STRATEGIC RESPONSES TO COMPETITION BY THE MEDIUM AND LARGE SUPERMARKETS IN NAIROBI, KENYA

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION (MBA) DEGREE, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER 2012

DECLARATION

This research 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

To my parents Mr. and Mrs. Karanja who instilled in me the importance of education and to my daughter Natalie and siblings for your continued support and inspiration when I felt like giving up.

ACKNOWLEDGEMENTS

My sincere gratitude goes to my supervisor, Dr. J. M. Munyoki for his contribution and guidance during this study.

A lot of thanks to the respondents of the questionnaires for their willingness and patience to answer the questions in time.

I acknowledge all the lecturers of the school of business for enabling me come this far. Thanks to all my MBA colleagues, workmates and all my friends for their encouragement during my time of study.

Most of all, I thank God for all He has done and continues to do in my life.

God bless you all.

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ABSTRACT

This study set out to establish the strategic responses to competition by the medium and large supermarkets in Nairobi and the challenges faced in implementing these strategies. Data was collected through a well-structured questionnaire targeting general managers and chief supervisors of the firms. The findings indicated that competitive strategies are at play with most firms adopting the differentiation strategy. In line with differentiation strategy and as they focus broadly in the market, these supermarkets have adopted customer service, strategic location, staff training, increased advertising and branding as the important competitive strategy.

The study found that the main challenges facing medium and large supermarkets are; ability and skills of staff, marketing, financial requirements, changing customers tastes and preferences and competition from smaller outlets and substitutes (other supermarkets). On the other hand, barrier of entry and exit of other players and ability and skills of owners have no or small challenge in business operations.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Today's organizations have to contend with the dynamics of a changing competitive environment. However, the modern trend has shifted from external environmental analysis only to more sophisticated internal organizational analysis. In all industries, firms offer services and products to customers with constrained budgets. Where an opportunity arises, someone will spot it and attempt to capitalize on it (Cox & Brittain, 2000). The outcome of all these is competition.

Companies all over the world are experiencing stiff competition from their competitors. To gain a competitive edge, they need to be flexible and innovative in their modes of operations. According to Lyson and Farrington (2006), perceived competitive advantage is a special edge that enables an organization to deal with market dynamics and environmental forces better than its competitors do. Intense competition and market saturation are forcing supermarkets to access new revenue streams worldwide. Supermarkets are expanding their array of products through services and increasing focus on customer loyalty programs (Agnese, 2003). All these trends create new challenges for logistic system operations.

Over the last fifteen years, the Kenyan retailing industry has experienced phenomenal growth with major retailers expanding to the broader East Africa and beyond. Retailers have positioned themselves for all kinds of customer needs and income levels especially the growing young working population. Many retailers have been upgrading themselves by re-locating to up-coming modern malls and shopping centers, providing superior shopping atmosphere and experience especially in the urban and semi urban centers.

In a liberalized economy like Kenya, firms rely heavily on the external environment and any changes in the external environment imply a major impact on their success and survival. That is why competitive strategy is core to any firm's success (Ansoff & McDonnell, 1990). According to the Economic survey 2010, the retailing industry plays a crucial role in the overall economy of Kenya, contributing 10% to GDP and with an estimated total wage payment of Kshs. 86.7 million within the private sector in the year 2009.

1.1.1 The Concept of Strategic Responses

Strategic response is a means to safeguard an organization from the impact of both present and foreseeable future environmental drives. It is concerned with the scope of an organization's activities. The primary objective of managers in profit seeking organizations is to maximize the performance of the firm over time through an effective strategic management approach. Strategic management is a systematic approach to position and relate the firm to its environment in a way that will assure its continued success and make it secure from environmental surprises (Ansoff & McDonnell, 1990). This is achieved at the corporate level of most organizations.

On the other hand, corporate strategy is an essential management tool and is important to firm performance. Strategy is defined as a coherent, unifying and integrative pattern of decisions that determines and reveals the organizational purpose in terms of long-term objectives, action programs and resource allocation priorities. A firm's strategy selects the business it is in or is to be in, attempts to achieve a long sustainable advantage in each of its business by responding properly to opportunities and threats in firm's external environment, and addressing its weaknesses and strengths of the organization internal environment.

In the retail industry, increased competition threatens the attractiveness of the industry and reduces the profitability of players in the sector. In Supermarkets, it exerts pressure to be proactive and formulate successful strategies that facilitate strategic responses to anticipated and actual changes in the competitive environment. Supermarkets therefore focus on gaining competitive advantage to enable them respond and compete effectively in the market. By identifying core competences, supermarkets are able to concentrate on areas that give them lead over competitors. This is because they are more roust and difficult to imitate because they relate to management of linkages within an organizations value chain and to linkages into the supply and distribution channels (Johnson and Scholes, 1997).

In today's competitive environment, exemplary customer service is one of distinguishing characteristics that supermarkets can establish to gain a competitive edge, since most supermarkets offer comparable products and services. They continually search for a competitive advantage that attracts new customers and retains the existing ones. For an organization to continue to achieve its goals and overcome the operating environment turbulence, it is imperative to constantly scan operating environment and develop strategic responses aiming to overcome any adverse effects of such turbulence. Strategic responses should always achieve strategic fit for the organization (Johnsons, Scholes and Whittington, 2005).

1.1.2 The Concept of Competition Advantage

A company has competitive advantage whenever it has edge over its rivals in securing customers and defending against competitive forces (Thomson & Strickland, 2001). On the other hand, Hamel and Prahalad (1989) perceived an organization as a foundation for sustained competitive advantage when it possesses skills or resources that provide superior value to customers and that are difficult to imitate. Organizations are in stiff competition with each other and more so when they are selling similar products and services. It becomes even stiffer if the style of business is almost rigid, thereby giving the players minimal chance to diversify.

Environmental forces largely influence competition if within an industry especially those related to technology, economic forces, social and cultural values. Kotler (1997) observed that an organization consists of structures, policies and corporate culture, all of which can become dysfunctional in a rapidly changing business environment. In addition, turbulent environmental changes could render yesterdays' winning business solutions and principles obsolete. Thus, strategic management plays a key role in facilitating the deployment of a firm's resources in an efficient manner to ensure long-term performance in a competitive environment. As Bennett (1999) noted, this makes implementation of competitive strategies critical especially in the light of the stiff and ever increasing competition and complexity of today's world that make it extremely difficult to assess and take advantage of opportunities open to a firm.

Companies today have to be efficient, flexible and profitable. Without these factors, it would be very difficult to compete in the global economy. Apart from participating in strategic alliances to fully enhance the resources they need to become competitive, many companies now evolve and expand through mergers or acquisitions for example Nakumatt acquiring Woolmatt.

1.1.3 Supermarkets in Kenya

A supermarket is a large, low cost, low margin, high volume, self-service shop that carries a wide range of groceries and household products (Kotler & Armstrong, 2001). It can also be defined as a large store selling different classes of consumer goods under one roof but physically in different departments (Cox & Brittain, 2000).

The development of supermarkets in Nairobi has been because of economic liberalization by the government since 1986 and the phenomenal population increase in the city. Nairobi city, which is about 680 sq. kms, has experienced major population explosion since 1948. The population grew from 100,000 in 1948, 250,000 in 1962, 609,000 in 1969, 837,000 in 1973, 1.3 million in 1989, 2.5 million in 1999, 3 million 2004 and is about 5 million today (World Bank Development Report, 2011). It is mainly for the population increase that supermarkets have grown from about five in the 1970s to almost over 300 today.

According to Karemu (1993), supermarkets as a mode of retailing in Kenya are a recent development. The first supermarket was opened in the 1970s, few in the 60s. 'Among the first supermarkets to be established in Kenya were K & A (1962), Ebrahims self service store (1970) and Uchumi Supermarket Ltd (1975), all in Nairobi. It was much later that the wave of supermarket retailing reached other major towns such as Mombasa, Kisumu and Nakuru', (Okwany 2003). One of the challenges facing supermarkets is stiff competition. The wave of exhibition stalls has increased the tempo and complexities of the competition. These competitions have global dimensions where domestic firms source products from abroad at cheaper prices.

The Kenyan retail industry is largely under developed. Few supermarket chains, retail shop outlets, characterize the industry and thousands of kiosks spread all over the country. The inadequate managerial skills and inaccessibility of capital by entrepreneurs are additional features that define the Kenyan retail market. Unlike other retail outlets, supermarkets dispense a certain level of managerial skills. They employ qualified professionals, keep proper books of accounts and are tax compliant.

According to a Kenyan research institution Kestrel Capital (2012), approximately 78% of shoppers in Eastern Africa shop at informal outlets (mainly kiosks) due to the low proximity to the retail chains as well as low levels of income which forces the low income earners to buy smaller packaged commodities. However, with income levels projected to continue rising and supermarkets stocking smaller packages which have been introduced by manufacturers in the last three years, there is a huge opportunity for the supermarkets to open more outlets especially closer to the masses.

Compared with other East African countries that is Uganda and Tanzania, the Kenyan market is the only one that does not have a single foreign investor. Shoprite and Pick "N" Pay both from South Africa are already in Uganda and Tanzania. Tesco a British based supermarket never materialized on its rollout programme in the Kenyan market. Analysts have observed that consolidation of retail market in Kenya as the main challenge that has discouraged new players from rolling out their businesses in the Kenyan market. However, high cost of doing business, punitive tax regimes and bureaucratic practices before a firm could roll out its business are further to blame for the for the lack of foreign investors.

The retail industry performs important functions in the economy of any country. First, the provision of final link in the distribution channel that is from producers to final consumers. Secondly, provision of employment to a large pool of workers both qualified and semi qualified. Thirdly, they also contribute to the exchequer that is both corporate taxes and value added tax (VAT). Fourthly, due to their purchase of bulk, prices tend to be stable for a considerable period and an even distribution of goods is enhanced.

1.1.4 Medium and Large Supermarkets in Kenya

In Kenya, the retail industry is very dynamic with supermarkets ranging from sole proprietors (Ebrahims, Jack n Jill), partnerships, and limited liability companies (Nakumatt Holdings, Tuskys, Naivas, Ukwala) to public owned companies (Uchumi Supermarket ltd). All these compete mostly on diversity of products, price and services offered to customers. The business environment in the country has changed tremendously, with economic decline in the 1990s up to the year 2003 when economic growth (3% from a decline of -5%) was recorded. This has resulted to the growth in supermarkets with even some going regional and others joining the local industry.

Medium and large supermarkets are those stores with employees of fifty and above. One of the recent studies done by Kestrel Capital (2012) concluded that the four large leading supermarkets in Kenya are Nakumatt Holdings with 37 branches both local and regional and a turnover of about Kshs 25 billion, Tuskys Supermarket has 37 branches both local and regional and a turnover of about Kshs 18 billion. Uchumi Supermarkets has 21 branches both local and regional with a turnover of Kshs 12 billion and Naivas Supermarkets has 19 local branches with a turnover of Kshs 10 billion as per the last company reports of year 2010. Nakumatt has a revenue market share of 39.5%, Tuskys has 33.1%, Uchumi has 14.2% and Naivas has 14.2%. In Kenya, these top four supermarkets control an estimated 30% of the retail market (Kestrel Capital, 2012). Chandarana, Ukwala, Eastmatt, Tumaini, Ebrahims, Jack n Jill and other key players also make up the medium and large supermarkets in Nairobi, Kenya.

These supermarkets are located within the capital centre of Nairobi with branches all over Kenya and some have gone regional. The location enables them to stock other household goods such as household appliances, clothing and furniture. As the industry becomes more profitable, more players' mainly international retail chains are anticipated to set up operations in Kenya.

1.2 The Research Problem

The notion underlying the concept of generic strategies is that competitive advantage is at the heart of any strategy and achieving it requires a company to make a choice about the type of competitive advantage it seeks to attain and the scope within which it will attain it. Competitive advantage provides the architecture for describing and assessing strategy, linking it to company behavior and understanding the sources of competitive advantage (Porter 1998).

The stiff competition is due to existing supermarkets selling same products and offering similar services. Businesses have as a result come up with ways to cope up with competition by adopting strategic responses to it or risk being thrown out of the market.

Organizations need strategies to focus on their customers and deal with emerging environmental challenges in order to remain viable. The dynamism of the retail industry makes it an interesting field of study.

Kenya being a developing country that wants to achieve Vision 2030 that is transform Kenya into a newly industrializing, middle-income country providing a high quality life to all its citizens by the year 2030, wholesale and retail trade is one of the key sectors on focus in the economic development of the country. This is because the sector is the link between production and consumption, both of which are expected to expand economic growth of the country.

Several studies have been done on different aspects of retail chain operations that evaluate on the performance of supermarkets in Kenya. For example, Munyoki (1997) researched on pricing strategies of consumer goods in the retail market. Imbuga (2005) did a survey on determinants of brand loyalty to supermarkets in Nairobi while Kiilu (2008) developed a case study on corporate strategy at Nakumatt Holdings Ltd. Njiru (2010) studied factors that determine brand loyalty to supermarkets in Nairobi; Langat (2011) carried out a survey on strategic responses to change in the external environment by supermarkets in Nairobi. All these studies show different aspects of supermarkets and none of them has focused on strategic responses to competition by the medium and large supermarkets in Nairobi, and the challenges of implementing these strategies. Thus, this is the gap that this study seeks to address.

Strategy is sensitive to time and contextual factors. Due to the changing competitive market intelligence and the rate of technology change, this research provided the much needed insight and knowledge currently needed with respect to the ever-growing retail industry and strategic responses adopted by supermarkets in Nairobi for survival. . The study was guided by the following research question; "what are the strategic responses to competition by the medium and large supermarkets in Kenya?''

1.3 Research Objectives

The objectives of the study were:

i) To determine the competitive strategies adopted by the medium and large supermarkets in Nairobi, Kenya.

ii) To establish the challenges experienced in implementing competitive strategies.

1.4 Value of the Study

The study will show that competition is and shall continue to impact on the performance of supermarkets. As such, for a firm to survive in a dynamic environment, it should identify its target market and tailor its products and services to manage the stiff competition. The study will be of help to potential investors for example new entrants into the industry of retail, in fully understanding the strategic responses they can adopt in order to gain competitive advantage over the competitors.

The study will also help the government and regulatory institutions like Kenya Revenue Authority (KRA) in understanding strategic responses adopted by supermarkets for their continued existence. Thus, enable them in the formulation and implementation of efficient tax structures that will be favourable in terms of running and operating retail stores. This will in the long-run help in the growth of this sector, which is a driving force and plays a critical role in the achievement of Vision 2030.

To the players in the industry, the study will give the managers in the retail industry and owners an understanding of the various competitive strategies that they could adopt to beat competition and be the best in the industry. This will help in improving their performance as well as aiding policy formulation. To the academic arena, the study will benefit the students of strategic management with practical information from their immediate environment. This will help them operationalize and understand better abstract management concepts found in textbooks.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on the information from other researchers who have carried out their research in the same field of study. Areas covered include strategic response theories, competition in the retail industry and Porter's generic business strategies that include differentiation strategy, cost leadership strategy, focus strategy, and the competitive forces that shape strategy.

2.2 Strategy and Strategic Response

Mintzberg et al. (1998) offers five answers to the question, what does strategy mean? Strategy is a plan, direction or course of action for the future that is, the course of action an organization has followed over the past. Strategy can also be positioning a product in the market; the product meets the customers' needs. Strategy is a perspective in terms of the way an organization does its business, the vision of the organization. Strategy is a ploy, a specific tactic in response to competition. According to Barney (2002), strategy is a pattern of resource allocation that enables a firm to maintain or improve performance. A good strategy neutralizes threats, exploits opportunities, capitalizes on strengths and fixes weaknesses.

Strategic responses are concerned with reacting to threats posed to the long-term direction of an organization by changes in operating environment. When a firm fails to respond to a threat, the losses that result continue to accumulate. According to Ansoff and McDonnell (1990), strategic responses involve change in the firm's strategic behavior to assure success in transforming the future environment. Pearce and Robinson (2005), define strategic responses as the set of decisions and actions that result in formalization and implementation of plans designed to achieve firms' objectives. There it is a reaction to what is happening I economic environment of organizations.

Strategic responses is about restructuring by adopting new strategies that match the challenges from the environment. Thompson (2005) defines strategy adaptation as changes that take place over time to strategies and objectives of an organization. Such change can be gradual or even revolutionary.

Strategic responses involve changes to the organization's strategic behavior. These responses may take many forms depending on an organizations capability and the environment in which it operates. The management system adopted determines the way an organization perceives the environment, diagnoses its impact on the firm and consequently implement the decisions (Ansoff and McDonnell, 1990). The strength of a firm's strategic response capability is determined by flexibility in the market, production and competition. Market flexibility deals with an organization's ability to have a high market. Production flexibility arises from a firm spreading its value creation activities in those markets where it has a major market share, while competitive flexibility of organizations arises from the ability to coordinate its competitive moves. These responses include restructuring, information technology, marketing, mergers and acquisitions.

The ability of a firm to command a competitive advantage depends on practicability of their strategic responses (Barney, 2002). The business environment in the country has drastically changed resulting in most supermarkets opening a number of branches across the borders and thus increasing competition in the industry globally. Strategic management demands that companies have effective systems in place to counter unpredictable events that can sustain their operations and reduce the risk involved.

2.3 Competition in the retail industry

Competition in business is defined as the effort of two or more parties acting independently to secure the business of a third party by offering the most favourable terms. It is seen as the pillar of capitalism in that it may stimulate innovation, encourage efficiency or drive down prices. Competition is routed as the foundation upon which capitalism is justified (Kohn, 1986). According to micro economic theory, no system of resource allocation is more efficient than pure competition. Competition causes commercial firms to develop new products, services and technology. This gives consumers greater selection and better products.

The primary objective of profit seeking firms like supermarkets is to maximize the performance of the firm over time (Rappaport, 1981). The old competitive strategies of invention and mass production no longer work in an increasingly turbulent business environment. Successful firms are always implementing new competitive strategies of continuous improvement and mass customization, which is defined as the dynamic flow of goods and services via a stable set of processes. Managers must assess their firm's current competitive position, build a vision for where they must be in the future, and construct transformation strategy to turn the future vision into reality.

Superiority can be achieved through the pursuit of a generic strategy defined as the development of an overall cost leadership, differentiation or focus approach to industry competition which is among the strategic responses that a firm can adopt. A firm needs to pursue one strategy, to avoid being stuck in the middle and hence experience lower performance when compared to firms that pursue a generic strategy. Therefore, firms cannot focus solely on a cost leadership or differentiation strategy to the exclusion of other strategies. Cost leaders must devote some resources to differentiation activity, and those that pursue a differentiation strategy cannot do so to the detriment of their cost structure (Porter, 1980, 1985).

According to Miller (1992) the pursuit of a pure generic strategy (one that does not mix emphasis on both cost and differentiation competitive methods), as compared to a hybrid strategy where firms place similar emphasis on both differentiation and cost leadership competitive methods simultaneously is beneficial in markets where consumers exhibit strong preferences for either quality or price. Pure cost leadership is most effective when customers are sensitive to price and when there is a fighting chance to maintain a cost advantage because of economies of scale, proprietary technology, or unique access to cheap materials or channels of distribution. In the retail industry, major supermarkets offer similar products with minimal discrepancies in prices, so a differentiation strategy may realize a performance advantage over competitors that pursue another generic strategy type or those that are stuck-in-the-middle.

However, Day and Wensley (1988) argue that competitive strategies consist of skills and resources that are available for use by firms in a competitive industry. Superior skills are defined in terms of staff capability, systems or marketing surveys not possessed by a competitor. Resources are the firm-specific assets useful for creating a cost or differentiation advantage and that few competitors can acquire easily. Examples of such resources include; patents and trademarks, proprietary expertise, installed customer base, reputation of the firm and brand equity. Capabilities refer to the firm's ability to utilize its resources effectively. These are included in the routines of the organization and are not easily documented as procedures, thus are difficult for competitors to replicate. The firm's resources and capabilities together form its distinctive competencies. These competencies enable innovation, efficiency, quality, and customer responsiveness, all of which can be leveraged to create a cost advantage or a differentiation advantage.

Firms can follow both cost leadership and differentiation strategies simultaneously that is hybrid strategies. These emphasizes on cost and differentiation simultaneously as competitive methods (Wagner and Digman, 1997).

2.4 Porter's Generic Business Strategies

Strategy is an essential part of any effective business plan. By using an effective competitive strategy, an organization finds its industry niche and learns about its customers. The three basic business strategies include differentiation, cost leadership and focus. A company performs best by choosing one strategy on which to concentrate Porter (1980, 1985). However, many researchers feel a combination of these strategies may offer a company the best chance to achieve a competitive advantage (Hlavacka et al., 2001). Whatever strategy a business chooses, it must fit with the company's goals and objectives to gain a competitive advantage.

According to Suutari (1999), companies must be competitive to become an industry leader, to be successful both nationally and abroad, and these strategies for gaining competitive advantage apply to all industries in most nations. While various types of organizational strategies have been identified over the years, Porters generic strategies remain the most commonly supported and identified in key strategic management textbooks and in the literature (David, 2000). Porter's generic strategies can yield competitive advantage and ensure long-term profitability hence fundamental to strategy. The firm must make a choice between one of the generic strategies rather than end up being "stuck in the middle" and the result is often poor financial performance.

It is very difficult for most organizations to ignore cost no matter how different their product offering is. Similarly, most companies will not admit that their product is essentially the same as that of competitors. It is important for the analysts therefore to bear in mind that generic strategies should be considered as a part of a broader strategic analysis.

The generic strategies only provide a good starting point for exploring the concepts of cost leadership and differentiation. Perhaps a major limitation of the generic strategies is that they may not provide relevant strategic routes in the case of fast growing markets. It is clear that the competitive environment is continually changing and such changes have led to increased competition forcing many firms to respond by adopting strategies to ensure they achieve sustainable competitive advantage that leads to long-term success of firms.

2.4.1 Differentiation Strategy

When using differentiation strategy, a company focuses its efforts on providing a unique product or service (Hlavacka et al., 2001). Since the product or service is unique, this strategy provides high customer loyalty (Porter, 1985). Product or service differentiation fulfils a customer's need and involves tailoring the product or service to the customer. This allows organizations to charge a premium price to capture market share.

The differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product or service quality, unique features or after sale services. Firms following a differentiation strategy can charge higher prices for their products or services based on product characteristics, the delivery system, quality of service or the distribution channels. The quality may be real or perceived based on fashion, brand name or image. The differentiation strategy appeals to a sophisticated or knowledgeable consumer interested in a unique or quality product and willing to pay a higher price.

The key step to devising a differentiation strategy is to determine what makes a company different from a competitor. Factors including market sector, quality of work, size of the firm, image, graphical reach, involvement in client organizations, product, delivery system and the marketing approach are used to differentiate a firm. To be effective, the message of differentiation must reach the clients, as the customer's perceptions of the company are important. Berthoff (2002) suggests bending the customers will to match the company's mission through differentiation.

When using differentiation, firms must be prepared to add a premium to the cost. This is not to suggest costs and prices are not considered; only it is the focus. However, since customers perceive the product or service as unique, they are loyal to the company and willing to pay the higher price for its products (Hlavacka et al., 2001).

Some key concepts for establishing differentiation include, speaking about the product to select panels, writing on key topics affecting the company in the association magazine or newsletter, becoming involved in the community, being creative when composing the company's portfolio, offering something the competitor does not or cannot offer, adding flair and drama to the store layout, providing e-commerce, making access to company information and products both quick and easy, using company size as an advantage, training employees with in-depth product and service knowledge, offering improved or innovative products, emphasizing the company's state-of-the-art technology, quality service, and unique products/services, using photos and renderings in brochures and selecting products and services for which there is a strong local need (Darrow, 2001).

However, there are variants to the differentiation strategy. The shareholder value model holds that the timing of the use of specialized knowledge can create a differentiation advantage as long as the knowledge remains unique. This model suggests that customers buy products or services from an organization to have access to its unique knowledge. The advantage is static, rather than dynamic, because the purchase is a one-time event. The unlimited resource model utilizes a large base of resources that allow an organization to outclass competitors by practicing a differentiation strategy. An organization with greater resources can manage risk and sustain losses more easily than one with fewer resources. This deep-pocket strategy provides a short-term advantage only. If a firm lacks the capacity for continual innovation, it will not sustain its competitive position over time.

2.4.2 Cost Leadership Strategy

It focuses on gaining competitive advantage by having the lowest cost in the industry. In order to achieve a low-cost advantage, an organization adopts a low-cost leadership strategy that is low-cost manufacturing and a workforce committed to the low cost strategy. An organization must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing them to other companies with a cost advantage. For an effective cost leadership strategy, a firm must have a large market share. There are many areas to achieve cost leadership such as mass production, mass distribution, economies of scale, technology, product design, input cost, capacity utilization of resources and access to raw materials (Malburg, 2000).

On the other hand, Porter (1985) purports only one firm in an industry can be the cost leader and if this is the only difference between a firm and competitors, the best strategic choice is the low cost leadership role. Low costs and cost advantages result from process innovations, learning curve benefits, economies of scale, product design reducing manufacturing time and costs, and re-engineering activities. A low cost or cost leadership strategy is effectively implemented when the business designs, produces and markets a comparable product more efficiently than the competitors. The firm may have access to raw materials or superior proprietary technology that helps to lower costs.

Firms do not have to sacrifice revenue to be the best cost leader since high revenue is achieved through obtaining a large market share (Bauer and Colgan, 2001). Lower prices lead to higher demand and, therefore a large market share. As a low cost leader, an organization can present barriers against new market entrants who would need large amounts of capital to enter the market. The leader then is somewhat insulated from industry wide price reductions (Porter, 1980). The main disadvantage of cost leadership strategy is that it creates little customer loyalty and if a firm lowers prices too much, it may lose revenues.

2.4.3 Focus Strategy

In this strategy, a firm targets a specific segment of the market. The firm can choose to focus on a select customer group, product range, geographical area, or service line. Focus strategy is based on adopting a narrow competitive scope within an industry. It aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by larger competitors. These niches arise from a number of factors including geography, buyer characteristics and product specifications or requirements.

A successful focus strategy depends upon an industry segment large enough to have good growth potential but not a key importance to other major competitors. Market penetration or market development can be an important focus strategy. Small medium sized firms and large firms use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies. Focus strategies are most effective when consumers have distinct preferences and the niche has not been pursued by rival firms (David, 2000).

2.5 Competitive Forces that Shape Strategy

Understanding the competitive forces and their underlying causes reveals the roots of an industry's current profitability while providing a framework for anticipating and influencing competition and profitability over time. A healthy structure should be as much a competitive concern to strategists as their company's own position.

Understanding industry structure is also essential to effective strategic positioning The configuration of Porter's five forces differs by industry. The strongest competitive force(s) determine the profitability of an industry and becomes the most important to strategy formulation. Industry structure grows out of a set of economic and technical characteristics that determine the strength of each competitive force (Porter, 1980).

New entrants to an industry bring new capacity and a desire to gain market share that puts pressure on prices, costs and the rate of investment necessary to compete. Particularly when new entrants are diversifying from other markets, they can leverage existing capabilities and cash flows to shake up competition. The threat of entry therefore puts up a gap on the profit potential of an industry. When the threat is high, the incumbents must hold down their prices or boost investments to deter new competitors. Entry barriers are advantages that incumbents have relative to new entrants. These include supply side economies of scale, demand side benefits of scale, customer switching costs, capital requirements, incumbency advantages independent of size, unequal access to distribution channels and restrictive government covenants.

Powerful suppliers capture more of the value themselves by charging higher prices, limiting quality of services, or shifting costs to industry participants. Powerful suppliers, including suppliers of labor, can squeeze profitability out of an industry that is not able to pass on cost increases in its own prices.

Powerful customers can capture more value by forcing down prices, demanding better quality or more service (thereby driving up costs), and generally playing industry participants off against one another, all at the expense of industry profitability. Buyers are powerful if they have negotiating advantage relative to industry participants, especially if they are price sensitive, using their power primarily to pressure price reductions (Porter, 1980).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the proposed research design, population of the study, data collection methods and the techniques for data analysis that will be used.

3.2 Research Design

The research design was a descriptive cross sectional survey of the supermarkets in Nairobi where data was be collected one point in time. Mugenda and Mugenda (1999) notes that a descriptive survey seeks to obtain information that describes existing phenomena by asking questions relating to individual perceptions and attitudes.

When all items of the population are covered, no element of chance is left and highest accuracy is obtained.

3.3 Population of the study

The target population of this study was drawn from all supermarkets with head-offices in Nairobi as listed in the yellow pages of the Nation Business Directory, Nairobi (2012). This constitutes a population of three hundred and twenty eight (N=328) supermarkets in Nairobi. The medium and large supermarkets have more than fifty employees and are strategically positioned on main streets or estates in the city. Some of the supermarkets have more than one outlet offering similar products and with large capital outlays and thus have well defined strategic plans in order to counter competition and get a return on investments.

Stratified random sampling was done where the medium and large supermarkets in Nairobi were selected based on those with branches within Nairobi and those with employees above 50 people. Thus, the sample size of the selected supermarkets was n=14 (see appendix II). Due to the small size of the sample, a census of the target supermarkets was done.

3.4 Data Collection

The study used primary data by administration of structured questionnaires. Structured questionnaires consist of both open ended and closed ended questions (include likert type of questions) designed to elicit specific responses for qualitative and quantitative analysis respectively. A questionnaire is a useful tool for collecting data from respondents because of the need to provide a means of expressing their views openly and clearly. The questionnaire has three parts, A, B and C. Part A addresses the demographic and respondents profile in regard to the supermarket, part B addresses the strategic responses to competition and part C deals with the challenges in implementing this challenges.

The questionnaire was administered to the senior administrators' that is, general managers or chief supervisors of the supermarket chains since they are the ones involved in strategic issues affecting supermarkets. The respondents were expected to give an insight into some of the strategies they been have put in place to ensure that they have a competitive edge over their competitors. These respondents are involved in formulation and implementation of the organization's strategies.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

This section highlights the analysis and the findings of the study. Data collected was analyzed and presented in tables and graphical form.

4.2 Supermarkets profile

The medium and large supermarkets in Nairobi region that were interviewed were 14 in number. The respondents were asked how long their supermarket chain has been in operation.

Table 4.1: Supermarket profile

How long has your supermarket chain been in existence	Frequency	Percent	Cumulative Percent
under 5 years	1	7.1	7.1
6-10 years	2	14.3	21.4
11-15 years	1	7.1	28.6
16-20 years	4	28.6	57.1
20-25 years	1	7.1	64.3
over 25 years	5	35.7	100.0
Total	14	100.0	

Source: Researcher 2012

The results of table 4.1 show that about 80% of these supermarkets have been in retail business for more than 10 years as shown in table 4.1. Supermarkets such as Nakumatt holdings Ltd, Tusker (Tuskys) Mattresses Ltd, Ebrahims & Co. ltd, Jack & Jill Supermarket, Uchumi Supermarket ltd and Chandarana Supermarket Ltd have been in this competitive retailing environment for over 25 years and have survived in this competition enabling them to open more retail chain stores in other regions within and some outside the country.

The respondents were asked how long the supermarket chain has been in existence.

Table 4.2: Number of supermarkets branches

Number of branches	Frequency	Percent	Cumulative Percent
1	1	7.14	7.14
2	2	14.29	21.43
3	1	7.14	28.57
4	2	14.29	42.86
6	2	14.29	57.15
8	1	7.14	64.29
14	1	7.14	71.43
20	2	14.29	85.72
30	1	7.14	92.86
32	1	7.14	100.00
Total	14	100.00	

Source: Researcher 2012

Results of table 4.2 show that over 60% of these supermarket chain stores have over 10 branches within the country as shown in table 4.2 above. Tuskys has the highest number of branches at 32 followed by Nakumatt with 30 branches, Naivas has 20 branches and Ukwala has 14 branches.

4.3 Segmentation and targeting strategy

The potential customers to whom a business wishes to sell products or services is referred to as the target market. The targeting strategy involves segmenting the market, choosing which segments of the market are appropriate, and determining the products that will be offered in each segment.

The respondents were asked to indicate their main target customers as part of their targeting strategy and the results shows that about 86% of the respondents have adopted a mass/undifferentiated targeting strategy. This is where an enterprise chooses to sell to all without differentiating the customers. Thus, they target all men and women despite their ages and children as well. The main benefit for the firm is that it can buy in large scale, benefiting from low economies of scale. These lower costs can be passed on to the consumer in the form of lower prices because, although profit margins on each item sold may be lower, high sales volume should generate large profits overall.

4.4 Customers perception and choice of the supermarket stores

Consumers make decisions on a daily basis on the choice of a retail outlet. The decision making process is influenced by a number of external influences as well as internal influences (Hawkins & Mothersbaugh, 2010). Perception begins with consumers' exposure and attention to marketing stimuli and ends with their interpretation of the stimuli.

4.4.1 Customers choice of supermarket store

The respondents were asked to give reasons why they think customers would prioritize shopping in their outlet as compared to their competitor's outlet. The results are shown in table 4.3.

Table 4.3: Customers choice of a supermarket store

Reasons why customers patronize your outlet	Frequency	Percent	Cumulative Percent
Quality products	11	18.64	18.64
Good customer services	11	18.64	37.28
Competitive prices	13	22.03	59.31
Attractive sales promotions and advertisements	8	13.56	72.87
Strategic location of outlet	11	18.64	91.51
Specialized after sale service	5	8.49	100.00
Total	59	100.00	

Source: Researcher 2012

Findings of table 4.3 show that all supermarkets stores seem to have almost similar perception or understanding of their customer needs. However, specialized after sale services (8.5%) seems not a priority for a customer when choosing which supermarkets he/she will shop. On the other hand, competitive prices (22%) are a major priority in customers' priority choice of a supermarket.

4.4.2 Customers perception on prices, place and brand

Learning how to price products is one of the most challenging skills that an entrepreneur has to learn. Perception is one of the pre-purchase considerations when it comes to pricing, meaning that it is what is going on in consumers' heads before they buy any product. However, perceptions about the value of the product has a strong influence on how the product will be used, so altering the price of the product can sometimes alter the value they actually get from the product. The respondents were asked to rate how their customers perceive them as a positioning strategy in the market in terms of target market and pricing.

Customers' perception on pricing showed that 92% perceive that their supermarkets offer fair prices on the products they stock. On the other hand, on customers' perception on the market they serve is that 40% of these supermarkets do mass marketing targeting strategy while only 13.3% of the supermarkets target the up-market and 47% target the low-end market. On branding, all the medium and large supermarkets felt that it is very important for them to be identified using a certain brand name.

4.4.3 Challenges in addressing customers expectation

Being able to satisfy customer's needs and wants is a major challenge to many retails with the supermarkets included. Achieving high levels of customer satisfaction requires that organizations continually monitor and examine the experiences, opinions, and suggestions of their customers and people who are potential customers. Improving service and quality to meet customers' standards is an ongoing part of doing business. In this way, customers drive the market and the organization. However, due to scarce resources and cost implications, many supermarkets are not able to monitor customers' expectation on a timely basis and hence they are faced by numerous challenges.

The respondents were asked to indicate the difficulties they faced while trying to meet the needs of their target customers.

Table 4.4: Challenges supermarkets face in handling customers needs

Difficulties encountered	Frequency	Percent	Cumulative Percent
High costs of products	1	4.4	4.4
High inflation rates	1	4.4	8.8
High interest rates	3	13.0	21.8
Discounts requested by customers	3	13.0	34.8
Change of customer tastes and preferences	4	17.3	52.1
Insufficient advertisements	1	4.4	56.5
Lack of trust worthy employees	1	4.4	60.9
Lack of product varieties	4	17.3	78.2
Lack of product availability	1	4.4	82.6
Inadequate space	2	8.7	91.3
Stiff competition	2	8.7	100.0
Total	23	100.00	

Source: Researcher 2012

The results in table 4.5 indicate that change of customers taste and preference and lack of product variety (17.4%) seemed to be the main challenges facing these supermarkets. Enterprises dealing with consumer's products operate in highly competitive markets and rely on continued demand for products to be supplied in the enterprise. To generate revenues and profits, medium and large supermarkets must sell products that appeal to customers. Any significant changes in consumer preferences or any inability on supermarket to anticipate or react to such changes could result to reduced demand for products and erosion of competitive and financial position. Thus it is important for the supermarkets to continuously monitor the consumer market trends in order to improve the quality of existing products, have variety of products and enhance effectiveness through advertising campaigns, marketing programs, branding and product packaging among others.

4.5 Supermarkets important competitive strategic attributes

A competitive advantage is an advantage gained over competitors by offering customers greater value, either through lower prices or by providing additional benefits and service that justify similar, or possibly higher, prices (King, 2005). Success for any business is tricky in the current economy. For any business to remain viable, it has to weather the storms of competition. By doing so, it has to define its ultimate goal for being in business.

The respondents were asked to indicate what is important for them or what goals have they put ahead in their planning in order to remain competitive in the market. The results are shown in table 4.5.

Table 4.5: Strategic attributes important for competition

Attributes of importance	Survival in the market	growth(gain market share)	profitability	product and market differentiation	maximum market share
Very important	78.6	64.3	35.7	35.7	42.9
Important		28.6	21.4	28.6	42.9
Moderate important	7.1		35.7	35.7	14.3
unimportant	14.3	7.1	7.1		
Total	100.0	100.0	100.0	100.0	100.0

Source: Researcher 2012

Results from table 4.5 show that for a medium or large supermarket to remain competitive, it is very important for the supermarkets to consider market strategies such as survival in the market (78.6%), growth (gain of market share) (64.3%) while it is of moderate importance to consider profitability (35.7%), product and market differentiation (35.7%) as well as the market share (14.3%).

4.6 Supermarkets strategic responses to competition

Growing a business successfully is often dependent upon a strong competitive edge that gradually builds a core of loyal customers, which can be expanded over time. Sustainable competitive advantage allows for the maintenance and improvement of a business competitive position in the market. It is an advantage that enables businesses to survive against its competition over a long period. The advantage comes from a business unique skills and resources working together to implement strategies that competitors cannot implement as effectively.

4.6.1 Advantages for branding the medium and large supermarkets

Branding is one of the ways that businesses can maintain their competitive advantage in the market. Branding refers using a name, term, sign, symbol or design, or a combination of them all, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of other sellers. The most important value in a brand is the value that it holds for actual customers. This value is very difficult and expensive to build and fragile or easy to destroy.

The respondents were asked to give reasons why they brand their business. The results are indicated in table 4.6.

Table 4.6: Medium and large supermarkets advantages of using a brand name

Difficulties encountered	Frequency	Percent	Cumulative Percent
Cultivate customer loyalty	12	32.4	32.4
Differentiate from competition	11	29.8	62.2
Enter new markets	9	24.3	86.5
Claim quality of products and services	5	13.5	100.0
Total	37	100.00	

Source: Researcher 2012

Results from table 4.6 show that 32% of the respondents brand their business in order to cultivate customers' loyalty, 30% do it as way to be differentiated from their competitors, 24% brand as a way to enter new market and 14% brand as a way to claim quality of products and services that they offer.

4.6.2 Strategic action plans to beat competition

A competitive strategy is what allows a business to successfully compete against other rivals within an industry. Companies develop and implement several strategies every day to achieve or work towards achieving short-term and long-term objectives. Strategic action competency is a key managerial skill for middle to upper level management. By correctly forecasting the actions of other competitors, a business can be prepared to outmaneuver them. The key to achieve this is by taking strategic actions to optimize the chances of success based on business forecasted actions and desires of others and by considering the long-term implications of any actions taken.

4.6.3 Potter's Generic Strategies to beat competition

The primary determinant of business profitability is the attractiveness of the industry in which it operates while an important secondary determinant is its position within that industry. Even though an industry may have below average profitability, a firm that is optimally positioned can generate superior returns. A firm positions itself by leveraging its strengths. Potter (1985) argued that a firm's strengths ultimately fall into one of two headings: Cost advantage and Differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result: Cost leadership, Differentiation, and Focus. These strategies are applied at the business unit level. They are called generic strategies because they are not firm or industry dependent.

The respondents were asked to respond on how the Potter's generic strategies are of importance to their firm in response to market changes. Table 4.7 indicates the percentage response rates by the medium and large supermarkets.

Table 4.7: Potter's Competitive strategies adopted by the medium and large supermarkets

Target scope	Competitive Advantage	
	Low cost	*Product/services uniqueness*
Broad *(Market focusing)*	**Cost Leadership Strategy** <u>% response on important strategies adopted by the medium and large supermarkets</u> -Use of latest technology = 71.4% -Cost cutting = 78.6% -Business process rationalization=71.4% -Automation of operation=71.4%	**Differentiation Strategy** <u>% response on important strategies adopted by the medium and large supermarkets</u> -Customer services=92.9% -Increased advertising=50% -More strategic locations=85.7% -Branding=50% -Staff training=57.1%
Narrow *(Market segmentation)*	**Focus strategy** *(low cost)*	**Focus Strategy** *(Product/services Differentiation)*

Source: Researcher 2012

The results of table 4.7 show that the medium and large supermarkets have adopted different cost leadership strategies in order to remain competitive in the market. As they focus broadly in the market, cost cutting (78%), use of latest technology (71.4%), Business process rationalization (71.4%) and automation of operations (71.4%) are the most important cost leadership strategies that they have adopted

In line with differentiation strategies and as they focus broadly in the market, the medium and large supermarkets have adopted customer service (92.6%), strategic location

(85.7%), staff training (57.1%), increased advertising (50%) and branding (50%) as the important competitive strategies.

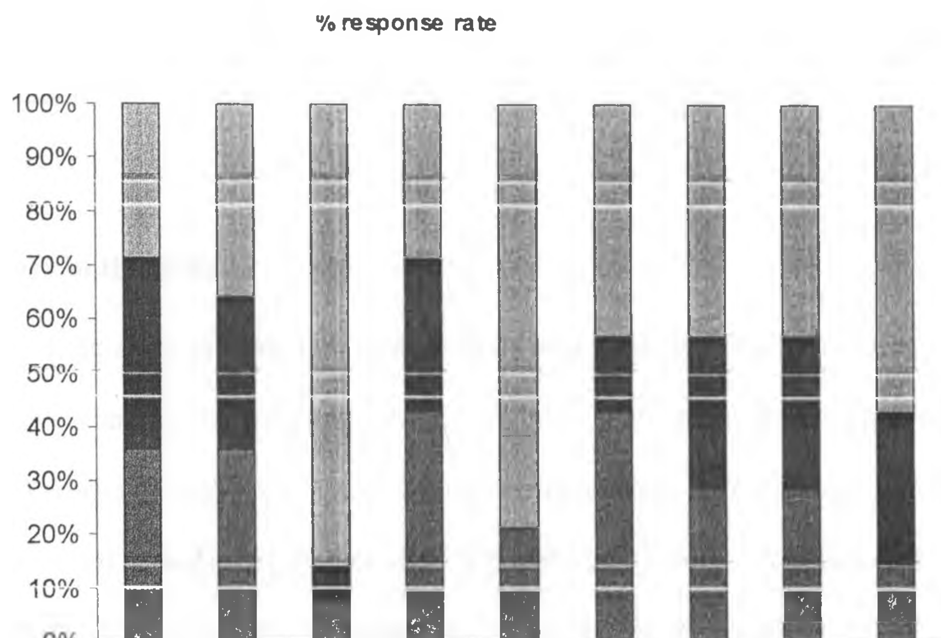
As a narrow focus, the medium and large supermarkets have focused on market segmentation as a way to define their actual target customers. In doing so they lower the costs of goods or services, they offer and they adapt a narrow differentiation strategy. This results to enhanced profits through better matching of customer's needs, high customer retention and better growth leading to increased market share.

4.7 Challenges affecting the medium and large supermarkets operation plans

Although a supermarket manager or owner has strong business expertise and a passion for the retail store, there will always be challenges ahead in successfully running of the business. One of the biggest challenges in retail marketing is competition from other retail outlets. Often all these supermarkets stores offer the same products, and individual stores must produce marketing materials that convince consumers to buy from them instead of a competitor. When a retail store plans its marketing, it must work to find new and innovative ideas that will put its products in the best light, emphasize the selection, and persuade customers that prices are reasonable. Retail outlets must constantly keep abreast of tactics and promotions used by other local stores to stay competitive in a constantly changing market.

The respondents were asked to rate the extent to which various stated challenges are a threat to their business. Figure 4.2 below indicates the response rate.

Figure 4.2: Extent to which the strategies affect the business operations



	financial requirements e.g	changing consumer tastes	ability and skills of owner	ability and skills of staff	Barriers of entry and exit	marketing	competition from smaller	government interventi	substitutes(other supermar
small extent/not at all	28.6	35.7	85.7	28.6	78.6	42.9	42.9	42.9	57.1
moderate extent	35.7	28.6	7.1	28.6		14.3	28.6	28.6	28.6
very/great extent	35.7	35.7	7.1	42.9	21.4	42.9	28.6	28.6	14.3

Source: Researcher 2012

From figure 4.2, the main challenges facing the medium and large supermarkets are; ability and skills of staff (42.9%), marketing (42.9%), financial requirements (35.7%), changing customers taste and preferences (35.7%), competition from smaller outlets (28.6%) and substitutes (other supermarkets) (14.3%). On the other hand, barrier of entry and exist of other players (78.6%) and ability and skills of owner (85.7%) are of no or rather small challenge in business operations.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section summaries the findings of the study and offers a conclusion and recommendation on competitive strategies adapted by the medium and large supermarkets.

5.2 Summary of the findings

The results of the study indicate that most medium and large supermarkets have adopted a mass or undifferentiated targeting strategy as their main targeting strategy. This is where an enterprise chooses to sell to all without differentiating the customers. Thus, they target all men and women despite their ages and children as well. The main benefit for the supermarket is that it can buy in large scale, benefiting from low economies of scale. These lower costs can be passed on to the consumer in the form of lower prices because, although profit margins on each item sold may be lower, high sales volume should generate large profits overall.

The result of study also indicates that branding for all the medium and large supermarkets is very important. For these supermarkets to remain competitive, it is very important to consider competitive strategies such as survival in the market, growth (gain of market share), while it is moderately important to consider profitability, product and market differentiation as well as the market share.

The study found out that most of the these supermarkets felt that having an interrupted power and water supply is a major concern for them mainly because they store perishable foods that need to stay long in the refrigerator. In addition, the supermarkets felt that security measures are very important that is why all have installed CCTV and other security devices used to screen customers as they enter or exit from the supermarkets. On the other hand, few felt that increasing the number of outlets might not be of any importance as far as taking strategic plans to beat competition is concerned.

The medium and large supermarkets have adopted different cost leadership strategies in order to remain competitive in the market. As they focus broadly in the market, cost cutting, use of latest technology, business process rationalization and automation of operations are the most important cost leadership strategies that they have adapted. In line with differentiation strategies, the medium and large supermarkets have adopted customer service, strategic location, staff training, increased advertising and branding as the important competitive strategies.

The main challenges facing the medium and large supermarkets are; ability and skills of staff, marketing, financial requirements, changing customers taste and preferences, and competition from smaller outlets and substitutes (other supermarkets). On the other hand, barrier of entry and exist of other players and ability and skills of owners are of no or little challenge in business operations.

5.3 Conclusions

In today's globalizing economy, competition is getting stiffer in the retail industry. This means that it becomes more difficult for products and services to differentiate themselves from other offerings than ever before. Retail stores that sell directly to consumers face a different set of marketing challenges than other industries. For the retail industry, the majority of its challenges deal with the perceptions and thought-processes of consumers shopping in the retail stores. A well-positioned business strategy is closely aligned to the needs of its target segments, both current and emerging. Supermarkets that anticipate and shape market trends have the best opportunity for long-term prosperity.

In business, often the best way to predict the future is to create it, and supermarkets are often able to position themselves in ways that set and exploit the basis of competition to their advantage. To generate revenues and profits, medium and large supermarkets must sell products that appeal to customers. Any significant changes in consumer preferences or any inability on supermarket to anticipate or react to such changes could result to reduced demand for products and erosion of competitive and financial position.

In conclusion, it is important for the medium and large supermarkets to continuously monitor the consumer market trends in order to improve the quality of existing products have variety of products and enhance effectiveness through advertising campaigns, marketing programs, branding and product packaging among others. These supermarkets have addressed the changing competitive situation by formulation and implementation of strategic responses that include use of technology, offering quality customer service, cost leadership, differentiation, restructuring and focus. These responses have tremendously improved the medium and large supermarkets competitiveness.

However, the study has indicated that there is need for sustained strategic action to be undertaken by the medium and large supermarkets in order to enable them to attain their objectives fully and match the environment in which they operate. Further, the study also established that the medium and large supermarkets possess the necessary capability (human resources and financial resources) to adapt to strategies that would facilitate effective responses to the changing competitive environment.

5.4 Limitation of study

The target response for the study was general managers or chief supervisors of the medium and large supermarkets. Getting appointment from either of these persons was a major limitation for the study. In many cases, the author had to visit one supermarket more than once to seek audience from the general manager or chief supervisors. Where difficulties were encountered in meeting the respondent, the author did tireless visits to the supermarket head offices until was given audience.

In other cases, the author found it difficult in convincing the respondent to fill-in the questionnaire because they resisted in providing information. Assuring the respondent that the information provided would be treated with a lot of confidentiality and that it was meant for class work only was not very convincing.

5.5 Recommendations

The study found out that the medium and large supermarkets have adapted pricing strategy as their main competitive strategy. This price-cutting strategy and others lie at the heart of price wars, which occur when retailers compete with each other by lowering their prices in an attempt to maximize their profits. However, price wars usually lead to loss situations, in which all retailers' profits suffer. A price war starts when a company tries to increase its market share by cutting prices, with the downside of risking lower profits.

5.5.1 Recommendation with policy implications

This study found that one of the main challenges was accessing financial requirements to expand the growing businesses. This study recommends that the government intervene in the financial markets to lower and stabilize the lending rates.

This will bring the inflation rates to manageable levels for the banks to afford to lend money at lower interest rates to the supermarkets. This will enhance growth and increased profitability of the supermarket chains hence resulting in higher revenue for the government through taxes.

5.5.2 Recommendation for further research

This study focused on the strategic responses to competition by the medium and large supermarkets in Nairobi. Further research is therefore, recommended on how the medium and large supermarkets have coped-up with the pricing strategy as their main competitive strategy and remains profitable.

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APPENDICES

Appendix I: Letter of Introduction

University of Nairobi,
School of Business,
Department of Strategic Management,
P. O. Box 30197,
Nairobi.

Date …………

Dear Respondent

I am a postgraduate student at the University of Nairobi, School of Business. In order to fulfill the degree requirement, I am undertaking a management research project on strategic responses to competition. The study is entitled;

"Strategic Responses to competition by the medium and large Supermarkets in Nairobi, Kenya"

You have been selected to form part of this study. This is to kindly request you to assist me collect data by filling out the accompanying questionnaire. The information or data you provide will be exclusively for academic purposes. My supervisor and I assure you that the information you give will be treated with strict confidence. At no point will you and your organization's name appear in my report.

Priscilla W. Karanja
D61/60082/2010
Student

Dr. Munyoki
Supervisor

Appendix II: List of Medium and Large Supermarkets in Nairobi, Kenya.

1. Nakumatt Holdings Ltd
2. Tusker Mattresses Ltd (Tuskys)
3. Uchumi Supermarket Ltd
4. Naivas Ltd
5. Ukwala Supermarket Ltd
6. Eastmatt Supermarket Ltd
7. Tumaini Self Service Ltd
8. Satellite Supermarket Ltd
9. Quick Mart Supermarket Ltd
10. Smart Price Supermarket Ltd
11. Chandarana Supermarket Ltd
12. Jaharis Supermarket Ltd
13. Ebrahims and Co. Supermarket Ltd
14. Jack n Jill Supermarket Ltd

Source: Nation Business Directory, Nairobi (2012).

Appendix III: Questionnaire

Please give answers in the spaces provided and tick (√) in the box that matches your response to the questions where applicable.

PART A: DEMOGRAPHIC AND RESPONDENTS PROFILE

1. Name of supermarket chain. ……………………………………………………………..
2. What is your designation at the organization? ………………………………………
3. Gender: Male ( ) Female ( )
4. What is your age bracket *(Tick as applicable)?*
   a) under 20 years ( )
   b) 21 – 30 years ( )
   c) 31 – 40 years ( )
   d) 41 – 50 years ( )
   e) Over 50 years ( )
5. What is your length of continuous service with this supermarket?
   a) less than 5 years ( )
   b) 5 – 10 years ( )
   c) 10 – 15 years ( )
   d) 15 – 20 years ( )
   e) Over 20 years ( )
6. For how long has your supermarket chain been in existence?
   a) Under 5 years ( )
   b) 6 – 10 years ( )
   c) 11 – 15 years ( )
   d) 16 – 20 years ( )
   e) 20 – 25 years ( )
   f) Over 25 years ( )

7. How many employees do you currently have? ***Both permanent and temporary***

Number of employees	Permanent	Temporary
a) less than 50		
b) 51 – 100		
c) 101 – 150		
d) 151 – 200		
e) 201 - 250		
f) Over 250		

8. Do you have any other branches? Yes ( ) No ( )

   If yes, please give the number ....

9. Please indicate which of the following groups is your **MAIN** target customers

   a) Young adults <30 years old ( )

   b) Men and women over 30 years old ( )

   c) Children ( )

   d) All above ( )

   e) Others ***specify***________________

10. Why do you think these customers patronize your outlet? Because of ….***Tick all appropriate answers***

    a) Quality products ( )

    b) Good customer service ( )

    c) Competitive prices ( )

    d) Attractive sales promotions, advertisements ( )

    e) Strategic location of outlet ( )

    f) Specialized after sale services ( )

    g) Others ***specify***____________________________

11. Please indicate the difficulties you encounter when trying to meet the needs of these customers

i)..

ii)..

12. Who influences the decision to stock the products and services you offer at your outlet?

Customers ( ) Outlet owners ( ) Competitors ( ) Suppliers ( ) others ***specify***________

13. In your opinion, how important is it to brand your outlets?

a) Very important ( )

b) Important ( )

c) Moderately Important ( )

d) Of Little Importance ( )

e) Unimportant ( )

14. How do the customers view the prices you charge for the products and services?

Very high ( ) High ( ) Fair ( ) Low ( ) Very low ( )

15. What is the customer's perception of the market you serve?

a) up-market ( )

b) Mass market ( )

c) Middle market ( )

d) Low end of the market ( )

16. In your opinion, how important are the following goals in your business? Responses are in the scale of 1 – 5 defined as; ***1 – Very important, 2 – Important, 3 –Moderate important, 4 – Of little importance and 5 – Unimportant***.

FACTORS	1	2	3	4	5
Survival in the market					
Growth (gain market share)					
Profitability					
Product and market differentiation					
Maximize market share					

PART B: STRATEGIC RESPONSES

17. What are the advantages of using your band name? ***Tick all that applies***

a) Charge a premium ( )

b) Cultivate customer loyalty ( )

c) Differentiate from competition ( )

d) Enter new markets ( )

e) Claim quality of products and services ( )

f) Others specify ______________________________

18. Please indicate the extent to which you have used the following action plans to beat competition in the market. Use a scale of 1 – 5 where; ***1 – Very important, 2 – Important, 3 –Moderate important, 4 – Of little importance and 5 – Unimportant***

FACTORS	**1**	**2**	**3**	**4**	**5**
Increasing number of outlets					
Security measures e.g. well lit area, guards					
Convenience and ease of accessibility					
Attractive outlet layout and design					
Consistency with other outlets					
General cleanliness of outlet					
Uninterrupted power and water supply e.g. provision of generator, storage water tanks					

19. How has each of the following strategic options been useful to your firm in response to changes in the market? use a scale of 1 – 5 with; *1 – Very important, 2 – Important, 3 –Moderate important, 4 – Of little importance and 5 – Unimportant*

a) Focus

FACTORS	**1**	**2**	**3**	**4**	**5**
Market focusing					
Market segmentation					

b) Cost Leadership

FACTORS	**1**	**2**	**3**	**4**	**5**
Use of latest technology					
Cost cutting					
Business process rationalization					
Staff reduction					
Automation of operations					

c) Differentiation

FACTORS	**1**	**2**	**3**	**4**	**5**
Customer service					
Increased advertising					
More strategic locations					
Branding					
Staff training					

PART C: CHALLENGES

The following are some of the challenges in the implementation of action plans. Please indicate the extent to which they are a challenge to your operations. Use a scale of 1 – 5 with; ***1 – To a very great extent, 2 – Great extent, 3 – Moderate extent, 4 – Small extent and 5 – Not at all.***

FACTORS	**1**	**2**	**3**	**4**	**5**
Finacial requirements e.g. rent					
Changing consumer tastes and preferences					
Ability and skills of owners					
Ability and skills of staff					
Barriers of entry and exit					
Marketing					
Competition from smaller outlets					
Government intervention					
Substitutes (other supermarkets)					

Thank you for your co-operation