

**STRATEGIES ADOPTED BY COURIER FIRMS TO COPE WITH
ENVIRONMENTAL CHALLENGES AFFECTING THE COURIER
SERVICES INDUSTRY IN KENYA**

BY

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DECLARATION

I hereby declare that this research project is my original work and has not been presented for a degree in any other university.

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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 dedicate this project first to the Almighty God for His provision, care, grace and strength that saw me through the two years of study.

To my mum, Joyce Mwova for her love and encouraging words, counsel and guidance in my pursuit to excel in my career. To my friends Ruth Nyamai, Paul Musyoki and my sister Lauren Mwanzia for being on call to assist me with some family responsibilities while I was away doing my research.

To my boss Brian Muthiani, for allowing me time off to study and carry out my research.
To all my friends who believed in me and encouraged me all the way

To my son, Ian Mwendwa, for his endurance when he needed me most and I was away doing my research. You inspired my desire to complete the project. I know you will do greater things in your time!

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To the respondents at the different courier firms who willingly participated in the study and provided me with information about their firms and the courier industry in Kenya, I say a big thank you.

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ABSTRACT

The objective of this study was set to establish the strategies adopted by courier firms to cope with environmental challenges in the industry in Kenya. The courier industry, which is regulated by the Communications Commission of Kenya, was liberalized in 1998, opening doors to stiff competition for the Postal Corporation of Kenya which had been a monopoly. The data and information received in this study presented the similarities and differences in management practices in different courier companies in strategy selection and application of popular strategic management concepts. Establishing the firms' actions in coping with challenges in the external industry environment, and identifying the challenges in the industry enabled the researcher to relate the findings of the study with the research question on the appropriateness of strategies adopted, since some courier firms have succeeded in coping with the environmental challenges in the industry, while others have not.

The descriptive sample survey research method was used to collect the data. A sample of 50 courier firms within 47 counties in the country was selected, and the data was collected through a self administered questionnaire sent to the respondents on email and through the drop and pick method. The data was analysed, summarised and conclusions drawn based on the firm profiles received and the strategic options presented. It was found out that different category licensees adopted various strategies in an endeavour to cope with various challenges in the industry including increasing competition, unlicensed entrants, high operational costs and regulatory influence. The most popular strategies included using better information systems that make customer service fast and reliable, offering high quality, better terms, value added services, and offering unique services to customers that are not offered by competitors. Differentiation was the most popular generic strategy, with diversification being the least favoured and applied grand strategy.

The limitations of the study included restricted access to information, unreachable selected courier firms, and unwilling respondents who did not wish to participate in the study. The findings of this study support the fact that strategy is a fundamental ingredient

for success and that to survive and thrive in a challenging business environment, every firm needs a strategy. The findings of the study also help to inform policy on management of courier companies in Kenya, and can be used as a source of reference by managers and strategists in courier firms, scholars of strategic management, researchers and stakeholders in the courier services industry in Kenya

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LIST OF ABBREVIATIONS AND ACRONYMS

CCK	Communications Commission of Kenya
CIAK	Courier Industry Association of Kenya
DHL	DHL Express is a division of Deutsche Post
EMS	Express Mail Services
FedEx	Federal Express
KEBs	Kenya Bureau of Standards
KRA	Kenya Revenue Authority
PCK	Postal Corporation of Kenya
TNT	TNT Express Holdings B.V.
UPS	United Parcel Service

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

All companies operate in a macro environment shaped by influences emanating from the economy at large, population demographics, societal values and lifestyles, government legislation, technological factors and closer to home, the industry and competitive arena in which the company operates (Thompson, Strickland and Gamble, 2007). Business firms exist in an open system, and they are affected by external conditions that are largely beyond their control (Pearce, Robinson and Mital, 2010). A firm's external environment consists of three interrelated sets of factors that play a principal role in determining the opportunities, threats and constraints that the firm faces (Pearce, Robinson and Mital, 2010).

According to Porter (1998), although the relevant environment is very broad, encompassing political, economic, social, technological, and legal forces, the key aspect of a firm's environment is the industry in which it operates. The industry structure strongly influences the strategies available to a firm; it can threaten the ability of a firm to either maintain or create competitive advantage (Porter, 1998). The state of competition in an industry depends on five basic competitive forces; the collective strength of which determines the ultimate profit potential of the industry (Porter, 1998). According to Pearce, Robinson and Mital (2010), to successfully position a firm in competitive situations, its strategic managers must thoroughly understand its industry and competition, which entails understanding the key issues in the industry environment, the industry boundaries, and the industry structure and competitor analysis. An organization needs to constantly monitor and adapt to external changes proactively or reactively.

Courier companies in Kenya operate as government corporations, franchises, independents, or multinationals. Since market liberalisation in 1998, the Communications Commission of Kenya (CCK) has licensed about 160 courier companies.

The courier firms offer delivery services for mail, parcels and bulk deliveries, locally and internationally. The Postal Corporation of Kenya offers courier services through a brand name known worldwide as Express Mail Services (EMS). EMS is a fast way to send documents and merchandise as top priority mail. It provides reliable and fast door-to-door deliveries for both domestic and international items (PCK, 2011). The licensed courier operators have about 670 outlets while the Postal Corporation of Kenya (PCK), which has been struggling to stay relevant in the advanced technology era, has 744 outlets countrywide (Kagwe, 2011). Over the last few years, the courier industry has experienced exponential growth in profitability, assets, service offering and human resource, but has also been facing various environmental challenges. Identifying and establishing the strategies adopted by courier companies to cope with environments challenges in the industry in Kenya is important for understanding the industry, opportunities and threats confronting the firms, their impacts and influence, the range of business options available, and strategic actions that can maximize on business performance.

1.1.1 Concept of Strategy

Strategy is important for any business as it lays out a roadmap or plan for the business' long term objectives and goals, future activities and provides direction to leaders and employees. Strategy refers to the fundamental pattern of resource deployment and interactions with the environment that indicate how the organization will achieve its objectives (Hofer and Schendel, 1978). Ohmae (1983) suggests that strategy is about trying to influence, where possible, the external environment in which the company operates; differentiating to add unique value to products and services and thoroughly understanding the market place, its segmentation and customers. Mintzberg (1987) argues that strategy like marketing which has its 4Ps (product, place, promotion, price) should have 5Ps, namely plan, ploy, pattern, position and perspective. According to Johnson, Scholes and Whittington (2008), strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholder

expectations. They define strategy as being concerned with position, choice and action, and suggest that when actually deciding and planning strategy, a framework is needed.

A company's strategy is partly proactive and partly reactive. The evolving nature of a company's strategy means that the typical company strategy is a blend of proactive actions to improve the company's financial performance and secure a competitive advantage and, as needed reactions to unanticipated developments and fresh market conditions (Thompson, Strickland and Gamble, 2007). It consists of competitive moves and business approaches that managers are employing to grow the business, attract and please customers, compete successfully, conduct operations, and achieve the targeted levels of organizational performance (Thompson, Strickland and Gamble, 2007). According to Drucker (1994), a firm's strategy is its theory of how to achieve high levels of performance in the markets and industries within which it operates. According to Johnson and Scholes (2002), strategies exist at several levels in any organisation ranging from the overall business (or group of businesses) through to individuals working in it namely: Corporate strategy, business unit strategy and operational strategy.

1.1.2 The External Environment and the Organization

The organization's operations are affected by the external environment and it also impacts on the environment. The external environment consists of the remote environment, the industry environment and the operating or task environment. The industry environment is the general conditions for competition that influence all businesses that provide similar products and services (Pearce, Robinson and Mital, 2010). Environmental changes shape opportunities and challenges facing organizations in Kenya. There is a need to adjust to these changes to remain successful in the present and the future. Ideally an organization wants a close match of its strategy with its environment which is underpinned by its resources and values (Capon, 2008). Assessing the potential impact of the changes in the external environment offers a real advantage for decision makers to narrow the range of business options available, and eliminate options

that are clearly inconsistent with the forecast opportunities (Pearce, Robinson and Mital, 2010). It is imperative for the organization to conduct an industry analysis for an efficient strategic management process.

According to Barney (2007), the primary objective of analyzing the threats and opportunities in a firm's environment is to evaluate the overall economic attractiveness of the industry. Barney (2007) suggests that highly attractive industries are characterized by significant opportunities and only limited threats; while highly unattractive industries are characterized by significant threats and only limited opportunities. The average performance of firms in economically very attractive industries will be greater than the average performance of firms in economically unattractive industries (Barney, 2007). Managers must analyze the threats in the external environment so that they can be more effective in developing strategies to neutralize them. Opportunities in an environment are associated with the industry's structure (Porter, 1998). Each environment presents different opportunities and competitive strategies are pegged on the type of industry environment (Porter, 1998). It is through strategic management that a firm will be able to position and relate itself to the environment to ensure its continued success and secure itself from surprises brought about by the changing environment (Ansoff and McDonnell, 1990). Strategic responses become a valuable asset and involve capability building to respond quickly to changing market conditions. Such capability usually involves investing in diverse resources and possessing a wide array of strategic options (Bowman and Hurry, 1993).

1.1.3 Courier Firms in Kenya

The courier industry offers mail delivery service, ranging from small envelopes, parcels, newspapers, bulk paperwork to packaged deliveries. PCK offers courier service through EMS Kenya. More and more businesses are increasingly outsourcing mail delivery in order to concentrate on their core business. Delivery services are offered within a city, within the country, the region, or to and from countries abroad. The courier companies use foot couriers, motorcycles, delivery vans, and trucks for larger volumes of deliveries.

For international services, most courier companies in Kenya have to use the passenger aircrafts and therefore have arrangements and accounts with different airlines. There is a general courier facility at the Jomo Kenyatta International Airport that serves all international operators. DHL has its own facility. The industry is regulated by the Communication Commission of Kenya (CCK). There is an umbrella body, the Courier Industry Association of Kenya (CIAK), whose role is to set service standards, ensure courier operators engage in discussions and negotiations with industry stakeholders such as the Kenya Revenue Authority, Kenya Bureau of Standards, the Kenya police anti narcotics unit, Kenya Wildlife service and the Local government authority, for the development of the courier business in the country and operation facilitation. CIAK also provides information on various activities that the member courier companies can engage in as part of corporate social responsibility.

When the courier industry was liberalised in 1998, the number of courier service firms which had been licensed till early 2000 were 21. There are 116 licensed postal- courier firms according to CCK statistics (2011), and over 600 firms operating in the industry according to a stakeholder forum held in Nairobi on April 18, 2011. 75% of the licensed postal courier companies are based in Nairobi (CCK, 2011). According to data from CCK (2011), the industry contributes approximately Ksh 12 billion to the Kenyan economy annually and is expected to continue growing. The industry market structure consists of categories of operators who have different responsibilities. They include the Public Postal operator, International operators, International inbound only, Regional operators, Intra-country operators, Intra-city operators, and document exchange operators.

There are various environmental challenges affecting the courier industry in Kenya today including emerging new internet capabilities and applications, changes in customers who use the courier services, increased competition especially from unlicensed firms, declining sales, changes in cost and efficiency mainly fuel, labour, electricity, printing paper and equipment/ facilities, high licensing and operating fees, regulatory influence and government regulations. All courier companies have to abide by the legal system, new laws and regulations are constantly added due to the political or social changes.

Compliance can result in additional cost, developing new technology, additional taxes or legal fees. One such example is the CCK proposed license fees of 0.5% of audited gross revenue or the fixed fees, whichever is higher (CCK, 2011). Moreover, a contribution of 1% of gross revenue by postal courier operators to the Universal Postal Fund had also been proposed (CCK, 2011). CIAK through its Chairperson urged CCK to reduce the fees and contributions to an affordable level.

According to Wafula (2011), forty two licenses of courier operators were cancelled by CCK due to failure to comply with the terms of their licenses or being placed under receivership. “Among those operating without licenses included bus companies, matatu saccos, motorcycles and individuals doing the business door to door,” the industry association said (Kagwe, 2011). The monopoly of the Postal Corporation of Kenya (PCK), which has a preserve of basic courier services for letters, with a weight of 350 grams and below, is a situation which continues to raise concern on the courier service rates for letters charged by other courier firms, as they are supposed to charge at least five times the basic rate offered by the PCK, hence discouraging prospective retail customers from using the courier services. CIAK through its Chairperson termed the regulation as discriminative in the 2011 Stakeholder forum, and requested an amendment of the Universal service fund to create a level playing field for all courier operators (CCK, 2011). The PCK has a market share of 40% to 50% (Wafula, 2011). The PCK recorded a 6.4% drop in revenue to Ksh. 3 billion from Ksh. 3.2 billion even as it increased its investments from Ksh. 26 million to Ksh. 120 million in 2009 (Wafula, 2011).

Security risks and processes resulting from the risks; drugs, prohibited items and restricted items through the postal courier service have found their way into the courier service system and processes. Operators attending the 2011 stakeholder forum were called on to adhere to strict requirements that prioritize speed and safety covering the entire process from receiving consignments, packing feasibility, manifesting, labelling, trace and tracking up to delivering the consignment to the addressee. The courier services provided have expanded in such a way that one cannot differentiate one company from another with so many calling themselves one-stop logistics companies.

Courier operators have to brace up to the challenges posed by globalization, if the industry must move forward. Globalization and advancement in technology have indeed brought changes to the industry including the use of sophisticated technology in operations and management, order processing, warehousing and so forth. Indeed it is not an easy game for local players unlike foreign major companies such as FedEx, TNT, DHL and UPS who have the capacity to employ the most advanced technology.

The Minister for Information and Communication in the 2011 stakeholder forum urged courier operators to avail themselves of the emerging opportunities in the information and communication technology, and their operations should be shaped by customers' expectations, technology, regulation and deregulation, and globalization (CCK, 2011). The CIAK secretary listed the challenges facing the industry as poor training and awareness, poorly trained employees, poor value system, access to capital, competition and poor infrastructure such as roads and inadequate street naming. In both urban and rural areas, most streets, buildings and residential houses are unnamed and unmarked leading to poor service to customers arising from unallocated addresses, delayed deliveries, and requests for customers to collect their packages from the company's collection or receipt points. The PCK and Local authority were urged to embark on the naming process to improve service standards by the courier operators (CCK, 2011). Key factors for success in this industry in Kenya include technological, operations related, marketing related success factors and skills and capabilities. Others are overall low costs, convenient locations, fast and efficient customer service, a strong balance sheet and access to financial capital.

1.2 Statement of the Problem

The external environment is where opportunities and threats arise to confront the organization (Capon, 2008). A firm can survive and grow only when it continuously and quickly adapts to the environment. Strategy can be defined as the determination of basic long term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals (Chandler 1962).

According to Mintzberg (1987), strategy is a mediating force between the organization and its environment; consistent patterns of streams of organizational decisions to deal with the environment.

The courier industry has been experiencing many environmental challenges, some of which have been addressed through regulations, forums and memorandum of understanding with major stakeholders, as in the annual stakeholder forums (CCK, 2011). Courier firms have been forced to make adjustments in their strategies, not only to compete and succeed, but also to survive. They have adopted strategies such as Mergers and Acquisitions, Joint ventures, Downsizing, Diversification, Restructuring, and Strategic pricing some of which have been successful while others failed to cope with environmental challenges in the industry such as competition, technological advancements, socio cultural changes, and rising costs. Does the problem therefore lie in the appropriateness of the strategies adopted by the firms in this industry?

Numerous studies have been carried out in Kenya to confirm a changing business environment and the need for courier firms to strategize. These include: Market positioning strategies adopted by courier companies in Kenya (Awino, 2008), Strategies adopted by Postal Corporation of Kenya to gain competitive advantage in the mail subsector in Kenya (Kimani, 2009), and Positioning strategies adopted by firms that offer courier services in Kenya (Bosuben, 2009). The strategic responses identified in these studies include market development, human resource development, innovation, overall low cost leadership, mergers, information technology development, differentiation, and focus. The macro environment, the industry environment in Kenya and the field of strategic management has changed in the last two years, and none of the studies have been specific on strategies adopted by courier firms to cope with external environmental challenges affecting the courier services industry in Kenya. The concern then is how new and existing courier firms will survive and thrive in a dynamic environment. This study seeks to fill this gap by answering the question: What strategies have courier firms adopted to cope with environmental challenges affecting the courier services industry in Kenya?

1.3 Research Objective

The objective of this study was to establish the strategies adopted by courier firms to cope with environmental challenges affecting the courier services industry in Kenya.

1.4 Value of the Study

The findings of this study will increase theoretical and empirical knowledge in strategic management by establishing the strategies adopted by courier companies in Kenya to cope with external environmental challenges that is grand strategies, generic strategies and resourcing strategies. The study will also present the similarities and differences in management practices in different courier companies in strategy selection and application of popular strategic management concepts. The findings of the study will also help inform policy on management of courier companies in Kenya, and can be used as a source of reference and a basis for further research into the industry by scholars and researchers in strategic management.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are concept of strategy, the external environment and the organization, and response strategies

2.2 Concept of Strategy

Strategy of an organization is the roadmap towards attainment of its long term objectives and goals. According to Ohmae (1983), what business strategy is all about is, in a word, competitive advantage and the sole purpose of strategic planning is to enable a company to gain, as efficiently as possible, a sustainable edge over its competitors. Corporate strategy thus implies an attempt to alter a company's strength relative to that of its competitors in the most efficient way (Ohmae, 1983). The 3C's model by Ohmae, points out that a strategist should focus on three key factors for success. In the construction of a business strategy, three main players must be taken into account: the Corporation, the Customer, and the Competitors. Only by integrating these three C's (Corporation, Customer, Competitors) in a strategic triangle, a sustained competitive advantage can exist (Ohmae, 1983).

According to Mintzberg (1987), strategy like marketing which has its 4Ps (product, place, promotion, price) should have 5Ps, namely plan, ploy, pattern, position and perspective. Strategy is a plan; some sort of consciously intended course of action, a guideline (or set of guidelines) to deal with a situation. Plans are intended strategy. Strategies are made in advance of the actions to which they apply, and they are developed consciously and purposefully. A strategy can be a ploy too; just a specific maneuver intended to outwit an opponent or competitor. Strategy is a pattern; specifically, a pattern in a stream of actions. Strategy is consistency in behaviour, whether or not intended. Patterns are realized strategy; and emergent strategies are those where patterns develop in the absence of intentions, or despite them, and strategy takes shape over time as goals meet a

changing reality. Strategy is a position; specifically a means of locating an organization in an environment, and becomes the mediating force, or "match", between organization and environment, that is, between the internal and the external context. Strategy is a perspective; its content consisting not just of a chosen position, but of an ingrained way of perceiving the world. Strategy in this respect is to the organization what personality is to the individual. What is of key importance is that strategy is a perspective shared by members of an organization, through their intentions and / or by their actions (Mintzberg, 1987).

According to Johnson, Scholes and Whittington (2005), Strategy is the direction and scope of an organisation over the long-term: which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations. According to Johnson and Scholes (2002), strategies exist at several levels in any organization - ranging from the overall business (or group of businesses) through to individuals working in it. Corporate Strategy is concerned with the overall purpose and scope of the business to meet stakeholder expectations. This is a crucial level since it is heavily influenced by investors in the business and acts to guide strategic decision-making throughout the business. Corporate strategy is often stated explicitly in a "mission statement". Business Unit Strategy is concerned more with how a business competes successfully in a particular market. It concerns strategic decisions about choice of products, meeting needs of customers, gaining advantage over competitors, exploiting or creating new opportunities. Operational Strategy is concerned with how each part of the business is organized to deliver the corporate and business-unit level strategic direction. Operational strategy therefore focuses on issues of resources, processes and people.

Strategy is about competitive positioning, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors (Porter, 1986). Strategy is the choice of an attractive industry and good positioning within that industry (Porter, 1985). According to Porter (1998), there are three generic strategies that are viable approaches to dealing with the competitive forces in an industry namely; focus, differentiation and overall cost leadership. A firm that is

stuck in the middle is one which fails to develop its strategy in at least one of the three directions (Porter, 1998). According to Andrews (1980), Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities.

Strategy, according to Ansoff (1965) is an operator that is designed to transform the firm from the present position to the position described by the objectives, subject to the constraints of the capabilities and the potential. Strategy is the common thread to define all elements linking the strategies of product/market development of a business which is based upon three factors: (a) the product/market scope which specifies the particular industries to which the company confines its product/market position; (b) the growth vector which indicates the direction in which the company is moving with respect to its current product/ market position; and (c) the competitive advantage which seeks to identify particular properties of individual product/markets that will give the company a strong competitive position (Ansoff, 1965).

Strategy is the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. A well-formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based upon its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponent (Mintzberg, Lampel, Quinn and Ghoshal, 2003). According to Mintzberg et al (2003), all types of businesses require some sort of strategy in order to be successful; otherwise their efforts and resources will be spent haphazardly and likely wasted.

2.3 The External Environment and the Organization

The organization is an open system and its operations, growth and survival are influenced by the external environment. An organization has little or no control over its environment but needs to constantly monitor and adapt to these external changes, through proactive or

reactive responses. The external environment consists of the general and specific environments (Wheelen and Hunger, 1995). The general environment consists of broad external conditions that may affect the organization. These general forces do not directly touch on the short run activities of the organization but can, and often do, influence its long run decisions. They are economic forces that regulate the exchange of materials, money, energy, and information; technological forces that generate problem solving inventions; political-legal forces that allocate power and provide constraining and protecting laws and regulations; and socio-cultural forces that regulate the values and customs of society (Wheelen and Hunger, 1995).

The specific environment is directly relevant to the organization, and impacts on its ability to achieve its goals. According to Wheelen and Hunger (1995), the corporation's task environment typically is the industry within which it operates. Industry opportunities and threats define the competitive environment, with its attendant risks and potential rewards (Porter, 1998). There is need to focus on issues and challenges specific to the firm's industry and conduct an industry analysis for efficient strategic management process (Porter, 1998). The state of competition in an industry depends on five basic competitive forces, which are shown in figure 1.1; the collective strength of which determines the ultimate profit potential of the industry (Porter, 1998).

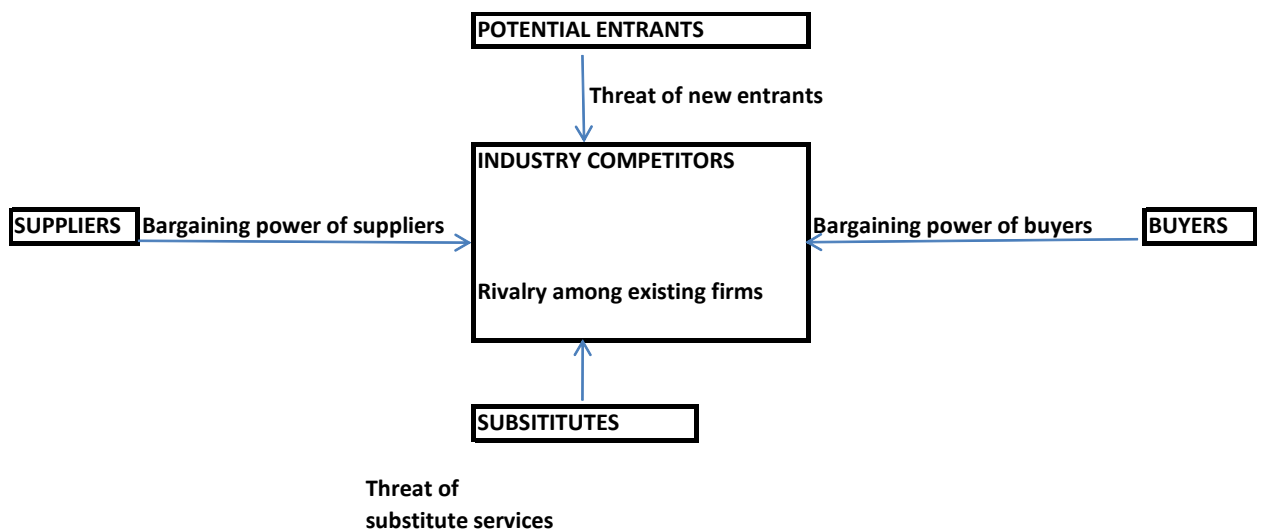


Figure 1.1: Forces driving industry competition, Porter (1998).

According to Porter (1998), in scanning its industry, a corporation must assess the importance to its success of the six forces: The collective strength of these forces determines the ultimate profit potential in the industry, and the nature and extent of competition. The stronger each of these forces is, the more companies are limited in their ability to raise prices and earn greater profits. A strong force can be a threat, likely to reduce profits. A weak force can be an opportunity, may allow greater profits (Porter, 1998). Analyzing the industry using a five forces model helps a company choose competitive strategy options.

Over time, most industries evolve through a series of stages from growth to maturity to eventual decline. The strength of each of the six forces varies according to the stage of industry evolution. According to Porter (1998), there are five generic industry environments namely: fragmented industries, emerging industries, mature industries, declining industries and global industries. Each environment presents different opportunities and competitive strategies are pegged on the type of industry environment. Managers need to understand this concept when developing strategies for competitive advantage, by identifying the environment their firm is competing in, the threats and opportunities facing it and also recognizing strategic groups in the industry. The attractiveness of a strategic alternative will be affected by its perceived compatibility with the principal stakeholders in a corporation's task environment (Wheelen and Hunger, 1995)

2.4 Response Strategies

A company's strategy is partly proactive and partly reactive. It is a blend of proactive actions to improve the company's financial performance and secure a competitive advantage, and as needed reactions to unanticipated developments and fresh market conditions (Thompson, Strickland and Gamble, 2007). In responding strategically to the environment, the goal is to reduce identified threats and take advantage of the best opportunities. According to Pearce, Robinson and Mital (2010), corporate strategists in single business or dominant business firms face a choice among fifteen grand strategies directed towards achieving long term business objectives.

2.4.1 Grand Strategies

Concentrated growth is a grand strategy focusing on a specific product and market combination. It directs the firm's resources to profitable growth of a single product, in a single market, with a single dominant technology. The rationale is that the firm develops and exploits its expertise in a delimited competitive arena. The firm is strongly committed to its current products and markets and strives to solidify its position by reinvesting resources to fortify its strengths. There are conditions for success of this strategy whereby the firm's industry environment is resistant to major technical advancements, the firm's targeted markets are not product saturated, the firm's inputs are stable in price and quantity and are available in the amounts and at the times needed, the firm's product markets are sufficiently distinctive to dissuade competitors from entering the firm's segment, and there is a stable market and no seasonal swings that could encourage the firm to diversify.

Market development consists of marketing present products, often with only cosmetic modifications, to customers in related market areas by adding channels of distribution, or by changing the content of advertising or promotion such as local, national, regional or international expansion where a firm opens branch offices in new cities, states, or countries, or it switches from advertising in trade publications to advertising in newspapers. It is chosen if managers feel that existing products would be well received by new customer groups. Product development is a grand strategy which involves the substantial modification of existing products or the creation of new but related products that can be marketed to current customers through established channels. It is adopted either to prolong the lifecycle of current products or to take advantage of a favorite reputation or brand name. An example is developing new features, quality variations or additional models and sizes of a product.

Innovation is a grand strategy that seeks to reap the premium margins associated with creation and customer acceptance of a new or greatly improved product or service.

The rationale is to create a new product life cycle and thereby make similar existing products obsolete. Horizontal integration is a grand strategy based on growth through the acquisition of one or more similar firms operating at the same stage of production-marketing chain. The acquisition eliminates competitors and provides the acquiring firm with access to new markets, improved economies of scale, increased efficiency of capital use. Horizontal integration makes accessible a quick increase in output capacity and expands a firm's fundamental competitive advantage: its management

Vertical integration is a grand strategy where a firm acquires firms that supply it with inputs or that are customers for its outputs such as acquiring warehouses. It enables a firm to reduce risk by reducing uncertainty about inputs or access to customers. Forward integration involves acquisition of a firm nearer to its ultimate customer, while backward integration involves acquisition of a firm nearer to its supplier. Concentric diversification is a grand strategy that involves acquisition of businesses that are related to the acquiring firm in terms of technology, markets, or products, resources requirements, and distribution channels. The combined company profits increases the strengths and opportunities and decreases the weaknesses and exposure to risk, acquisition results to synergies but not complete interdependence. Conglomerate diversification is a grand strategy where a firm plans to acquire a business because it represents the most promising investment opportunity available. The principal concern of the acquiring firm is the profit pattern of the venture.

For any of a large number of reasons, a firm can find itself with declining profits. Turnaround is a grand strategy of cost reduction and asset reduction by a company to survive and recover from declining profits. A turnaround situation represents absolute and relative to industry declining performance of a sufficient magnitude to warrant explicit turnaround actions. The business gains new strengths from streamlining its operations and elimination of waste. Retrenchment involves pruning the current activities of a business. Divestiture involves the sale of a firm or a major component or unit of the firm as a going concern. Where retrenchment fails to acquire the desired turnaround, or when a non-integrated business activity achieves an unusually high market value, strategic managers often decide to sell the firm.

Reasons for divestiture include partial mismatches between the acquired firm and the parent corporation, corporate financial needs such as raising capital, and government anti-trust action when a firm is believed to monopolize or unfairly dominate a particular market.

Liquidation is a grand strategy that involves the sale of assets of a business for their salvage value. The firm typically is sold in parts, only occasionally as a whole- but for its tangible asset value and not as a going concern. It is the least attractive of the fifteen grand strategies as the managers are admitting failure. Faced with bankruptcy, the firm tries to develop a planned and orderly system that will result in the greatest possible return and cash conversion as the firm slowly relinquishes its market share. Bankruptcy is a strategy applied when a company is unable to pay its debts as they become due, or has more debts than assets and must close its doors. It is a situation where Investors lose money, employees lose jobs, and managers lose credibility. Reorganization bankruptcy is whereby a firm offers creditors a carefully designed alternative to forcing an immediate, but fractional repayment of its financial obligations. Managers in this case want to convince the creditors they will succeed in the market place if a new strategy is implemented that will produce profits

A joint venture is a grand strategy in which companies create co- owned business that operates for their mutual benefit. The cooperative arrangement provides the both the funds needed and processing and marketing capacities for success in a particular competitive environment. Strategic alliances are contractual partnerships because companies involved do not take an equity position in one another. In many instances strategic alliances are partnerships that exist for a defined period during which partners contribute their skills and expertise to a cooperative project. Alliances are undertaken because the partners want to develop in- house capabilities to supplant the partner when the agreement reaches a termination date. Approaches to strategic alliances include licensing, contract manufacturing, and outsourcing

Lastly, there are Consortia, Keiretsus, and Chaebols strategies. Consortia are large interlocking relationships between businesses of an industry.

In Japan consortia are known as keiretsus and are an undertaking of fifty different firms coordinated by a large trading company to gain a strategic advantage through minimized risks of competition and through cost sharing and economies of scale. Chaebols in South Korea resemble a consortium or keiretsu, except that they are typically financed through banking groups to gain a strategic advantage and are largely run by professional managers trained by participating firms expressly for the job

2.4.2 Generic Strategies

According to Porter (1998), the state of competition in an industry depends on five basic competitive forces; threat of new entrants, threat of substitution, bargaining power of buyers, bargaining power of suppliers and rivalry among current competitors. These five forces constitute the industry structure and it is from industry analysis that the firm determines its competitive strategy. Porter (1998) identified three potentially successful generic strategy approaches to outperforming other firms in an industry. Managers must determine whether their businesses possess the requirements for each strategy that is, skills, resources and organizational assets. They must also weigh the risks associated with each and consider requirements for strategy success emanating from the type of industry they operate in (Pearce, Robinson and Mital 2010). Overall cost leadership is cost based competitive advantage over rivals. The firm seeks to achieve a lower price than competitors whilst trying to maintain similar perceived product or service benefits to those offered by competitors. The firm sells its products either at average industry prices to earn a profit higher than that of its rivals, or below industry prices to gain market share.

Differentiation calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. A firm differentiates its product or services on higher quality, wider selection, added performance, value added services, technological superiority good value for money and more attractive styling.

Broad differentiation seeks to provide products or services that offer benefits that are different from those of competitors and that are widely valued by buyers.

Focus is a generic strategy that concentrates on a narrow segment and within that segment seeks to achieve either a cost advantage or differentiation. This entails winning a competitive advantage by doing a better job than rivals of serving special needs and tastes of buyers comprising the niches. Focused differentiation seeks to provide high perceived product or service benefits justifying a substantial price premium usually to a selected market segment. These strategies are not necessarily compatible with one another and to be successful over the long term a firm must select only one of three generic strategies. Otherwise, the firm will be stuck in the middle and will not achieve a competitive advantage (Porter, 1998). According to Pearce, Robinson and Mital (2010), businesses that create competitive advantages from cost structure and ability to differentiate the business from competitors usually experience above average profitability within their industry.

2.4.3 Resourcing Strategies

According to Johnson, Scholes and Whittington (2008), there is an interaction between resources and organisational strategy. The resources can create new strategies, while the strategy provides the framework for the capability of the resources. The success can be enabled by changing the resources to fit the strategy and by developing unique resources to build new strategies on. In both cases the resources have to be integrated and managed efficiently to enable strategic success. For an organisation it is important to be aware of the adjustment between overall business strategy and strategies concerning the resources such as people, information, finance and technology (Johnson, Scholes and Whittington 2008). Operational strategy entails developing expertise and resource strengths that give a company competitive capabilities that rivals can't easily imitate or trump with capabilities of their own (Thompson, Strickland and Gamble, 2007).

The relationship between people and successful strategies goes beyond the traditional agenda of the human resource function and is concerned with behaviors as much as competences (Johnson and Scholes, 2002). Everything that is done within an organization depends on people.

Technology, knowledge and finance are important, but people are those who exploit them (Thompson, 2001). People are a special kind of resource because they are sensitive to enthusiasm, leadership and shared decision making. The people dimension of strategy is concerned about the informal ways of people's behaviour, formal systems and procedures, development of people as a resource, deriving advantage of people's cultural and political context and organizing people (Johnson and Scholes, 2002). This involves motivating people to create competencies in those activities and business processes needed to run the business, understanding, addressing and if necessary changing the political and cultural context within which a strategy is developed, and changing processes and organizational structures as circumstances and strategies change.

According to Senge (1990), a company's ability to gather, analyze, and use information is a necessary requirement for business success in the information age. Information capability can improve an organization's strategy capability in terms of its impact on core competences, changing business models and structuring (Johnson and Scholes, 2002). Competence in information management may be the platform for new bases of competition through the creation of different product/service features, replacing physical or paper based processes with electronic processes, and providing high quality and timely information to corporate centres, customers and suppliers.

Money and the way it is managed can be a key determinant of strategic success (Johnson and Scholes, 2002). Managing for value involves creating value for stakeholders, and ensuring best use of public money. The nature of funding should be appropriate for the type of strategy and vice versa, taking into consideration the fact that financial expectations of stakeholders which include bankers, suppliers, customers, employees and the community, vary (Johnson and Scholes, 2002).

According to Johnson and Scholes (2002), this is concerned with balancing business and financial risks, portfolio issues and phases of development.

The way that technology is developed, exploited, organized and funded will all influence the success or failure of strategy. According to Johnson and Scholes (2002), there is a relationship between technology, innovation and strategic success, as technology changes the competitive situation, strategic capability and can be organized to achieve advantages. All in all, most organizational strategies not only require competences in separate resource areas, they require an ability to pull a range of the resources and competences together both inside the organization and in the wider value chain. It is therefore imperative that organizations should be able to integrate resources to support current strategies or to develop new strategies.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to carry out the study. This includes the research design, the target population, sample design, data collection tools and technique, and data analysis and presentation methods. The research methodology enabled the researcher to obtain and process data on the strategies adopted by courier firms to cope with environmental challenges affecting the courier services industry in Kenya.

3.2 Research Design

The research was descriptive in nature and was conducted through a survey. According to Cooper and Schindler (2003), descriptive studies serve a variety of objectives. First, descriptions of phenomena or characteristics associated with a given population on study (the, who, what, why, when, where and how of the study topic). Second is that they give estimates of the populations that have the characteristics under study. Third is the discovery of associations among the different variables under study.

The study sought to get data from a broad category of respondents for comparison purposes such as to determine how the study units vary in terms of their differential profiles or demographics hence a survey was considered appropriate. According to Mugenda and Mugenda (2003), a descriptive survey research design seeks to obtain information that describes existing phenomena by asking individuals about their perceptions, attitudes, behaviors and values. A sample survey provides the researcher with quick, inexpensive, efficient and accurate means of assessing information about the population (Zikmund, 2003). The research took two months to complete, analyze data and compile a report.

3.3 Target Population

The target population of the study was all courier companies legally licensed by the CCK. There are 116 courier companies as per the CCK postal/courier licensee list in 2011. The list includes the Public Postal operator. The courier companies are government corporations, multinationals, franchises, or independent operators.

3.4 Sample Design

A sample survey of 50 companies located in 47 counties throughout the country provided the database for this study. The sample frame was a list of 116 postal/ courier companies obtained from the Communications Commission of Kenya (see appendix II). Stratified sampling was used to select the sample from the target population. The sample was more likely representative as each stratum was represented. The stratification variable was the license category. The sample was selected from each stratum using simple random sampling.

3.5 Data Collection

The study relied on primary data. The primary data was collected using a semi- structured questionnaire (see appendix I). According to Mugenda and Mugenda (2003), the questionnaire method is the most appropriate tool where comprehensive information is required. The questionnaire contained, open ended and closed ended questions. The questionnaire was divided into two sections: the first section was capturing the data on the firm profile, while the second section was capturing data on strategies adopted by the courier firm.

A Likert scale was used for ease of analysis and it had five options for the respondents to pick from consisting of not at all, little extent, moderate extent, great extent, and very great extent. Strategic managers, general managers and managing directors were the target respondents, as they were involved in strategic planning and management.

One questionnaire was sent to each firm. The questionnaires were sent to the respondents on email, or through drop and pick method, as per the respondent's advice and convenience.

3.6 Reliability and Validity

The development of the questionnaire was conducted in three steps involving a theory and determinant oriented literature review, quantitative research and pre- testing. The numbered questions were brief, simple, short and easy to read, and the full scope of strategy adoption was covered by the questionnaire. The three page questionnaire was piloted to a small sample group of 5, to measure the time taken to complete the questionnaire and identify clarity needed on the questions. The same 5 respondents were retested and completed the questionnaire a second time during the survey and results compared for similarity.

3.7 Data Analysis

The data collected was quantitative in nature and statistical analysis was used to analyze the data. The analysis started by checking the gathered raw data for accuracy, usefulness and completeness. The data was then tabulated and classified. The data was analyzed using descriptive statistics such as frequency tables, percentages, and mean and standard deviation in order to achieve the set objective. Standard editing and coding procedures were used.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter documents the findings, from the study on the strategies adopted by courier firms to cope with environmental challenges affecting the courier industry in Kenya. The data was collected through the use of questionnaires dropped and picked or sent via email to the respondents. The sections cover organizational demographics, perceived challenges in the courier industry in Kenya, and the strategies adopted by the courier firms.

4.2 Organizational Demographics

The data analysis presented is for the 40 out of 50 selected courier firms that responded to the questionnaires and returned them in good time for the project report. 10 of the selected firms did not participate in the study

4.2.1 Gender of the respondents

The respondents were required to indicate their gender in the first section of the questionnaire.

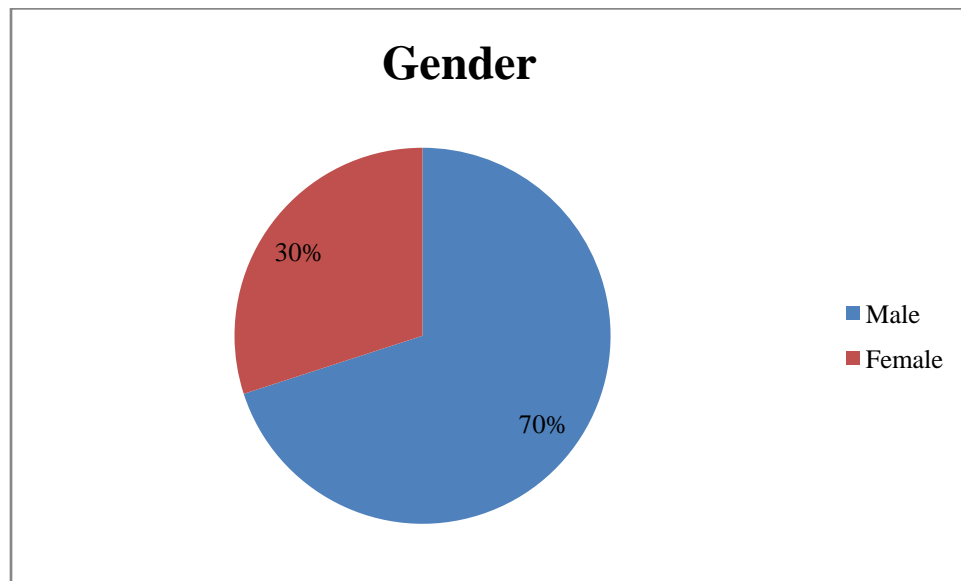
Table 4.1: Gender of respondents

Gender	Frequency	Percentage
Male	28	70%
Female	12	30%
Total	40	100%

Source: Field data

From Table 4.1, of those who responded, majority of them were male at 70%, with female respondents at 30%. This can be viewed through a pie chart as illustrated below.

Figure 4.1: Gender of respondents



Source: Field data

4.2.2 Age of respondents

The respondents were required to select the age group they fall in from the categories indicated. There were five categories.

Table 4.2: Age of respondents

Age group	Frequency	Percentage
Less than 20 years	0	0%
20- 30 years	8	20%
30-40 years	19	47%
40-50 years	11	28%
More than 50 years	2	5%
Total	40	100%

Source: Field data

From Table 4.2, most respondents are 30- 40 years of age, at 47%. None of the respondents was below 20 years. Only 2 respondents were over 50 years old, at 5%. The mean age of the respondents was 37 years.

4.2.3 Education Level

The respondents were required to indicate the level of education attained as per the categories of primary, secondary, college and university as well as any other qualifications they had.

Table 4.3: Education level of respondents

Level	Frequency	Percentage
Primary	0	0%
Secondary	2	5%
College	15	38%
University	23	58%
Other	3	8%
Total	40	100%

Source: Field data

From Table 4.3, it was evident that most of the respondents had attained the highest level of education; University education, at 58%. 38% had attained college education. 8% of the respondents indicated that they had master's degrees. The lowest level of education attained was secondary school education. All respondents had attained primary school education and proceeded further to a higher level.

4.2.4 Positions Held in the Firm

The respondents were required to indicate the position they hold in the courier firm. The question was an open question and there were a number of different responses which the respondent tabulated.

Table 4.4: Respondent positions in the courier firms

Position	Frequency	Percentage
Managing Director	12	30%
General Manager	6	15%
Account Manager	3	8%
Hub Manager	2	5%
Mail Manager	2	5%
Associate territory Manager	4	10%
Courier Manager	9	23%
Operations Manager	2	5%
Total	40	100%

Source: Field data

From Table 4.4, most of the respondents were managing directors of the courier service firms at 30%. Following them were courier managers at 23% and general managers at 15%. Hub managers, Mail managers and Operations managers were the least at 5% each.

4.2.5 Nature of Business

The respondents were asked to indicate whether their courier services firm was government affiliated, a multinational organization, a franchise, or an independent operator.

Table 4.5: Nature of Business

Nature of business	Frequency	Percentage
Government corporation	1	3%
Independent operator	28	70%
Multinational	6	15%
Franchise	5	13%
Other	0	0%
Total	40	100%

Source: Field data

From Table 4.5, the highest number of respondents was independent operators at 70%, followed by multinationals at 15%. The Government Corporation is the sole postal licensee that offers courier services as well, and represented 3% of the respondents.

4.2.6 Duration of Existence

The respondents were required to indicate the number of years that their firms had been in operation.

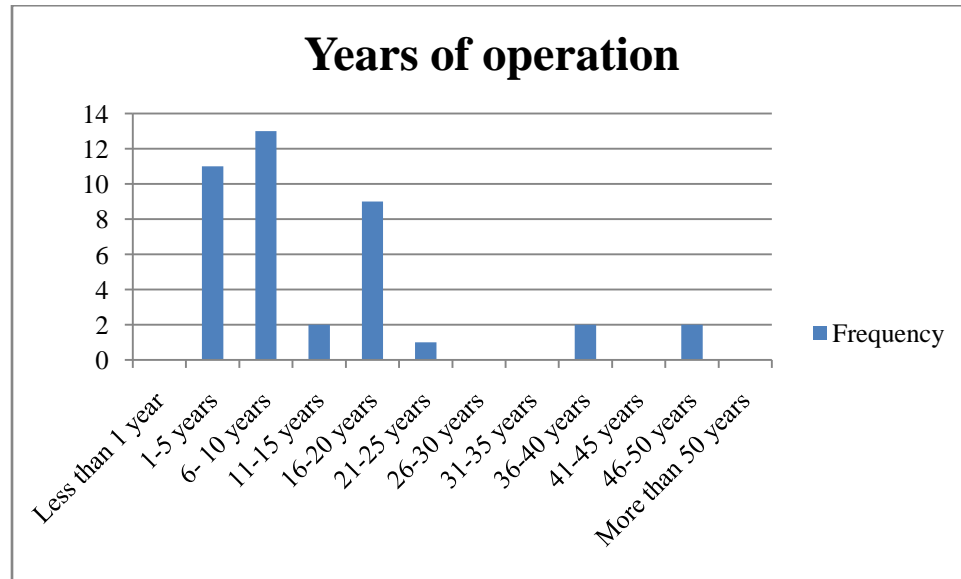
Table 4.6: Duration of existence

Years in operation	Frequency	Percentage
Less than 1 year	0	0%
1-5 years	11	27%
6- 10 years	13	32%
11-15 years	2	5%
16-20 years	9	23%
21-25 years	1	3%
26-30 years	0	0%
31-35 years	0	0%
36-40 years	2	5%
41-45 years	0	0%
46-50 years	2	5%
More than 50 years	0	0%
Total	40	100%

Source: Field data

From Table 4.6, most of the firms had been in operation for 6-10 years, representing 32% of the respondents. Following up were 27% of the firms, which had been in operation for 1- 5 years. Only 5% of the firms had been in existence for more than 46 years. None of the firms had been in existence for more than 50 years. None of the firms was a start up. The mean number of years that the firms had been in operation was 13 years. The findings were presented in form of a bar chart, in Fig 4.2.

Figure 4.2: Years of operation



Source: Field data

4.2.7 License Category

The respondents were required to indicate the type of license they were operating on, as per the CCK postal courier licensee categories

Table 4.7: Population and Sample Stratification

Category	CCK number	Target	Responses	Percentage
Documents exchange	1	1	0	0%
Intra- city	19	8	7	18%
Intra- country	67	29	22	55%
Regional	10	4	3	8%
International inbound	6	2	2	5%
International operator	12	5	5	13%
Public Postal operator	1	1	1	3%
Total	116	50	40	100%

Source: Field data

From Table 4.7, there is only one licensee each in the document exchange and public postal operator categories. The highest number of licensees is intra-country operators. The target was a selected stratified sample of 50 courier firms. 40 responses were received. 55% of the respondents were intra- country

operators, followed by 18% intra- city operators. The response rate of the International inbound and International operators was 100%.

4.2.8 Branch Network

The respondents were asked to indicate the number of branches their courier firm has and where they are located within the country

Table 4.8: Branch Network

No.of branches	Frequency	Percentage
Only 1 branch	7	18%
2-5 branches	13	33%
6- 10 branches	6	15%
11- 15 branches	4	10%
16- 20 branches	0	0%
21- 25 branches	4	10%
26- 30 branches	1	3%
31- 35 branches	2	5%
over 35 branches	3	8%
Total	40	100%

Source: Field data

From Table 4.8, 33% of the firms had 2 to 5 branches. Following up were firms with only one branch or office at 18%. 8% of the firms had more than 35 branches. From the data received, it was evident that most firms who had more than one office had branches in Nairobi, Mombasa, Kisumu, Eldoret, Nakuru, Kericho, Thika, Kisii, Meru, and major towns in Nyanza, Rift valley, Eastern, Western and Central provinces. The 35% of the respondents who had more than 10 branches did not indicate where all their branches were, but only named a few in the major cities.

4.2.9 Range of Services Offered

The respondents were asked to indicate the range of services they offered in an open ended question. The responses were tabulated

Table 4.9: Range of services offered

Service	Frequency
Same day delivery within Nairobi	32
General errands	12
Urgent delivery services	10
Messengerial	9
Export courier	9
Import courier	11
Mail bag services	2
Bulk deliveries	2
Delivery within the country	20
Mail room management	1
Mail services`	1
Air freight	14
Sea freight	12
Clearing and forwarding	10
Transport	8
Warehousing	8
Passenger services	2
Cargo bus services	2
Packaging	4
Rescue	4
Security	4
Financial services	1

Source: Field data

From Table 4.9, apart from offering core and tailored courier services, one firm offers mail services and a number of courier firms had diversified. Courier firms were also offering other services, including air and sea freight services, clearing and forwarding, transport and warehousing.

4.2.10 Employee Engagement

The respondents were asked to indicate the number of employees in their firms who were on permanent basis as well as those who were on temporary arrangements. The total number of employees was classified as illustrated in the table below.

Table 4.10: Number of employees engaged on permanent and temporary basis.

Number of employees	Firms with permanent	Percentage	Firms with temporary	Percentage
1- 10 employees	2	5%	13	62%
11- 20 employees	3	8%	2	10%
21- 30 employees	6	15%	2	10%
31- 40 employees	8	20%	0	0%
41- 50 employees	3	8%	2	10%
51- 100 employees	3	8%	0	0%
over 100 employees	7	18%	2	10%
over 250 employees	4	10%	0	0%
over 500 employees	4	10%	0	0%
Total	40	100%	21	100%

Source: Field data

From Table 4.10, most of the courier firms that participated in the study had employed 31 to 40 employees on a permanent basis, at 20%. In second position were courier firms with 100 to 250 permanent employees, at 18%. 10% of the courier firms had more than 250 employees, with another 10% having more than 500 employees. The least were firms with 1 to 10 employees at 5%. 62% of the firms that had the least number of permanent employees engaged 1 to 10 employees on a temporary basis. 47% of the participating firms investigated only engaged employees on permanent terms.

4.3 Perceived challenges in the courier industry in Kenya

The respondents were asked to outline the challenges in the industry that they perceived affected the way they did their business. The responses were summarised, tabulated and ranked in Table 4.11.

Table 4.11: Challenges in the courier industry environment

Perceived challenge	No.of respondents	Percentage
Escalating fuel prices	29	73%
Poor road infrastructure	28	70%
Inadequate street and building naming	25	63%
Low service rates charged by competitors	24	60%
Unlicensed competitors in courier service provision	23	58%
High licensing costs by CCK	21	53%
Increasing competition	21	53%
Delays in collections and deliveries due to limited resources	20	50%
Weak courier association	17	43%
Fast technological advancements	16	40%
High costs of spares for delivery fleet	15	38%
Security risks within the city and courier facility at JKIA	12	30%
Instability of the local currency	10	25%
Heavy traffic jams within the city	9	23%
Difficult customers preferring low costs and high quality service	9	23%
Poor regulation by CCK	8	20%
Customer delays in settling payments	7	18%
Loss of employees to competitors	6	15%
Customs clearance delays for international import shipments	5	13%
Lack of experienced personnel	5	13%
High advertising costs	4	10%
Unethical employee behaviour	4	10%
City council harassment	4	10%
Clients insincerity on package contents	3	8%
Traffic offenses	2	5%
Airline offloads of booked shipments	2	5%
Loss of shipments in transit	2	5%

Source: Field data

From Table 4.11, most of the courier firms perceived escalating fuel prices to be the major challenge to their business operations at 73%. Following closely at 70% was poor road infrastructure, inadequate street and building naming at 63% and low service rates charged by competitors at 60%. Other major challenges were unlicensed competitors, high licensing costs by CCK, increasing competition in the courier industry, and delays in collections and deliveries due to limited resources. Traffic offenses, airline offloads of booked shipments and loss of shipments in transit were perceived as the least of the challenges at 5% each.

4.4 Strategies Adopted by Courier Firms in Kenya

The study sought to determine the strategies adopted by the courier firms to cope with environmental challenges in the courier services industry in Kenya. Respondents were asked to indicate the extent to which they applied the strategies on a scale of 1-5 where 1= not at all, 2= little extent, 3= moderate extent, 4= great extent, 5= very great extent. The data was analysed and mean scores and standard deviations were computed. The responses on the five point scale had a score of 1,2,3,4 and 5 from the least applied to the very great extent of application respectively. The results were ranked and presented in Table 4.12. The higher the mean score, the greater was the application of the strategy.

Table 4.12: Strategies adopted by courier firms

STRATEGIES	Mean	S.D
Offering high quality, better terms, value added services	4.55	0.50
Employing competent employees and offering better terms and conditions than competitors	4.15	0.95
Modifying services for current customers	4.10	0.96
Opening new branches	4.03	0.95
Offering unique services to customers that are not offered by competitors	4.03	0.95
Using better information systems that makes customer service fast and reliable	3.98	0.99
To what extent does your firm focus on the areas in market where there is least amount of competitors	3.92	0.99
Partnering with another courier firm for a specific period	3.85	0.98
Targeting the entire class of customers	3.78	1.09
Working with another courier firm(s) for mutual benefit	3.75	0.95
Offering lower prices than competitors	3.73	1.19
Developing and using better technologies than those of competitors	3.50	0.98
Use of cost reduction and asset reduction methods	3.33	0.89
To what extent do you serve customers who are willing to be charged a premium price for superior quality services	3.15	1.12
Focusing on a selected market for your services	2.30	0.99
Acquiring profitable firms not in the courier industry	1.68	0.94
Selling the assets of the firm	1.68	0.97
Offering a single service, in a single market	1.60	0.87
Acquiring suppliers firms	1.60	0.90
Acquiring other courier firms	1.53	0.87
Selling the firm or a unit of the firm	1.13	0.33

Declaring bankruptcy	1.00	1.00
Grand mean	3.01	

Source: Field data

From Table 4.12, the most popular strategy used by the courier firms was offering high quality better terms, value added services with a mean score of 4.55 and standard deviation of 0.50. This was followed by employing competent employees and offering better terms and conditions than competitors with a mean score of 4.15 and standard deviation of 0.95. Closely following up were modifying services for current customers, with a mean score of 4.10 and a standard deviation of 0.96. The least adopted strategy was declaring bankruptcy with a mean score of 1.00 and a standard deviation of 1.00. Closely following was selling the firm or a unit of the firm with a mean score of 1.13 and a standard deviation of 0.33. The grand mean score was 3.01 indicating that the strategies appeared to be well used.

4.5 Other Action Plans

The respondents also outlined other action plans that were being put in place to enable their courier firm cope with environmental challenges in the courier industry in Kenya

Table 4.13: Other action plans

Other action plans
To operate a spare shop to source for cheaper parts
Targeting the regional market
Online trading methods
Offering express services
To operate a worldwide network
To open transport division
To train and maintain a good team, train staff, staff training
To always ensure customer satisfaction
To enhance high level of integrity in the firm
Instituting systems and procedures to improve customer servicequality
Opening new branches , opening new drop off points
To acquire more warehouse space
To acquire new pick ups
To acquire a 20/40ft truck
To seek financing from banks
To offer shorter credit periods to customers

Source: Field data

From Table 4.13, there were various other reactions by courier firms in Kenya to a challenging industry environment. The results were not tallied as this sub- section was optional and few respondents acted on the area.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the results of the study, presents the conclusions drawn from the findings and recommendations for further study. It also presents the limitations of the study and outlines recommendations of the study for policy and practice.

5.2 Summary of Findings

The findings of the study indicated that most courier firms have embraced strategy planning and implementation and had adopted various strategies to cope with environmental challenges in the courier services industry in Kenya. Managers in the courier firms had realised the important of environmental scanning and strategizing to understand the industry, and the opportunities it presented their firms with, as well the inherent threats and constraints. From the findings of the study, strategy adoption is a panacea for success, and there is no single firm that can survive and thrive in the industry without strategy. Most courier firms applied a number of strategies at the same time, indicating that the collective strength of the forces in the industry environment had affected the way the firms conducted their business. Most courier firms appeared to agree to a great extent on the appropriateness or inappropriateness of a particular strategy to their business.

The firms embraced a combination of grand strategies, resourcing strategies and generic strategies. The most popular grand strategies were turnaround strategy, market development, product development, strategic alliances and joint ventures. The most popular generic strategies were differentiation and a broad focus, while the most popular resourcing strategies were information capability and managing people. The least favoured strategies were declaring bankruptcy, concentric diversification, vertical integration and concentrated growth.

Due to the dynamic business environment some of the respondents indicated that their firms had other actions plans in the pipeline. These were adjustments to ensure that their firms remained competitive and profitable, and appeared in agreement with some of the strategies already adopted by other firms including opening new branches, customer satisfaction, and a productive employee work force.

5.3 Conclusions of the Study

From Table 4.1, a conclusion can be drawn that the managers in the courier firms are predominantly male, and are mostly aged between 30- 40 years as per the results in Table 4.2. From Table 4.3, it can be concluded that the managers and staff assigned with the responsibility of strategy in a courier firm need to have attained at least University education. This is to enable them attain a critical way of thinking and to make informed and timely decisions in the long term direction of their courier firm.

From table 4.4, 80% of the respondents were in top positions directly related to the management of courier business or operations in the courier firms. This implied that the information received on the strategy adoption in the respective firms could be relied upon as the respondents were involved in strategy planning and implementation and the performance of the courier business in their firms. From Table 4.5, most of the courier firms operating in Kenya are independent operators at 70%, followed by multinationals at 15%, with the government corporation still enjoying a reserved area of business. From Table 4.6, the courier firms who participated in the study had been in operation for more than one year, and hence were not start ups. A conclusion could be drawn that new entrants were adopting appropriate strategies and hence were able to survive the most difficult stage of the any firm's development, the first year. Hence the growth from 21 courier firms in early 2000 to 116 licensees in 2011.

From Table 4.7, a majority of the courier licensees offer courier services within the country at 67%. Intra-city operators are at 19%. International operators offer export and import courier services from and into the country and they are 12% of the licensees.

This implies that with the devolved government and increase of imports into the country, and the establishment of the East African Common Tariff, there is an opportunity in the industry for new entrants. The existing operators also have a challenge to meet the customer demands for the courier services at fast, reliable and cost effective rates, while making profits. From Table 4.8 it was evident that most courier firms were operating from more than one station or office, and had many branches. Despite the license category, whether licensed to operate as an international operator, regional or to offer domestic services, more than one office was required. A conclusion can therefore be drawn that most courier firms embraced expansion, and market development as part of their strategy to stay afloat in the very competitive industry which had been flooded by unfair unlicensed competitors. They were increasing their number of branches and outlets to be able to reach more customers at the grass root level.

From table 4.9, some courier firms having found themselves in direct competition with freight and transport firms had ventured into different lines of business in an endeavor to provide customers with a one- stop shop for logistics solutions. A conclusion can be drawn that as sales declined, competition stiffened, operational costs went up, and new entrants ventured into the courier business, it had become necessary for the courier firms to diversify and tap into other service requirements of their customers, while increasing their sales and expanding their network. Table 4.10, illustrates that most courier firms with less than 30 employees also employed temporary staff at a 62% rate. There are various reasons why firms engage staff on a temporary basis, but the danger lies in having the operating personnel inadequately trained, lacking commitment to the firm, and experience in the provision of courier services. The findings support CIAK's concern through its secretary in the 2011 stakeholder forum, that the employees in the industry were ill trained and needed proper training to ensure efficiency.

Table 4.11 on the perceived challenges, confirms that indeed there are challenges in the courier industry in Kenya, which are affecting the way courier firms conduct their business and operations. CIAK through its secretary in the CCK stakeholder forum in 2011 listed the challenges facing the industry as poor training and awareness, poorly trained employees, poor value system, access to capital, competition and poor

infrastructure such as roads and inadequate street naming. In both urban and rural areas, most streets, buildings and residential houses are unnamed and unmarked leading to poor service to customers arising from unallocated addresses, delayed deliveries, and requests for customers to collect their packages from the company's collection or receipt points.

A conclusion can be drawn that just like any other industry, the courier services industry is dynamic, growing, and experiencing Michael Porter's five forces of new entrants, bargaining power of buyers and suppliers, rivalry amongst existing firms and substitute services available to customers. Thus in the industry, appropriate strategies are required, and that no single courier business firm can survive and thrive without application of strategy in its operations. This agrees with Mintzberg et al (2003), all types of businesses require some sort of strategy in order to be successful; otherwise their efforts and resources will be spent haphazardly and likely wasted. Although strategy formulation tends to be handled more formally in large organizations, small businesses too need to develop strategies in order to use their limited resources to compete effectively against larger firms. From Table 4.12, the study was able to establish the strategies adopted by courier firms to cope with challenges affecting the courier services industry in Kenya, and a conclusion can be drawn that many courier service firms explicitly and implicitly adopt more than one strategy characterizing their competitive orientation. Table 4.13 shows that the managers were keen on the happenings in the industry environment and were proactively responding to the industry challenges and adjusting to the changes. From the findings of the study, despite the challenges the industry is facing, the outlook for the industry presents courier firms with attractive opportunities: high quality service standards, greater levels of customer satisfaction, a positive growth potential and a regulatory body and courier association that work together to analyze the issues facing the industry and its stakeholders and develop solutions through regular forums

5.4 Limitations of the study

Access to information was restrictive. Some courier firms restricted their staff from disseminating information about their strategies to a third party or competitors. One manager refused to respond to the questionnaire because company policy did not allow it.

Three respondents failed to return the questionnaires because they had been very busy and had not found time to complete it. Two respondents were unwilling to participate and outrightly refused to respond and gave no explanation. One respondent within Nairobi, refused to pick calls during the completed questionnaire pick up stage, and was unreachable for feedback on their office contacts. Three selected upcountry courier firms were completely unreachable on the contacts given to CCK, and the addresses listed in the telephone directory as well as on the internet and the yellow pages. The researcher could not get them on telephone, or arrange to drop mail or email the questionnaire. This reduced the number of respondents to 47 from 50.

$$\text{Total response rate} = \frac{\text{Total number of responses}}{\text{Total number in sample}} = \frac{40}{50} = 0.8 = 80\%$$

Total number in sample

$$\text{Active response rate} = \frac{\text{Total number of responses}}{\text{Total number in sample} - \text{unreachable}} = \frac{40}{(50-3)} = \frac{40}{47} = 85\%$$

Total number in sample- unreachable

5.5 Recommendations for Further Research

This study sought to establish the strategies adopted by courier firms to cope with environmental challenges in the industry in Kenya. During the study, a number of concepts came up which call for further study. This study was a sample survey of 50 licensed courier operators. The sample was drawn from the different license categories strata. It would be interesting to carry out a survey study on strategies adopted by each segment, with the starting point being the intra- country operators, who are the majority. In the light of pressure on PCK's earnings from competitors, and technological advancements, the case study (Kimani, 2009) can be replicated in 2012 to establish the strategies PCK has adopted to remain competitive. The document exchange licensee did not participate in the study. It would be interesting to carry out a case study on the strategies in place in this firm to enable it stay afloat in a fast paced competitive industry, in an area of service provision that has not direct competitor.

There are key players in the courier industry, based on market share, financial performance, resource base and key operational efficiencies. A case study can be done on the market leader to establish the link between strategy and success, and support theories that purport the suitability, acceptability and feasibility of strategy determines the performance of the organization.

5.6 Implication on Theory and Practice

The study provides similarities and differences among businesses and management practices from different contexts. The information can be used for reference by industry players, policy makers and stakeholders, to chart the way forward in enhancing performance in this key sector in the country's economy. It also presents the challenges and setbacks facing the industry and calls for prompt actions and appropriate strategy adoption by strategists in the courier firms to achieve greater economic impact in their firms and the country at large.

Stakeholders among them investors, government and regulatory bodies can use the findings of this study to identify gaps and areas of concern in the operations of courier firms to develop and implement support programs that can assist improve their financial and strategic performance. Employees in the courier firms can use the findings of this study to increase their knowledge in the industry and enhance their productivity in their areas of responsibility to drive the success of their companies.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

July 26, 2011

**UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
P.O. BOX 30197
NAIROBI**

Dear Sir/ Madam,

REF: MBA RESEARCH PROJECT QUESTIONNAIRE

I refer to the above subject.

I am an MBA student at the University of Nairobi. I am carrying out a study on the strategies adopted by courier firms to cope with environmental challenges affecting the courier services industry in Kenya.

You have been selected as a respondent and your knowledge and expertise will be of great value to this study. Please respond to all the questions to the best of your ability. All information received will be treated as confidential, and will only be used for the purpose of this study.

Thanking you in advance,

Yours faithfully,

Ruth Ndinda Mwanzia

Signed: _____

D61/75182/2009

Signed: _____

Dr. Martin Ogutu

Supervisor, University of Nairobi)

APPENDIX II: QUESTIONNAIRE

SECTION A: FIRM PROFILE

1. Gender M F
2. How old are you? Please tick appropriately
 - (a) Less than 20 years
 - (b) 20- 30 years
 - (c) 30- 40 years
 - (d) 40- 50 years
 - (e) More than 50 years
3. What is your highest level of education? Please tick appropriately
 - a) Primary
 - b) Secondary
 - c) College
 - d) University
 - e) Other (please specify) _____
4. What is your position in the firm? _____
5. What is the nature of your business? Please tick appropriately
 - a) Government corporation
 - b) Independent operator
 - c) Multinational
 - d) Franchise
6. How many years has your firm been in operation? _____
7. What is the firm's category license as per the CCK categories? _____
8. How many branches does your firm have within the country, and where are they located? _____
9. Please list the range of your services _____
10. Please indicate the number of employees your firm has currently engaged
 - a) Permanent _____
 - b) Temporary _____
11. Please list the challenges in the courier industry that affect your firm _____

SECTION B: STRATEGIES ADOPTED

12. Please indicate to what extent your firm has engaged in the following activities to cope with challenges in the industry, using a scale of 1- 5 where: 1= Not at all, 2= little extent, 3= moderate extent, 4= great extent, 5= very great extent.

	STRATEGIES	1	2	3	4	5
1	Offering lower prices than competitors					
2	Developing and using better technologies than those of competitors					
3	Employing competent employees and offering better terms and conditions than competitors					
4	Using better information systems that makes customer service fast and reliable					
5	Use of cost reduction and asset reduction methods					
6	Partnering with another courier firm (s) for a specific period					
7	Working with another courier firm(s) for mutual benefit					
8	Offering high quality, better terms, value added services					
9	Focusing on a selected market for your services					
10	Targeting the entire class of customers					
11	Offering a single service, in a single market					
12	Opening new branches					
13	Modifying services for current customers					
14	Offering unique services to customers that are not offered by competitors					
15	Acquiring other courier firms					
16	Acquiring suppliers firms					
17	Acquiring profitable firms not in the courier industry					
18	Selling the assets of the firm					
19	Selling the firm or a unit of the firm					
20	To what extent does your firm focus on the areas in market where there is least amount of competitors					
21	To what extent do you serve customers who are willing to be charged a premium price for superior quality services					
22	Declaring bankruptcy					
23	Other action plans					

APPENDIX III: LIST OF POSTAL COURIER LICENSEES

No	NAME OF OPERATOR
1	Postal Corporation of Kenya
2	Ganatra Parcel Services Ltd
3	DHL Worldwide Express K Ltd
4	Data Rush Services Ltd
5	G4S Kenya Ltd
6	East African Courier Ltd (FedEx)
7	In-Time Couriers Ltd
8	SkyNet Worldwide Express Ltd
9	The Dropping Zone Ltd
10	Transami K Ltd
11	Roy Parcel Services Ltd
12	Akamba Public Road Services Ltd
13	Petty Errands Ltd
14	Nation Carrier Division
15	Silver Star Parcel Services Ltd
16	Coast Mail Company
17	Provincial Parcel Carriers Ltd
18	Mudoba Express Services Ltd
19	Tomic Express Services Ltd
20	Al-micdad Parcel Services
21	Mololine Services Ltd
22	Executive Errands and Delivery Services
23	One World Courier Ltd
24	Nuclear Investments Ltd
25	N.T.L. Parcel Services
26	Rising Freight Ltd
27	FOUR N.T. Savings & Credit Society Ltd
28	2N.K. SACCO Ltd
29	Union Express Ltd (UNEX)
30	Rising Star Parcel Services
31	Fargo Courier Limited
32	Easy Coach Limited
33	Freight In Time Ltd
34	Quantum Freight & Cargo Ltd
35	Speedex Logistics Limited
36	Chania Travelers Sacco ltd

37	Rapat Freight (K) Ltd
38	Randa Coach
39	Document Express Courier Ltd
40	PSACAM Couriers
41	Hatari Security Guards Ltd
42	Karatina Nyeri Shuttle Ltd
43	Rift Valley Luxury Commuter Shuttles
44	Neno Courier Services Ltd
45	Bob Morgan Services
46	Naekana Route 134 Sacco Ltd
47	Molo Group Services
48	Intelligent Logistics Solutions Limited
49	Errands & Chores Professional Limited
50	Topdeck Courier Services
51	Quick link Courier Service
52	Crown Courier Ltd
53	Virgin Courier
54	Fast Courier Services
55	Mahek Limited
56	Jet Courier Services Ltd
57	TNT International Express
58	Bisharo Parcel Services Ltd
59	Upesi Delivery Services
60	Channia Transport Company Limited
61	Transweb Delivery Services
62	Taiyo Enterprises Limited
63	Master Piece Courier Services
64	First Flight Courier (Africa) Ltd
65	Modern Coast Courier Ltd
66	Power Speed
67	Gateway Courier Services Limited
68	Kampala Coach Ltd
69	North Rift Luxury Shuttle
70	Luxury Shuttle Tours & Travel Ltd
71	MTN Investment CO. Ltd
72	Namuga Coop Savings & Credit Society
73	Western Parcel Express Courier
74	Mark Flash Company Ltd
75	Credible Services Limited

76	Prime Group Limited
77	World Courier S.A Ltd
78	Ambassador Courier Services Ltd
79	Pan Africa Express Transport Limited
80	Adonai Logistics & Freight Services
81	Sarman Parcel Services Limited
82	New Nairobi Naivasha United Services
83	Netlink Business Services
84	Mardav Courier Limited
85	Prestige Courier Services Limited
86	Vickers Security Services Limited
87	Nyakati Investors Sacco Society Ltd
88	Grande Afrique Limited
89	AXA Courier Limited
90	Pronto Courier
91	Chania Shuttle Courier Services
92	Muran'ga Shuttle Services Ltd
93	Kinatwa Sacco Limited
94	Elite Courier & Errands Kenya Limited
95	Spinix Express
96	Kukena Sacco Limited
97	Nyamira Luxury Express Co. Ltd
98	Nyena Sacco Society Ltd
99	Nairobi Meru Investments Co. Ltd
100	Blessings Parcels Services
101	Muthiani and Sons Supply Chain Logistics
102	Mail Managers Ltd
103	Urban Cargo Networks Limited
104	Evafast Courier Services Limited
105	Riley Services Limited
106	Easylink Courier
107	Nyakati Investors Sacco Society Ltd
108	Malindi Parcel Services
109	Reliance Courier Services Ltd
110	End To End Logistics Solution
111	Sasa Parcels & Document Ltd
112	Tawakal Parcel Services
113	Derricon Agencies
114	Two Four Seven Services Limited

115	Rush Nairobi
116	Gateway Courier Services Limited

Source: Postal/ Courier operator licensee register. Adapted from CCK (2011).