrop from which to study competitive strategy and its impact on competitive
strategies. These companies include: UBER, Little Cab, Mondo Ride, Taxify and MaraMoja.

1.2 Research Problem

For organization to attain competitive advantage, they must identify and formulate competitive strategies that are well tailored to enable them thrive in light of increasing competition and the changing business environment. The task of formulating and executing competitive advantage is the heart and soul of managing a business enterprise and winning in the market place (Thomson et al, 2008). Competitive strategies, when well matched, enable a company to gain competitive advantage by improving its market position through attracting and retaining its customer base; facilitating continuous innovation to stay ahead of the game and constant assessments and reviews to ensure the competitive strategies employed give a substantial return. At the end of the day, the competitive advantage obtained through the application of well-crafted competitive strategies have a common goal: increasing the shareholders profit. This study aims to establish how the concept of resources and knowledge based competitive strategies result in the development of competitive advantage in the ride hailing taxi service sector.

In Kenya, and especially in Nairobi, the ease of developing ride hailing solutions and the high earning potential the taxi industry has encouraged a flurry of investment resulting in a high number of new entrants into the sector. As the sector grows, it also attracts a lot of scrutiny from government organizations not only for the purposes of regulation, but because of its huge revenue potential. Companies, therefore, need to develop strategies
that ensure they can increase their earning potential and mitigate their exposure to future risks. In addition, they need to enhance their flexibility to react to changes in their environment by improving their overall decision-making processes. The ability to be decisive in the face of uncertainty is especially important to the survival of technology innovation companies such as ride hailing service providers because of the dynamic nature of systems and consumer needs. To survive and thrive, companies must develop strategies that help them actively remain relevant and competitive in the market so as to maintain the clients they already have and attract more in the process. They should also ensure that they stay abreast of their conventions so that they continue to enhance their systems to increase their efficiency and to stay ahead of their competition.

Several studies have been conducted on the role of competitive strategies in achieving competitiveness or competitive advantage in business management. Although the same has been conducted in different contexts, the concept of competitive strategies remains largely the same. Onyango (2016) focused on the adoption of e-hailing applications and the competitiveness of app-based taxi operators in Nairobi, Kenya. The study explored the link between e-application adoption and the competitiveness of an organization but it did not address how various competitive strategies help the companies achieve competitive advantage. Ndungu (2013) studied the competitive strategies adopted by KENATCO Taxis Limited to achieve competitive advantage. Although this study was based on the taxi industry in Kenya, focusing on operations of the company within Nairobi, it focused on the traditional taxi model. The study established that the taxi industry in Nairobi was a competitive sector with many taxi companies targeting the
same market. The study, however, did not focus on technological developments in the sector, as will be the case in this study.

The above studies indicate the relationship between competitive strategies and competitive advantage in the taxi industry. However, it is evident that neither focused on the ride hailing taxi sector and the competitive strategies they chose to adopt to attain competitive advantage. First announced in 2014, the ride hailing service is relatively new and it can be argued that at the time of these previous studies, its presence in the market was not as strong as it is today. It is for this reason that this study will focus on the ride-hailing taxi industry and the strategies they have employed to break through the market and establish a fast growing dominance in the sector. This study seeks to answer the question: What competitive strategies do ride-hailing taxis employ to ensure competitive advantage in the taxi industry?

1.3 Research Objectives

i) To identify the competitive strategies ride hailing service providers employ in Nairobi.

ii) To identify the effect of competitive strategies on the competitive advantage attained within the ride-hailing sector.

1.4 Value of the Study
The study will contribute to enhancing the understanding of the ride-hailing industry and is therefore important to ride hailing company managers who will better understand the link between competitive strategies and competitive advantage especially in the Kenyan
market. The study will provide this insight by looking at the multiplicity of ride-hailing service providers available to the consumer and how the competitive strategies they employ translate into their competitive advantage.

There being little regulatory framework with regard to policies particularly governing the operations of ride-hailing service providers in the country, and particularly within Nairobi where several protests from traditional taxi service companies have erupted, the study aims at providing a look into the ride hailing operations and how they manage to keep ahead of the competition. With the understanding of the competitive strategies for competitive advantage in the ride hailing service industry, the study aims at equipping policy makers with an outline from which to build regulations that will ensure all players are equally protected and provided for by taxi industry governing policies.

Further, the study aims at highlighting the importance of the relationship between the Kenyan government’s ambition to mainstream technology and innovation in all sectors of the economy for enhanced efficiency and promotion of value addition in goods and services; and the endeavours of the ride hailing service providers in contributing towards the fulfilment of this mandate as stated in Kenya’s Vision 2030 manifesto (Mwenzwa, 2014).

In addition, the value of the study also extends to policy makers especially so in light of recent strikes by both ride hailing taxi drivers and those of the more traditional approach based on competitive turf wars. By better understanding the competitive strategies
employed by the ride hailing taxi industry, the policy makers will be better placed to
develop policies that both govern and allow the two sectors to build healthy competition
over time. In this way, policy makers will therefore have contributed towards continued
economic growth and the call for increased innovation leading up to the Kenyan
government’s vision 2030 mandate.

The study will also be of benefit to practicing managers and drivers from the ride hailing
sector, as it will provide a bigger picture of the industry’s strategic plays. In this way,
managers will be better able to understand their industry and competitors while the
drivers will be able to understand how they fit in to the framework provided. By
providing a look into the competitive strategies employed, the study offers practicing
managers with the information they need to further boost innovation and inclusion in
their industry as ways of improving their competitive advantage.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter will review the available literature on competitive advantage and strategies with regard to ride hailing services and the taxi industry in Kenya. It should help the study to identify gaps between theory and practice to increase its ability to develop practical and sustainable solutions for both the ride hailing companies and regulatory bodies.

2.2 Theoretical Foundation

This section discusses the three theories on which the study is based. The theories are The Rate of Adoption Theory, Technology-Organisation-Environment Framework Theory and the Institutional theory. These theories are discussed further below.

2.2.1 Rate of Adoption Theory

The Rate of Adoption theory states that innovations are diffused over time in a pattern that resembles an s-shaped curve. Rate of Adoption theorizes that an innovation goes through a period of slow, gradual growth before experiencing a period of relatively dramatic and rapid growth (Hashim, 2015). Organisations use this information in designing of competitive strategies that are best able to help them permeate the market space. An example of how rate of adoption might typically be represented by an s-curve. The theory describes diffusion as the process that allows the adoption of an innovation and how it gains acceptance in the market place or by members of a given society (Bongaerts et al., 2017). The diffusion of an innovation is influenced by four major
factors: the innovation itself, how the innovation is communicated, time and the nature of the social system into which the innovation is being introduced. Diffusion is a process that occurs over time. The theory states the following as the five distinct stages: knowledge, persuasion, decision, implementation and confirmation (Beach & Lipshitz, 2017). Rate of Adoption theorizes that an innovation goes through a period of slow, gradual growth before experiencing a period of relatively dramatic and rapid growth. The theory also states that following the period of rapid growth, the innovation's rate of adoption will gradually stabilize and eventually decline.

The Rate of Adoption theory relates to this study as it enables the researcher to establish what underlying strategies ride hailing companies employ to influence the rate of adoption of their app based service and further, how they capitalize on the period of rapid growth. The theory also lays a good foundation in understanding the factors that influence the percentage of ride hailing service adopters over the period of time they have been operational (Ma et al., 2014). The theory’s practicality will inform this study as ride hailing service providers have largely succeeded in gaining competitive advantage or failed in the same because of poor strategies guiding the uptake or perception of their product by their target market thus influencing its uptake.

2.2.2 Technology-Organization-Environment Framework (TOE) Theory

This theory according to Bradford et al. (2014) states that “the process by which an organization adopts and implements technological innovation is influenced by the technological context, the organizational context, and the environmental context”. The
framework can be used to make a distinction of the intrinsic qualities the technology itself and the influencing factors relating to the organisation and its working environment (West & Wood, 2014).

It consists of three elements; the technological context comprises of already acquired innovations by the organisation and other similar available technologies in the marketplace. Secondly, there is the organizational context that includes organisation capacity and scope. This is influenced by the organisation strategies in areas such as management structure, staffing and management costs. Lastly there is the environment context, which is concerned with how business is run amidst the competitive forces in the market.

Existing evidences prove that TOE has been widely applied for examining innovation technology adoption by business organization groups (Norman, 2014). Therefore, the present study draws on TOE to identify factors affecting operators’ attitude towards App-Based Taxi adoption. The theory will assist in understanding the competitors and level of competitiveness, regulatory concerns and behaviour and attitudes of operators.

2.2.3 Institutional Theory

The theory is used to study organization’s innovation adoption level. The theory has laid emphasis on the key role played by organisations’ environments in influencing its structure and actions (Keohane & Martin, 2014). Based on prior studies, researchers have identified that organizations adopt app-based innovations due to environmental forces.
They found that this is not only used by organization to improve operation efficiency and effectiveness, but even acceptance in the competing markets (Wagner III et al., 2014). The theory therefore addresses pressure from the external environments and mostly from similarly related organisations or institutions. This kind of pressure has been found to lead to the adoption of almost similar structures by competing firms. Organizations tend to adopt comparable process, structures and strategies due to three types of external pressures: mimetic, coercive, and normative (Kung et al., 2015).

This theory is relevant to the study seeing as following UBER’s entry into the Kenyan market, several companies followed suit. It even spurred the purchase and rebranding of Easy Taxis by Safaricom who then established the same as Little Cab – one of the ride hailing taxi providers that form the population of this study. These entries had an impact on the competitiveness of the market. Through the institutional theory, the study will be able to focus on how the business, social and legislative environments in Nairobi influence the competitive strategies employed for growth and competitive advantage by ride hailing taxis providers. (Zaman & Fielt, 2016).

2.3 Competitive Advantage and Competitive Strategies

Strategy is a unified and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization (Aldehayyat, 2011). While strategy may be about a company’s ability to compete, survive and thrive in its environment it can be argues that it is the company’s product and not the companies
themselves that compete for the market share. Therefore, the role of strategy is to enable the company manage its products such that it attains competitive value and therefore, contribute to the organizations growth and well-being. The purpose of strategy, therefore, is to give directional queues that permit the organization achieve its objectives while responding to the opportunities and the threats in the market environment (Bennet & Lemoine, 2014).

According to Xia et al. (2014) “competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation”. He argues that competitiveness is about gaining a sustainably strong and profitable position in its market. According to Weerawardena and Salunke (2017) “a company's competitive strategy deals exclusively with the specifics of the management's game plan for competing successfully, its efforts to please customers, its offensive and defensive moves to counter the manoeuvres of rivals, its responses to existing market conditions, its plans to strengthen its market position, and its approach to securing a competitive advantage as compared to the rivals”.

Most scholars agree that competitive strategies and competitive advantages are joined at the hip. A good strategy is a strategy that actually translated into some kind of advantage for the firm (Aldehayyat, 2011). Therefore, the later cannot be exhaustively harnessed without the former. Hoejmose et al. (2013) proposed two types of competitive advantage; “cost advantage and differentiation advantage” that can only be realized when the form makes deliberate efforts to match their competitive strategies to the desired competitive
advantage. This study aims at looking at these two approaches and how they have blended in to competitive strategies as ride hailing companies seek to establish dominance and gain competitive advantage in their market.

2.4 Summary of the Knowledge Gap

Although previous studies have been done on the taxi industry, the adoption and competitiveness of app based taxi operators in Nairobi Kenya, little focus was placed on studying how competitive strategies adopted by the same fed into their competitive advantage.
<table>
<thead>
<tr>
<th>Previous Study</th>
<th>Objective of Previous Study</th>
<th>Methodology</th>
<th>Gaps to be filled by this study</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-Hailing Applications Adoption and Competitiveness of App-Based Taxi Operators In Nairobi, Kenya</td>
<td>To establish the drivers for adoption of app-based taxi operations in Nairobi, Kenya. To establish the challenges of adoption of app-based taxi operations in Nairobi, Kenya</td>
<td>Descriptive Survey</td>
<td>Where this study focused on the adoption of the app based taxi services, this study will establish the competitive strategies employed by ride hailing companies to achieve competitive advantage</td>
</tr>
<tr>
<td>Competitive Strategies adopted by KENATCO Taxis Limited to achieve Competitive Advantage</td>
<td>To determine the relationship between E-hailing Applications adoption and the competitiveness of app-based taxi operations in Nairobi, Kenya To establish the competitive strategies adopted by Kenatco taxis Limited to achieve competitive advantage</td>
<td>Case Study</td>
<td>Where this was a case study, this study will compare different ride hailing companies, identify the competitive strategies employed particularly by ride hailing service providers in Nairobi as the previous study focused on the traditional taxi industry</td>
</tr>
</tbody>
</table>
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Methodology provides the structures that make data collection orderly and specific to the scope of the study. It also provides the frameworks necessary for the validation of the findings of the paper’s results and a strong scientific basis for the arguments that it puts forward to further the accomplishment of its set objectives. As such, this chapter contains the discussions surrounding the various study parameters and their rationales aimed at generating sufficient evidence to support the dovetailing of competitive strategy and the attainment of competitive advantage.

3.2 Research Design

Research involves the collection of data to support the arguments and assumptions that a study puts forward to address its research problem. Research design is, therefore, the overall strategy that logically brings together all the independent parts of a study so as to enhance the understanding of the problem of study. It, therefore, further enhances the validity of the recommendations the study develops and the integrity of the data used by providing step-by-step insights into the processes involved in the collection and analysis of data.

Research design provides the blue print on which the researcher builds an overall strategy that considers the components of one’s study logically and therefore, addresses the research problem under discussion (Kombo & Tromp, 2009). This study will adopted the correlation research design to explore the relationship between variables in the study;
how their interaction is dependent of competitive strategy and how this in turn, builds the company’s competitive advantage.

3.3 Population of the Study
Cooper & Schindler (2000) define a population as the total collection of elements about which we wish to make inferences. The target population for this research comprised of 3 ride hailing service providers in Nairobi; UBER, Little Cab and Taxify. The diversity of respondents is instrumental to enhancing the development of assumptions and inferring conclusions that are well thought.

The study also employed purposive sampling procedures. Purposive sampling was employed to select three of the six ride hailing companies operational in Nairobi, Kenya (UBER, Taxify, Little Cab, Mondo, Sendy and MaraMoja) that comprise the target population for this research. The researcher purposefully selected UBER, Little Cab and Taxify as their services and range of operation within Nairobi, Kenya were of a comparable range (Saunders et al., 2014).

3.4 Data Collection
This study used both primary and secondary data. The researcher actively collected primary data on competitive strategies employed by ride hailing service providers in Nairobi and their impact in creating competitive advantage for these companies during the course of this study to support the arguments made in the paper (Laitinen et al., 2014). This was accomplished through the use of questionnaires administered to drivers partnering with ride hailing taxi companies.
The study also used previous works that though not directly related to the topic under its consideration, were instrumental in providing insights into its approaches and the recommendations proposed (Cope, 2014). The secondary sources of data used in this paper were primarily drawn from previous case studies on the taxi and ride hailing taxi industry from Kenya and other countries within and outside of Africa. The primary data collected was therefore instrumental in validating the information collected from secondary sources.

The data was collected through a questionnaire. The questionnaire was developed to cover different areas as listed below:

i. Section A: Respondents background information

ii. Section B: Organizations’ background information

iii. Section C: Competitive Strategies

iv. Section D: Competitive Advantage

The respondents of this study were the drivers affiliated to the ride hailing taxi service providers mentioned (UBER, Taxify, Little Cab). Given the lack of statistical information on ride hailing companies from both local government reports and those by the ride hailing companies themselves, the drivers partnering with the companies will be the primary means with which to obtain information on the study. This is especially so because they are the only ones in direct communication with both the companies and the clientele and can chronologically reflect on their development since initiation.
The researcher dropped the questionnaires at taxi parking hubs and picked them up once completed. To ensure all forms were collected, the researcher numbered the questionnaires issued at each point and identified a point of contact amongst the ride hailing taxi drivers with whom to coordinate the exercise.

3.5 Data Analysis
Data analysis refers to the examination of the coded data and making inferences (Kombo & Tromp, 2009). This study obtained first hand data on the strategic approaches employed by ride hailing taxi companies in Nairobi Kenya through the use of its questionnaire. The data collected focused on exploring the cost leadership and product differentiation approaches the companies apply in order to beat their rivals. From this information, data analysis determined the competitive strategies employed by these companies and their perceived effect on gaining competitive advantage within the industry.

The data collected in this study was analyzed using descriptive statistical techniques. This included the use of frequencies, mean, and standard deviation to derive meaning. Questionnaires will be basically transcribed and qualitatively analyzed through content analysis and the data presented using tables and graphs. The secondary data obtained from previous works on the area of study was analysed through content analysis by applying the summative content analysis approach. This involves the comparison of content from various authors that have studied the ride-hailing development in various countries and thereafter, drawing interpretation from the underlying context in each case.
Regression analysis will be used in the study for testing hypothesis about the relationship between a dependent variable (y) and two or more independent variables (x).

The regression model to be used in this study is given as:

\[ y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon \]

Where, \( y \) = Competitive Advantage

\( \beta_1 - \beta_5 \) = the Regression Coefficients or Change Induced in \( y \) by each \( x \)

\( \beta \) = beta

\( X_1 \) = Focus Strategies

\( x_2 \) = Differentiation Strategies

\( X_3 \) = Cost leadership strategies

\( \varepsilon \) = Error Term
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents and analyzes the data generated by the study, using the techniques laid down in the methodology contained in chapter three, to validate the assumptions and arguments guiding this research. It provides findings on the [insert topic/ thesis statement here]. It starts with the analysis of the overall response rate and the demographic analysis of the respondent population that supplies the study with the data necessary to support its arguments and prove its hypothesis. It then moves on to describe and visually illustrate the information generated from the query of the objectives and questions in chapter one. This chapter will also use the insights gained from case studies and published consumer reviews to complement the information generated and enhance its explanations.

4.2 Respondents Characteristics

The study categorizes its respondents according to gender, age, prior experience in the taxi industry, and the ride hailing service that contracts their services.

4.2.1 Respondent’s Gender

Out of the total 60 respondents, 65% (represented by 39 respondents) are male while 21% (represented by 21 respondents) are female. The results are as shown in Table 4.2.2

4.2.2 Respondent’s Age

The study population is further categorized according to age revealing that most contractors (66.7%), represented by 40 respondents, are between the ages of 26-35. The age band between 36-40 closely follows at 31.7% represented by 19 responses from the
entire study population while those between 18-25 form the least contractor population at 1.7% represented by 1 respondent. The results are as shown in Table 4.2.2

<table>
<thead>
<tr>
<th>Table 4.1: respondent’s Gender and Age</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>39</td>
<td>65</td>
</tr>
<tr>
<td>Female</td>
<td>21</td>
<td>35</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>26-35</td>
<td>40</td>
<td>66.7</td>
</tr>
<tr>
<td>36-40</td>
<td>19</td>
<td>31.7</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: (Research Data, 2017)

4.2.3 Prior General Taxi Service Experience
With regard to the respondents’ previous work experience in the taxi industry, a higher number of contractors (represented by 52% of the responses from the study population) are new entrants into the taxi business without any prior technical or business expertise in the industry.
In addition, most of the contractors working with ride hailing service providers have been in the taxi business for between 2-4 years and more than 4 years represented by 33.3% of the total responses generated from the study. Also, according to the data generated, 30% of operators have worked in the taxi industry for 1-2 years while only 3.3% have been in the industry for less than a year.

Table 4.2: Number of years worked in the taxi industry

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 1 year</td>
<td>2</td>
<td>3.3</td>
</tr>
<tr>
<td>Between 1 and 2 years</td>
<td>18</td>
<td>30</td>
</tr>
<tr>
<td>Between 2 and 4 years</td>
<td>20</td>
<td>33.3</td>
</tr>
<tr>
<td>Above 4 years</td>
<td>20</td>
<td>33.3</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: (Research Data, 2017)
4.2.4 Prior Ride Hailing Taxi Service Experience

Most respondents (represented by 60% of the respondents that formed the study population) also indicated that they had previously worked with other ride hailing companies.

Figure 4.2: Prior Ride Hailing Taxi Service Experience

Source: (Research Data, 2017)

The main reason leading many contractors to switch ride hailing service providers is poor pricing models that result in low revenues and return on investment (R.O.I) as indicated by 36.7% of the responses. The failure of ride hailing companies to establish and ensure the certainty and continuity for their contractors is the second reason many opt to change (indicated by 26.7% of responses generated by the study). Poor relationship management by the service provider, low service usage by clients leading to low access to work and bad customers also result in contractor turnover as indicated by 20% and 11.7% of the total responses. However, while bad customers also contribute to contractor turnover, its effect is not as significant as the others (indicated by only 3 respondents who were affected out of the entire study population of 60 contractors).
<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low access to work</td>
<td>7</td>
<td>11.7</td>
</tr>
<tr>
<td>Poor revenue from low pricing</td>
<td>22</td>
<td>36.7</td>
</tr>
<tr>
<td>Poor relationship management by service provider</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>Bad customers</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Uncertainty of terms of reference</td>
<td>16</td>
<td>26.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>60</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source:** *(Research Data, 2017)*

Many contractors establish their fit with a ride hailing service provider within the first year of partnership as indicated by the 56.7% of respondents that indicated having terminated their previous relationships with other companies in the sector. The information generated from the study further indicates that contractor turnover rates reduce by up to 20% between 1-2 years of partnership. The turnover rates beyond 2 years of service are low indicated only by 6.7% of the responses generated by the study.
4.2.5 Contractors per Ride Hailing Taxi service

The study also showed that Uber controls the largest number of independent contractors (represented by 41.7% of the total responses generated), followed closely by Taxify (represented by 30% of the total responses generated) with Little Cab coming in last with 28.3% of the total respondents indicating that they work with them.

Source: (Research Data, 2017)
The information generated by study also indicates that most contractors (indicated by 41.7% of the responses) have been with their current ride hailing service provider between 1-2 years while only 38.3% have been in those contracts for more than 2 years. In addition, only 20% of the respondents have been with their current ride hailing service provider for less than a year.

![Figure 4.5: Length of service with current Ride Hailing Service](image)

**Source:** (Research Data, 2017)

### 4.3 Competitive Strategies

Competitive strategies are the means through which a company enhances both its products or services and its structures to ensure and enhance quality, and give them an edge over other players in their industry. The major avenues to developing competitive strategies are product differentiation, cost leadership and focus strategies.

#### 4.3.1 Product Differentiation

Pricing and billing are integral elements of the product design in companies operating out of service industries such as ride hailing firms. As such, this paper will focus more on
how these businesses undertake their pricing procedures to ensure that they attract and retain more clients than their competitors.

Most of the consumers using ride hailing services are young adults between the ages of 26 and 40 represented by 81.7% (26-35 year olds) and 11.7% (36-40 year olds). As a result, many ride hailing companies rely heavily on social media and other internet based platforms for promotional activities and advertising. The high disposable income among these groups further advises ride hailing service providers’ establishment and revision of ride rates and billing protocols.

Many providers further tweak their billing algorithms so that they offer cheaper rides at night to encourage the usage of their services by these categories because of their often-nocturnal activities given Nairobi’s vivid nightlife. 18-25 year olds and 41-45 year olds comprise 5% and 1.7% of the total responses generated respectively.

The low uptake of ride hailing services among the former could be attributed to the services being more expensive that using the local transportation means (matatus) especially given that most of the people in this group are students and do not have a source of income. Most of them also stay at home and only move around during the day making the use of taxis inconvenient and more expensive. The latter’s low usage of ride hailing could be attributed to many of the people in this category owning cars or the inconvenience that using a taxi potentially poses for the times when they are on the move (between 8 AM and 8PM on weekdays).
Most hails come from the Central Business District (CBD), Westlands and the Kileleshwa/ Kilimani/ Lavington/ Ngong Road regions as indicated by 25%, 33.3% and 33.3% of the total responses generated respectively. The high patronage from these areas can be attributed to both the preference of high-income individuals to take up residence there and the often times inaccessibility of some of the residences and estates in these areas by matatu. The high demand and often-high supply of drivers often result in lower overall fares. Thika Road and Mombasa road/ Eastlands areas have the least ride demand (represented by 5% and 3.3% of generated responses respectively) largely because of the comprehensive matatu routes and schedules in these areas.

Although the market dynamics often result in higher fares, many hailing companies adjust their algorithms to encourage users from these regions to join their service. Billing procedures are designed so as to encourage both drivers and clients to want to use the
service. That is to say that ride hailing firms have to ensure that their ride estimations are such that they encourage a healthy response from drivers to take on client request regardless of their location, as well as be fair enough not to dissuade a client from following through with their ride request.

**Figure 4.7: Locations with the most Hails/ Clients**

Ride hailing service providers further incorporate driver reviews of clients into their billing and fare approximation so as to encourage good behavior from clients and ensure their contractors are quick and willing to respond to hails. The information generated by the study indicates that ride hailing services record the highest complaints of difficult clients (represented by 56.7% of the total responses) from the CBD followed by Eastlands/ Mombasa Road and Thika Road areas as indicated with 23.3% and 13.3% of the total responses respectively. As such, these areas often cost higher to encourage drivers to respond to requests and also to dissuade customers who are not serious.

**Source: (Research Data, 2017)**
Westlands and Kileleshwa/ Ngong Rd/ Lavington/ Kilimani have the least number of recorded incidents of unruly clients at 3.3% each which contributes to the willingness of drivers to take requests and even be based in those areas resulting in often low fares.

**Figure 4.8: Locations with the most difficult Clients**

![Bar chart showing the percentage of difficult clients in different locations.]

Source: (Research Data, 2017)

In addition, information on the regions with the best clients also enable these companies to tailor their products to offer more value to their clients. According to the responses, Westlands and Kileleshwa/ Kilimani/ Lavington/ Ngong Road areas have the highest record of the best clients (represented by 43.3% and 40% of the total responses generated by the study). These areas also act as potential testing grounds for new innovations before wider rollouts are carried. The CBD comes in third with 10% of the responses indicating they get the best clients while Thika Road and Eastlands/ Mombasa Road come in last with 3.3% each. Companies in this sector can increase their overall sales by specifically targeting these areas as not only do they provide sufficient opportunity for learning, but they are also the sector’s greatest areas for growth.
Based on the findings of the study, the Westlands area provides the most number of hails. This can be attributed to the concentration of offices in the area and well-mapped routes that make it easier for the drivers to navigate. In addition to this, its proximity to the CBD also makes it a quicker trip for those attending business meetings during the day and accessing the areas robust nightlife in the evening hours.

4.3.2 Cost Leadership

Cost leadership refers to the ability and capacity of a company to price its products and services in such a way that its competitors can neither compete effectively at the same price and would come to ruin if they tried going any lower. Companies can do this effectively by incorporating non-monetary rewards and punitive measures into their pricing, billing and customer relationship management. 58 of the respondents (represented by 97% of the total responses generated by the study) indicated that the companies for which they contract actively employ reward and punishment strategies on both their drivers and users to ensure high levels of professionalism and satisfaction.
According to the information generated by the study, many ride hailing service providers prefer suspending user accounts for pre-described periods (as indicated by 52% of the responses) as opposed to user account termination (represented by 48% of the total generated responses). The preference for suspension is probably because of the difficulty these companies can have to uniquely block users because of the ease of creating new accounts and the problem of reducing its market if they choose to terminate users each time a users’ misconduct is reported.
Companies also prefer the use of fare penalties (represented by 67% of the total generated responses) as opposed to blacklisting of users (indicated by 33% of the total generated responses) because while the former results in a conscious change in behavior prompted by the need to save money, the latter effectively reduces the companies’ client base and might give their competitors an edge in customer acquisition and retention.

Rewards play an instrumental role in the acquisition and retention of clients because it offers them more value for their money. However, if left unchecked, they can...
significantly reduce a company’s revenues denying it the capacity to carry out their operations effectively.

The information generated from the study indicates that more companies (represented by 53% of the total responses gotten) prefer to increase their user ratings as opposed to giving them a higher priority in ride allocation (only 47% of responses indicate companies employ this strategy). Part of the reason is that ride allocation is largely a prerogative of both users and the drivers in their vicinity making it hard for algorithmic manipulation and control. Also, it would result in possible discrimination against both their contractors and their clients resulting in negative brand publicity.

Figure 4.13: Reward Strategies applied for Good Clients

Source: (Research Data, 2017)

According to the information generated from the study, many ride hailing firms (represented by 92% of the total responses) actively use discounts to reward loyal customers and to encourage the uptake of their services in areas where their performance
is under par. The information further indicates that few companies (represented by 8% of the total responses) use or have established client loyalty rewards system in their rewards strategies.

**Figure 4.14: Reward Strategies applied for Good Clients (ii)**

![Pie chart showing reward strategies](image)

*Source: (Research Data, 2017)*

In addition, the information indicates that almost all ride hailing companies (represented by 97% of the total responses) actively carry out promotional and marketing activities to drive up their client acquisition and popularize their services. Only 3% of the responses indicated low service awareness activities by the companies for which they contract. Marketing and promotional activities have proven to increase the revenues of ride hailing companies resulting in higher profits for both them and their contractors and increasing their capacity to further improve their services allowing them to charge premium rates.
Since contractors are a major component of the ride hailing service model, it is important that companies in this sector ensure that their partners are happy with their revenue sharing formula. As a result, billing and price sharing systems are critical to the performance of any business in the sector. Billing ensures that customers are charged reasonable fares for their rides so as to increase their satisfaction and patronage. Revenue sharing ensures that contractors are paid commensurate to their troubles encouraging them to stay on with the company and adhere to the terms of their engagement.

According to the information gathered, the ratio of dissatisfied contractors is higher than those who are satisfied with their current billing and revenue sharing procedures. The former is given by 62.7% of total responses (extremely dissatisfied and those who are neither satisfied nor dissatisfied at 10% each, and 41.7% who are dissatisfied) while the latter comprises only 38.3% of the total responses (28.3% satisfied and 10% who indicate extreme satisfaction).
While the certainty of billing and pricing is an integral component of the ride hailing model, half of the generated respondents indicate that the structures their companies employ are often ambiguous and do not pass either test. Improving these elements can be instrumental in enhancing customer and contractor satisfaction translating into increased client acquisition and retention.

4.3.3 Focus Strategies

Focus strategies allow a company to narrow its target on specific elements of their products, services or processes to enhance their competitiveness and improve their overall performance. Ride hailing companies have three major areas for innovation including their ride hailing applications, their contractor procedures and their ride hauler procedures. Improving the efficiencies of the different parts of the ride hailing system
increases the overall efficiency of the model and offers a company more leverage in the sector.

According to the responses, most respondents (51.7%) agree, in varying degrees, that ride hailing companies maintain applications on several platforms to enhance the ease of access by users (mean=4.28, std. dev.=1.637). In addition, majority of responses (55%) also indicate that ride hailing companies ensure that their applications and services are easy to use and understand. However, while many (75%) agree that there is sufficient service reliability across platforms, 1.7% do not know of the cross platform reliability and 13.3% disagree that the applications work seamlessly regardless of where they are accessed. Many responses (50%) indicate that ride hailing companies act fast to restore any disruptions to their services. Majority of responses, however, indicate that ride hailing service providers do not inform them in good time of intended service down times leading to inconveniences.
<table>
<thead>
<tr>
<th>Table 4.4: Ride Hailing Company’s Ranking on Focus Strategy Parameters</th>
<th>Don’t know</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service is available on multiple platforms i.e. web, mobile and USSD</td>
<td>Freq</td>
<td>5</td>
<td>3</td>
<td>15</td>
<td>3</td>
<td>15</td>
<td>19</td>
<td>4.28</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>8.3</td>
<td>5</td>
<td>25</td>
<td>5</td>
<td>25</td>
<td>31.7</td>
<td></td>
</tr>
<tr>
<td>Applications are user friendly</td>
<td>Freq</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>24</td>
<td>33</td>
<td>5.5</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>40</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>Service availability is reliable on all available platforms</td>
<td>Freq</td>
<td>2</td>
<td>2</td>
<td>4</td>
<td>7</td>
<td>21</td>
<td>24</td>
<td>4.92</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>3.3</td>
<td>3.3</td>
<td>6.7</td>
<td>11.7</td>
<td>35</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Contractors and clients can report failures in service availability easily</td>
<td>Freq</td>
<td>1</td>
<td>0</td>
<td>8</td>
<td>6</td>
<td>31</td>
<td>8</td>
<td>4.7</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>1.7</td>
<td>0</td>
<td>13.3</td>
<td>10</td>
<td>61.7</td>
<td>13.3</td>
<td></td>
</tr>
<tr>
<td>Service availability issues are handled quickly and conclusively</td>
<td>Freq</td>
<td>0</td>
<td>3</td>
<td>11</td>
<td>13</td>
<td>30</td>
<td>3</td>
<td>4.32</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>0</td>
<td>5</td>
<td>18.3</td>
<td>21.7</td>
<td>50</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Service provider communicates planned interruptions in service availability in good time</td>
<td>Freq</td>
<td>2</td>
<td>2</td>
<td>24</td>
<td>9</td>
<td>16</td>
<td>7</td>
<td>3.93</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>3.3</td>
<td>3.3</td>
<td>40</td>
<td>15</td>
<td>26.7</td>
<td>11.7</td>
<td></td>
</tr>
</tbody>
</table>

Source: (Research Data, 2017)
4.4 Competitive Advantage

The information generated from the study indicates that most ride hailing companies have developed criteria for establishing and evaluating their competitiveness in the sector. According to 65% of the responses, most ride hailing firms experience low customer turnover rates while 48.3% of the responses indicate that the companies for which they contract have a good reputation in the hailing business. Majority of the contractors (53.3%) are further of the opinion that their companies endeavour to offer high quality services to their consumers while 43.3% believe that they have higher growth in sales compared to their competitors.

However, while 41.7% of the responses indicate that the companies they partner with have a higher profit growth, 16.7% of the responses indicate that the respondents do not think their companies have a profit advantage while 18.3% of the responses indicate that the respondents do not know about the profitability of the firms for which they contract (mean = 3.8, std. dev. = 1.56). In addition, most of the responses (represented by 61.7% who agree and 11.7% who strongly agree out of the total responses generated) indicate that their ride hailing companies actively invest in improving their services by increasing their capacity. Majority of the responses (55% in agreement and 16.7% in strong agreement) indicate that their companies concentrate the bulk of their investment into enhancing the capacity of their customer service.
<table>
<thead>
<tr>
<th>Parameter</th>
<th>Freq</th>
<th>Don't know</th>
<th>SD</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>SA</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>High customer retention rates</td>
<td>Freq</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>7</td>
<td>39</td>
<td>8</td>
<td>4.8</td>
<td>0.84</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>0</td>
<td>1.7</td>
<td>8.3</td>
<td>11.7</td>
<td>65</td>
<td>13.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Good reputation in the ride hailing industry</td>
<td>Freq</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>29</td>
<td>24</td>
<td>5.25</td>
<td>0.75</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>0</td>
<td>0</td>
<td>3.3</td>
<td>8.3</td>
<td>48.3</td>
<td>40</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Provision of high quality services</td>
<td>Freq</td>
<td>1</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>32</td>
<td>20</td>
<td>5.08</td>
<td>0.96</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>1.7</td>
<td>0</td>
<td>6.7</td>
<td>5</td>
<td>53.3</td>
<td>33.3</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Higher growth in sales compared to the competition</td>
<td>Freq</td>
<td>2</td>
<td>0</td>
<td>12</td>
<td>16</td>
<td>26</td>
<td>4</td>
<td>4.27</td>
<td>1.07</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>3.3</td>
<td>0</td>
<td>20</td>
<td>26.7</td>
<td>43.3</td>
<td>6.7</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Higher growth in profits compared to the competition</td>
<td>Freq</td>
<td>11</td>
<td>0</td>
<td>10</td>
<td>11</td>
<td>25</td>
<td>3</td>
<td>3.8</td>
<td>1.56</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>18.3</td>
<td>0</td>
<td>16.7</td>
<td>18.3</td>
<td>41.7</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment in increasing its capacity</td>
<td>Freq</td>
<td>10</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>37</td>
<td>7</td>
<td>4.27</td>
<td>1.63</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>16.7</td>
<td>1.7</td>
<td>5</td>
<td>3.3</td>
<td>61.7</td>
<td>11.7</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Emphasis on and investment in improving customer service levels</td>
<td>Freq</td>
<td>5</td>
<td>0</td>
<td>3</td>
<td>9</td>
<td>33</td>
<td>10</td>
<td>4.58</td>
<td>1.30</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td>8.3</td>
<td>0</td>
<td>5</td>
<td>15</td>
<td>55</td>
<td>16.7</td>
<td></td>
<td>6</td>
</tr>
</tbody>
</table>

Source: (Research Data, 2017)
4.5 Regression Results and Analysis

Table 4.6: Effect of Focus Strategies on Competitive Advantage

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), Focus Strategy

Source: (Research Data, 2017)

Table 4.7: Statistical Significance

<table>
<thead>
<tr>
<th>ANOVA&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: Competitive advantage

<sup>b</sup> Predictors: (Constant), Focus

Source: (Research Data, 2017)

The statistic, F(1, 58) = 29.971, p <0.05, shows that the regression model is statistically significant in predicting the dependent variable. Therefore, focus strategies among the ride hailing firms explains the variations in competitive advantage of ride hailing firms in Kenya. The R<sup>2</sup> = 0.341 indicating that 34.1 per cent of competitive advantage is explained by focus strategies among these firms. Therefore, focus strategies positively affect competitive advantage.
Table 4.8: Estimated Model Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unstandardized</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>2.290</td>
<td>.423</td>
</tr>
<tr>
<td>Focus</td>
<td>.558</td>
<td>.102</td>
<td>.584</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Competitive advantage

Source: (Research Data, 2017)

The beta coefficients: constant, $\beta_0 = 2.290$ ($t = 5.409$, $p< 0.05$) while focus strategies, $\beta_1 = 0.584$ ($t = 5.475$, $p< 0.05$). All the $p –$ values $< 0.05$ indicating that all the coefficients are significant.

Thus:

Competitive advantage = $2.290 + 0.584$ (focus strategies)

This implies that a unit change in focus strategies will result in 0.584 changes in competitive advantage.

Table 4.9: Effect of Cost Leadership Strategies on Competitive Advantage

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Cost leadership

Source: (Research Data, 2017)
Table 4.10: Statistical Significance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3.471</td>
<td>1</td>
<td>3.471</td>
<td>11.632</td>
<td>.001</td>
</tr>
<tr>
<td>Residual</td>
<td>17.308</td>
<td>58</td>
<td>.298</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>20.779</td>
<td>59</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Competitive advantage  
b. Predictors: (Constant), Cost leadership

Source: (Research Data, 2017)

The statistic, F(1, 58) = 11.632, p <0.00, shows that the regression model is statistically significant in predicting the dependent variable. Therefore, cost leadership strategies among the ride hailing firms explains the variations in competitive advantage of ride hailing firms in Kenya. The R² = 0.167 indicating that 16.7 per cent of competitive advantage is explained by cost leadership strategies among the ride hailing firms in Kenya.

Table 4.11: Estimated Model Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>3.336</td>
<td>.372</td>
<td></td>
</tr>
<tr>
<td>Cost leadership</td>
<td>.498</td>
<td>.146</td>
<td>.409</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Competitive advantage

Source: (Research Data, 2017)
The beta coefficients: constant, $\beta_0 = 3.336$ ($t = 8.965$, $p< 0.05$) while cost leadership strategies, $\beta_1= 0.409$ ($t = 3.411$, $p< 0.05$). All the $p$ – values < 0.05 indicating that all the coefficients are significant. Thus:

Competitive advantage = 3.336+ 0.409(cost leadership strategies)

Unit change in cost leadership strategy will result in 0.409 unit changes in competitive advantage.

### Table 4.12: Effect of Differentiation Strategies on Competitive Advantage

<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>.064*</td>
<td>.004</td>
<td>-.013</td>
<td>.5973172</td>
</tr>
</tbody>
</table>

*a. Predictors: (Constant), Differentiation*

**Source:** *(Research Data, 2017)*

### Table 4.13: Statistical Significance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>.086</td>
<td>1</td>
<td>.086</td>
<td>.240</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>20.694</td>
<td>58</td>
<td>.357</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>20.779</td>
<td>59</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*a. Dependent Variable: Competitive advantage*

*b. Predictors: (Constant), Differentiation*

**Source:** *(Research Data, 2017)*
The statistic, F(1, 58) = 0.240, p > 0.05, shows that the regression model is statistically insignificant in predicting the dependent variable. Therefore, the differentiation strategies used by the ride hailing firms does not explain the variations in competitive advantage of the firms in Kenya.

Table 4.14: Estimated Model Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unstandardized</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>4.446</td>
<td>.288</td>
</tr>
<tr>
<td></td>
<td>Differentiation</td>
<td>.059</td>
<td>.120</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Competitive advantage

Source: (Research Data, 2017)

Since the overall model is not statistically significant, then the differentiation strategies among the ride hailing firms does not affect the competitive advantage of the same firms.

Table 4.12: Multiple regressions

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Differentiation, Cost leadership, Focus

Source: (Research Data, 2017)
Table 4.13: Statistical Significance

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>7.857</td>
<td>3</td>
<td>2.619</td>
<td>11.350</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>12.922</td>
<td>56</td>
<td>.231</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>20.779</td>
<td>59</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- a. Dependent Variable: Competitive advantage
- b. Predictors: (Constant), Differentiation, Cost leadership, Focus

**Source:** (Research Data, 2017)

The statistic, $F(3, 56) = 11.350$, $p < 0.00$, shows that the regression model is statistically significant in predicting the dependent variable. Therefore, competitive strategies among the ride hailing firms explains the variations in competitive advantage of ride hailing firms in Kenya. The $R^2 = 0.378$ indicating that 37.8 per cent of competitive advantage is explained by competitive strategies among the ride hailing firms in Kenya.

Table 4.14: Estimated Model Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.909</td>
<td>.497</td>
<td>.497</td>
<td>3.844</td>
<td>.000</td>
</tr>
<tr>
<td>Focus</td>
<td>.476</td>
<td>.110</td>
<td>.498</td>
<td>4.312</td>
<td>.000</td>
</tr>
<tr>
<td>Cost leadership</td>
<td>.254</td>
<td>.141</td>
<td>.208</td>
<td>1.809</td>
<td>.046</td>
</tr>
<tr>
<td>Differentiation</td>
<td>.036</td>
<td>.096</td>
<td>.040</td>
<td>.376</td>
<td>.708</td>
</tr>
</tbody>
</table>

- a. Dependent Variable: Competitive advantage

**Source:** (Research Data, 2017)
The beta coefficients: constant, $\beta_0 = 1.909$ ($t = 3.844$, $p<0.05$); focus strategies, $\beta_1 = 0.498$ ($t = 4.312$, $p<0.05$) while cost leadership strategies, $\beta_2 = 0.208$ ($t = 1.809$, $p<0.05$). All the three $p$-values < 0.05 indicating that the coefficients are significant.

Thus

$$\text{Competitive advantage} = 1.909 + 0.498(\text{focus strategies}) + 0.208(\text{cost leadership strategies})$$

Therefore, the results of the study conclude that ride hailing companies attain stronger competitive advantage when they employ focus strategies. This is in reference to the companies investment and development of their ride hailing applications, improvement of contractor procedures and relationship and also, improvement of the procedures involved in hailing a taxi through their applications by ensuring they are available across many platforms.

Cost leadership’s influence on competitive advantage is weakened by the fact that other factors beyond the companies influence affect the cost model. It is difficult to review the costing model and have distinctly lower prices than competitors, as costing is also dependent on fuel price reviews and the effect on traffic on travel time. Factoring these in, the company’s are then unable to mark down their process distinctly as this will further increase the driving contractors’ dissatisfaction with the pricing model. This is especially sensitive as the ride hailing companies apply a business model that is only operational with contractors on board.
Further, the study established that all ride hailing companies, although in different degrees, invested heavily on client relationship building and management mostly because there is only so low they can go on service billing. Due to the multiple offering in the market, ride hailing companies cannot rely on price wars alone especially so with their larger clientele between the ages of 26 – 36 where costing is but part of their consideration in expenditure. The information obtained through the study showed that service and client relations weigh heavily on customer retention.

Based on these results, product differentiation by tailoring offers targeting clients based on their age brackets and location-based strategies have an insignificant impact on competitive advantage. This can be attributed to the fact that ride hailing competitors are spread across Nairobi and therefore given the narrow industry segment, there is always an alternative option should a company wish not to focus on a given area.

This study reinforces its foundational theories. The fact that ride hailing companies continually vary and adapt their strategies to match its environmental (technological innovation, organisational and environmental context) shows the theory at play in influencing competitive strategy formed for competitive advantage.

The study also proves that ride hailing service companies that are quick in innovation adoption are indeed those that rank highest in their competitive advantage in the market thus proving the tenets of the institutional theory discussed earlier in this paper to be true.

This study proves that while strategy may be about a company’s ability to compete, survive and thrive, it is the company’s product that makes the difference
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter functions to make overall conclusions and recommendations based on the arguments and assumptions that guided this research through the objectives it set out to facilitate its investigations into the problem statement.

5.2 Summary of Findings

The study identified that ride hailing service providers relied on a blend of competitive strategies to attain competitive advantage in the market. However, based on the data obtained, most of these companies relied on focus strategies, which include availability across multiple platforms, service reliability, enhanced contractor and client communication channels and accurate pricing and billing.

The study established that as far as competitive advantage is concerned, the biggest competitive strategy influencing client loyalty is the accuracy in billing costs and the client service received from the company. Given that all three of the companies forming the population of this study employed similar strategic approaches, the respondents agreed that the factor influencing client loyalty is first, the pricing model. Clients, especially those between 18-25 years of age will gravitate towards the provider with the lowest cost or the discounted promotion at the time. This is because most clients are registered on multiple ride hailing service provider applications to ensure that not only do they take advantage of the price wars between the companies but also, that they are able
to get service at their convenience. Therefore, accuracy in billing and pricing is an important consideration.

Client relations and customer service is another aspect of competitive strategies that was found to provide competitive advantage. The research established that the ride hailing companies invested a lot of their resources in their communication and response to client feedback. Further probing revealed that this ranged from the companies response to billing complaints, service availability and even, service failure or loss of items while on a ride. The heavy investment in building client relationships is an indicator that the companies rely a lot on this pillar as part of their competitive strategies. Customer focus strategies build customer loyalty and in return, gives the company a higher competitive advantage in the market.

In addition to focus strategies, heavy product promotion also influenced the ride hailing company’s competitive advantage. Instead of using reward strategies, promotional discounts on rides during particular seasons and events were offered to clients. This information is mainly circulated through the email addresses clients use to register themselves once they download the ride hailing service applications onto their mobile devices.
5.3 Conclusion

The study meets its first objective by identifying the competitive strategies ride hailing companies employ in Nairobi as being product differentiation, cost leadership and focus strategies. The study provides a detailed analysis of the competitive strategies ride hailing service providers employ in Nairobi and their effect on the competitive advantage attained within the sector therefore meeting its second objective. This analysis concludes that ride hailing firms are more likely to attain competitive advantage when they apply focus strategies.

Based on the findings thereof, accurate pricing and billing are the main pillars of the competitive strategies applied across board. Each of the three ride hailing services under the study were found to invest a lot into the marketing of their products by varying their costs in order to increase their service uptake. However, another major factor at play influencing the competitive advantage was the effect of the clients’ ages on operations and decision-making.

As such, based on the objectives laid out, the study found that competitive strategies employed do have an effect on the competitive advantage gained. In this way, the study meets its second objective by identifying the effect of competitive strategies on the competitive advantage attained within the ride hailing sector. Through the study, it was established that focus strategies have a greater influence on the competitive advantage gained by the companies.
It was especially clear that strategic communication and receptiveness to client feedback is a high influencer in growing one’s market share. On the other hand, it is also noted that ride hailing companies are highly focused on the customer with minimal investment in their driving partners. This is a huge gap that cut across board which, if well addressed, can further the growth of the companies as captured in the recommendations below.

5.4 Recommendations

Through the study, the researcher established the following recommendations for taxi hailing services in Nairobi, Kenya. The recommendations are based on the fact that all the companies in the sector would wish to increase their market share and enjoy competitive advantage over other similar service providers.

5.4.1 Enhance the Low Cost Model by encouraging uptake of cashless payments

Shifting towards visa or mobile transfer payments will improve the ride hailing companies’ ability to ensure that despite their bid to make the service available and affordable, they seal any loopholes that lead to loss of revenue. As is, the driver receives payments and submits the percentage owed to the company bi-weekly. This sometimes fails as the driver may delay or boycott remittance of the amounts owed leading to losses for the company resulting in reduced income and subsequently, reduced competitive advantage.
5.4.2 Actively Train both Contractors (drivers) and Staff to Improve Customer Service

With the knowledge that clients value customer service, other than investing in their application’s user interface and ensuring that complaints raised via phone or email are quickly responded to, ride hailing service providers should engage their staff through training on customer service. This is because they are the face of the company to the clients and without proper client handling can easily discourage the uptake of the service and thus work against the competitive strategies applied.

5.4.3 Acknowledge and Reward Loyalty and Innovation

Acknowledgement and rewarding of the best drivers based on parameters agreed to by the company such as performance or customer feedback will encourage loyalty and boost innovation through more open sharing of the intelligence received from the target market.

5.4.4 Enhance Communication Channels to Reduce Friction in the Model

Through the respondents’ feedback, the study established that there is poor communication between the ride hailing companies and their driver partners. Open channels of communication and feedback will provide the companies with useful insight that can help them better innovate their product to increase their growth in the market.

5.4.5 Enforce Active Logging of Complaints and Establishment of Best Practices

This practice will ensure that a learning environment, which allows for lessons learnt through the complaints raised by clients, is developed. Thereafter, the negative feedback
received feeds into the establishment of best practices that would ensure the companies are able to better compete in the market.

5.4.6 Invest in USSD Innovations to Increase Market Share
The study established that so far, only Little Cab has developed a means for clients to dial a short code on their device which allows them to hail a taxi without the use of an internet based platform. Increased use of such innovation would greatly increase the accessibility of the service for the other ride hailing companies as well.

5.5 Limitations of the Study
The study findings were obtained from ride hailing taxi drivers from the Westlands and CBD areas and therefore, the findings are a representation of a sample population. Time and costs involved in reaching the drivers outside the regions mentioned proved to be a constraint during the study. However, the respondents have a diverse reach of clients and have worked beyond the areas mentioned. This proved useful in widening their experience and as a result, the information they were able to provide.

5.6 Further Research
As the use of ride hailing taxi service providers continues to grow both in Nairobi and other cities and major towns in the country, this study recommends further study into the impact of the ride hailing companies on economic growth and its impact in the modernisation of the transportation system in the country. Future studies on the impact of ride hailing adoption on youth employment in major cities like Nairobi, Kisumu and Mombasa, all of which boast a growing number or ride hailing taxi service providers,
also forms an area that should be pursued through further research. Having ascertained through this study that the age group using and providing the service is largely between the ages of 26 – 35, further study in this area would shed light on the impact of these service providers on the local economy.

In addition, further studies should be done on legislation governing this sector of the transport industry. Being a recent adoption, it is important to also ascertain the role of legislation in ensuring ride hailing companies get a fair chance in the market while at the same time, ensuring that the drivers contracted are also receiving fair compensation through the billing systems adopted. At the time of this study, not much with regard to legislative framework was clearly defined.
REFERENCES


Industrial & Commercial Development Corporation. (2010). *Recommendations to the board on the proposed rehabilitation and lifting of receivership of Kenatco taxis*.

Industrial & Commercial Development Corporation. (2012). *Recommendations to the board on the proposed rehabilitation and lifting of receivership of Kenatco taxis*.


APPENDIX I: INTRODUCTION LETTER

EFFECT OF COMPETITIVE STRATEGIES ADOPTED BY RIDE HAILING COMPANIES TO SUSTAIN COMPETITIVE ADVANTAGE IN THE TAXI INDUSTRY

Questionnaire for Ride Hailing Contractors

Introduction

I am a postgraduate student undertaking a Master’s degree in Business Administration at the University of Nairobi. I am carrying out a study on the effect of competitive strategies adopted by ride hailing companies to sustain competitive advantage in the taxi industry. The successful completion of this research is a mandatory requirement for the award of a Master of Business Administration Degree in Strategic management. Not only will your cooperation be invaluable to the success its success, but it will also be treated with the utmost confidence. Yours assistance will be highly appreciated.

Best,

Neema Malowa
APPENDIX II: QUESTIONNAIRE FOR RIDE HAILING CONTRACTORS

Instructions

i) Kindly complete the questionnaire in its entirety.

ii) Use a tick (✔️) to indicate your most appropriate response where applicable.

Background Information

1. Gender: Male Female
2. Age: Age: 18-25  26-35  36-40  41-45  ☐ Over 45 Years
3. (a) Do you have any prior taxi industry experience?
   Yes No
   (b) If “Yes”, how long did you work in the mainstream taxi industry?
      Less than 1 year  1-2 years  More than 2 years
4. Which ride hailing service(s) do you currently contract for?
   Uber  Taxify  Little Cab
5. How many years have you worked with your current ride hailing service?
   Less than 1 year  1-2 years  Over 2 years
6. (a) Have you worked with other ride hailing service providers?
   Yes No
   (b) If “Yes”, why did you terminate the relationship?
      Low access to work  Poor revenue from low pricing  Poor relationship
      management by service provider  Bad customers  Uncertainty of terms of
      reference
   (c) If “Yes”, how long did you work with them?
      Less than 1 year  1-2 years  Over 2 years

Competitive Strategies

Product Differentiation

7. What is the age of most of the clients who use your services?
   18-25  26-35  36-40  41-45  Over 45 Years
8. From which location do you get the most hails?
   CBD  Westlands  Kileleshwa/ Kilimani/ Lavington/ Ngong Rd  Thika Road
   Eastlands/ Mombasa Road
9. In which pick up location do you often experience difficult clients?
10. In which pick up location do you often experience the best clients?

CBD  Westlands  Kileleshwa/ Kilimani/ Lavington/ Ngong Rd  Thika Road
Eastlands/ Mombasa Road

11. Your services appeal more to the younger more tech savvy consumers (both contractors and consumers)?

<table>
<thead>
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<th>Extremely dissatisfied</th>
<th>Neither satisfied or dissatisfied</th>
<th>Dissatisfied</th>
<th>Satisfied</th>
<th>Extremely satisfied</th>
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Cost Leadership

12. Does your service provider have reward and punitive measures in place for clients?

Yes  No

13. Which strategies do they use for reward and punishment?

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<th>Punishment Strategies</th>
<th>Reward Strategies</th>
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<tr>
<td>User account termination</td>
<td>Increasing user ratings</td>
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<tr>
<td>User account suspension</td>
<td>User receiving high priority in the system</td>
</tr>
<tr>
<td>Fare penalties</td>
<td>Ride discounts</td>
</tr>
<tr>
<td>Blacklisting of users</td>
<td>Loyalty rewards system</td>
</tr>
</tbody>
</table>

14. Does your service provider actively carry out promotional activities on their services?

Yes  No

15. What is your level of satisfaction with the billing system and price sharing system of your service provider?

<table>
<thead>
<tr>
<th>Extremely dissatisfied</th>
<th>Neither satisfied or dissatisfied</th>
<th>Dissatisfied</th>
<th>Satisfied</th>
<th>Extremely satisfied</th>
</tr>
</thead>
</table>

Focus Strategies

16. How does your service provider’s rank in the following parameters?
| Service is available on multiple platforms i.e. web, mobile and USSD | Don’t know | Strongly disagree | Disagree | Neither agree nor disagree | Agree | Strongly agree |
| Applications are user friendly | Don’t know | Strongly disagree | Disagree | Neither agree nor disagree | Agree | Strongly agree |
| Pricing and billing are certain and accurate | Don’t know | Strongly disagree | Disagree | Neither agree nor disagree | Agree | Strongly agree |
| Service availability is reliable on all available platforms | Don’t know | Strongly disagree | Disagree | Neither agree nor disagree | Agree | Strongly agree |
| Contractors and clients can report failures in service availability easily | Don’t know | Strongly disagree | Disagree | Neither agree nor disagree | Agree | Strongly agree |
| Service availability issues are handled quickly and conclusively | Don’t know | Strongly disagree | Disagree | Neither agree nor disagree | Agree | Strongly agree |
| Service provider communicates planned interruptions in service availability in good time | Don’t know | Strongly disagree | Disagree | Neither agree nor disagree | Agree | Strongly agree |

**Competitive Advantage**

17. How do you score your service provider on the following factors?
<table>
<thead>
<tr>
<th>High customer retention rates</th>
<th>Don’t know</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neither agree nor disagree</th>
<th>Agree</th>
<th>Strongly agree</th>
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</thead>
<tbody>
<tr>
<td>Good reputation in the ride hailing industry</td>
<td>Don’t know</td>
<td>Strongly disagree</td>
<td>Disagree</td>
<td>Neither agree nor disagree</td>
<td>Agree</td>
<td>Strongly agree</td>
</tr>
<tr>
<td>Provision of high quality services</td>
<td>Don’t know</td>
<td>Strongly disagree</td>
<td>☒ Disagree</td>
<td>Neither agree nor disagree</td>
<td>Agree</td>
<td>Strongly agree</td>
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<tr>
<td>Higher growth in sales compared to the competition</td>
<td>Don’t know</td>
<td>Strongly disagree</td>
<td>☐ Disagree</td>
<td>Neither agree nor disagree</td>
<td>Agree</td>
<td>Strongly agree</td>
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<tr>
<td>Higher growth in profits compared to the competition</td>
<td>Don’t know</td>
<td>Strongly disagree</td>
<td>Disagree</td>
<td>Neither agree nor disagree</td>
<td>☐ Agree</td>
<td>Strongly agree</td>
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<tr>
<td>Investment in increasing its capacity</td>
<td>Don’t know</td>
<td>Strongly disagree</td>
<td>☐ Disagree</td>
<td>Neither agree nor disagree</td>
<td>Agree</td>
<td>Strongly agree</td>
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<tr>
<td>Emphasis on and investment in improving customer service levels</td>
<td>Don’t know</td>
<td>Strongly disagree</td>
<td>Disagree</td>
<td>Neither agree nor disagree</td>
<td>Agree</td>
<td>Strongly agree</td>
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18. Thank you for completing this questionnaire. Statistics will be published, but your individual answers are treated in confidence and will not be shared by third parties.
# Effect of Competitive Strategies Adopted by Ride Hailing Companies in Nairobi, Kenya to Sustain Competitive Advantage in the Taxi Industry

## Originality Report

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