

**EFFECTS OF POSITIONING STRATEGIES ON PERFORMANCE IN
THE MICRO AND SMALL SCALE ENTERPRISES: THE CASE OF
FURNITURE DEALERS IN HURUMA ESTATE**

BY:

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DECLARATION

I declare that this research proposal is my original work and has never been presented to any examining body of the award of certificate, diploma or degree.

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DEDICATION

To my parents, Patrick Mutua Masua and Mary Nyawira Mutua

For your unquestioning support for my growth

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ABBREVIATIONS AND ACRONYMS

CBS	Central Bureau of Statistics
GDP	Gross Domestic Product
GOK	Government of Kenya
ICEG	International Centre for Economic Growth
ILO	International Labour Organisation
KNBS	Kenya National Bureau of Statistics
MSE	Micro- and – Small Enterprises
UN- HABITAT	United Nations Centre for Human Settlements
UNIDO	United Nations Industrial Development Office
USAID	United States Agency for International Development
KSH	Kenya Shillings
USD	United States Dollar
DTI	Department of Trade and Industry

ABSTRACT

Small firms are probably most valued for their contribution to employment creation. While the ability of the individual small firm to create a large number of jobs is restricted to their growth, the sheer number of smaller enterprises ensures that their collective contribution to employment generation is substantial. Small firms have also introduced many products and services to the consumers, especially in specialized markets that are too small for larger companies to consider worthwhile. Firms have adopted various strategies like mergers, acquisitions, specialization, diversification, product development, pricing policy, promotion and distribution for competitive advantage. Positioning is the act of designing a firm's offering and image to occupy a distinctive place in the mind of the target market with concomitant effect of creating a customer-focused value proposition that would facilitate patronage thus a firm needs to consider positioning as one of its advertising strategies as way of maintaining a great competitive advantage.

The research sought to understand the positioning strategies applied by these Small and Micro enterprises and their effect on performance. The study adopted a descriptive survey of the Small and Micro enterprises in the furniture industry located in Huruma, Nairobi; with a target population of 50 micro and small scale enterprises. Primary data was used for the purpose of this study. The data was collected using a semi structured questionnaire consisting of both open ended and closed questions. The questionnaire was self administered. The closed ended questions was analyzed quantitatively, based on percentages and frequencies and presented in tables and charts. The open-ended questions analyzed qualitatively using content analysis and the results presented under identified themes as per the objectives of the study. The Likert scale type questions were analyzed using mean scores and standard deviations. The study found that the organizations use the following Positioning strategies to gain a competitive edge in the market: positioning by Quality and customised positioning, product characteristics or customer benefits and positioning by competitor.

The study recommends that the government use this study as body of knowledge to contribute in informing its efforts in the growth of the Micro and Small Scale Enterprises, particularly in its goal of achieving vision 2030.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The desire to create small businesses is almost as widespread as the population of mankind in the world (Scarborough, 1996). Micro and Small Enterprises (MSEs) are not particular to one industry but are found in every sector of the economy and every year several other thousand new ones are formed. They provide vital services and manufacture many needed products to the customers, while providing livelihood and jobs to their owners (Anderson and Dunkelberg 1993). According to the CBS, ICEG, K-Rep Holdings Ltd (1999), there are about 1.3 million MSEs in Kenya, employing 2.3 million people. About 26% of the households are involved in some kind of non primary (e.g. non -farm) business activity. MSE's, then, play a vital role in growing developing a country. The contribution of MSE's into the country's GDP has been estimated at 18.4 %.

Carter and Jones- Evans (2000) agree that Small firms are, perhaps, most valued for their contribution to employment creation. While the ability of the individual small firm to create a large number of jobs is restricted to their growth, the sheer number of smaller enterprises ensures that their collective contribution to employment generation is substantial. Small firms have also introduced many products and services to the consumers, especially in specialized markets that are too small for larger companies to consider worthwhile. They also provide an outlet for entrepreneurial individuals, many of whom would have found it almost impossible to work for a large organization.

There is agreement that individual MSEs cannot be understood in isolation from the environment in which they operate. Differences emerge on the nature of the interactions between the MSE's and the environment. Some interactions consist of small and large enterprises existing and competing on equal terms, where price and quality are the only variables, while on the other hand, some scholars see MSEs as being marginalized by large firms and have little opportunities to advance in an economy completely dominated and controlled by large organizations (McCormick & Pedersen, 1996). According to a baseline survey in Kenya on National Micro and Small Enterprises by CBS, ICEG and K-Rep (1999), access to markets is the main constraint facing MSE's entrepreneurs with a 34% share of all the constraints combined.

Firms have adopted various strategies like mergers, acquisitions, specialization, diversification, product development, pricing policy, promotion and distribution for competitive advantage. All strategies are built on segmenting, targeting and positioning (Kotler, 2003). Positioning is the act of designing a firm's offering and image to occupy a distinctive place in the mind of the target market with concomitant effect of creating a customer-focused value proposition that would facilitate patronage. It means the process by which marketers create an image or identity in the minds of their target market for its product, brand, or organization (Kotler, 2003). A firm needs to consider positioning as one of its advertising strategies as way of maintaining a great competitive advantage.

1.1.1 Positioning Strategy

Positioning strategy refers to the choice of target market segment, which describes the customers a business will seek to serve and the choice of differential advantage,

which defines how it will compete with rivals in the segment (Brooksbank, 1994). Positioning is the act of designing a product and its brand to occupy a specific place in the target market. Its main goal is to create a brand in the minds of consumers in order for the firm to benefit as much as possible. Correct product positioning helps companies in developing and managing their marketing strategy. The result of correct product positioning should lead to a customer-focused value proposition (Kotler and Keller, 2009). A successful positioning occurs when the target customers find that the product or brand satisfies their expectations and desires (Dibb and Simkin, 1996).

In a marketplace, a position reflects how consumers perceive the product's/service's or organization's performance on specific attributes relative to that of the competitors (Kotler, 1994). Positioning is also a competitive marketing strategy that goes beyond image-making. Market positioning is a process of establishing and maintaining a distinctive place and image in the market for an organization and/or its individual product offerings so that the target market/prospect understands and appreciates what the organization stands for in relation to its competitors (Ries and Trout, 1986).

There is general agreement that the concept of marketing positioning has become one of the fundamental components of modern marketing management (Kotler, 2000; Hooley *et al.*, 1998). This is echoed by Webster (1991) who stated that marketing positioning is an important strategic concept, developed in consumer marketing but with equal applicability for industrial products and services. Ries and Trout (1986) see positioning as a collection of creative activities that manipulate the consumers' mind in favour of the brand. They emphasize that positioning starts with a product and ends up creating a space and occupying it in the consumers' minds. According to them, a well-known brand only holds a distinctive position in consumer's mind which

may be difficult for the competitors to claim, and that this position would only be maintained with well-articulated strategies concerning product, price, place, and promotion. On the other hand, Treacy and Wiersema (1994) view positioning as a collection of activities that instills value disciplines such as product leadership, operational excellence or customer-intimacy.

1.1.2 Organizational Performance

According to CBS, ICEG, K-Rep Holdings Ltd (1999), three out of every five MSEs fail within the first few months of their operation. Due to this, the concept of performance is increasingly being taken into account within this sector. The key question for Business Managers is how one or a few organizations can thrive, while others in the same industry struggle for survival (Wentland, 2009). Traditional approach to performance evaluation focused exclusively on financial measures such as return on equity, cash flow and earnings per share. However, companies are realizing that there are other success factors which may prove critical in the long term success. These non- financial measures include human resources, customer satisfaction, product quality, market share, innovation and learning (K'Obonyo, 1998).

Bultler (2001) defines organizational performance as an analysis of 'where are we now?' It provides an audit of each facet of business and how it operates. Organization performance includes multiple activities that help in establishing the goals of the organization, and monitor the progress towards the target. It is used to make adjustments and to accomplish goals more efficiently and effectively. Organization performance can be achieved by using some of these approaches, which if used with a

strong focus, comprehensively, on achieving the results of the organization, could increase the performance of the organization (Grant, 2005).

1.1.3 Micro and Small Scale Enterprises

The term Micro and Small scale enterprises carries a range of establishments, including informal sector activities and enterprises in the formal sector employing up to 50 persons. Employment refers to people working in the enterprise, whether they are paid or not. Micro enterprises employ up to 10 workers and including the working owner- and small enterprises employ 10 up to 50 workers. The terms business, enterprise, firm and establishment are used interchangeably to refer to an economic unit producing goods or providing services (CBS, ICEG, K-Rep Holdings Ltd, 1999).

Technologically, the sector is said to use low-level inputs and skills, too much labour intensity, producing lower priced products and operating on a small-scale. It covers micro and small enterprises operating at various levels along the formality–informality continuum (Louknaan, 2010). The USAID (1990) defines Small-Scale Enterprises as firms with less than 50 employees and at least half the output is sold while UNIDO (1986) refers to firms with employees ranging from 5 to 19 as Small Scale Enterprises in developing countries.

The heterogeneity of the Micro and Small-Scale Enterprise (MSSE) sector has made it difficult to have a uniform definition for MSSE (Louknaan, 2010). The concept is defined in different ways, depending on the purpose of classifying firms as micro, small, medium-sized or large. Louknaan (2010) further argues that the European Union (EU) uses the term “Small and Medium Enterprise” (SME) to describe small enterprises and further divides SMEs into three components: Micro-enterprises as

those with employees between 1 to 9; Small enterprises as those with employees between 10 to 99; and Medium enterprises as those with employees between 100 to 499. Small enterprise is propelled by creativity and innovation through the introduction of new product, fairly priced because of the limited access to the market.

For a long time it has been argued that industrialization of countries is a process leading from small scale to large scale production. However, the small scale industries continued to exist. This existence was viewed as an anomaly to be avoided (McCormick and Pedersen, 1996). Many policy makers in developing countries, especially with the collapse of central planned economies and increasingly at the urging of International bodies such as the International Monetary Fund (IMF) are adopting free enterprise mechanisms (Giamartino, 1991).

From the 1980s this perception started changing gradually and people started embracing the role Micro and Small enterprises play in the economy. New theories were developed around small firms which include: Flexible specialization theory, Network theory and neo classical theory (McCormick and Pedersen, 1996).

The network approach theory assumes that there is a relationship between an enterprise and its environment. This relationship is viewed as a network and may take different forms: Primary hierarchy network with larger organizations; or as equitable networks of small and medium firms collaborating to achieve flexibility and collective efficiency; or as corporative unions or as equitable social support networks; or patron client relationships (McCormick and Pedersen, 1996).

The theory of flexible specialization is based on the flexibility approach where prosperity is achieved by moving away from a rigid mass production of standard

goods to a more innovative and flexible system of multipurpose machines operated by skilled workers to respond to the contagious changes in the environment (McCormick and Pedersen, 1996). This flexibility allows organizations to adapt to even disruptive circumstances which are a common feature in the modern world (McCormick and Pedersen, 1996).

Neo-Classical theory considers that both small and large organizations are independent economic units producing for the markets on the basis of the forces of demand and supply. Small enterprises are marginalized by the large ones and are considered to be having very limited chances of advancing and are likely to remain at the same level (McCormick and Pedersen, 1996). This study considers the Neo classic theory in its approach to the Micro and Small Scale Enterprises.

Micro and Small Enterprises are normally found in small underdeveloped niches of the market. They are not able to compete with large organizations in the market. Their markets usually have low entry as well as exit costs and are usually unregulated due to their sizes (ILO, 1972). Their reliability on indigenous resources also influences their location (Torrence, 1987). Micro and Small Enterprises are small scale in operations, making their survival relatively more sensitive to environmental dynamics than larger organizations (Stanworth and Curran, 1976). Because of their small sizes, their owners normally deal with many unknowns since they do not have the resources to investigate the market before taking the risk. Their sizes also influence the speed and magnitude with which they establish their markets. (Torrence, 1987)

1.1.4 Furniture Business

High-volume furniture manufacturing strategy has been pursued by most developed and developing countries in the world. The breakthrough in ready-to-assemble designed furniture has encouraged innovation and new designs for exporting manufacturers. Between 1995 and 2000 worldwide trade in furniture grew by 36% and it was by 2000 the largest low-tech sector (Kaplinsky *et al.*, 2001). Developed countries, led by Italy, Germany and Canada have traditionally been the main producers and exporters of furniture and its only in the last ten years that they have faced fierce competition from developing countries, especially China (and to a lesser degree Malaysia, Vietnam and Indonesia) (The DTI, 2008).

In 2006 the value of global furniture exports in the sector amounted to over USD 135 billion. The trend seems set to continue at current growth rate. China is the leading exporter of almost 20% of global furniture exports, worth USD 28 billion. The Chinese furniture industry has gone through a period of tremendous growth. In 1990 it did not feature in the top ten exporters, while in 2000 was the world's 9th largest exporter and 1st in 2006. The European Union (EU) is the leading importer of furniture, importing more than 50% of total global furniture exports. The majority of the imports are however intra-EU, but statistics are suggesting that imports from developing countries are increasing and likely to continue to do so. In 2001, imports from developing countries constituted 16% of total EU imports, which grew to 28% in 2005. China is by far the biggest exporter of furniture to the EU followed by Indonesia, Malaysia and more recently, Thailand (The DTI, 2008).

A study done by Schneider (1999) on the role of buyers in the development of the hotel furniture industry in Kenya revealed that 95% of the furniture in top Kenyan hotels was made locally. Schneider (1999) also concluded that the buyers were contributing to the development of the local furniture manufacturing industry in terms of design and to a varying degree in terms of product and process innovation. Hotels and their interior designers would introduce new ideas to manufactures, who would then translate the design into the desired furniture; making the industry very customised and reactive. The furniture companies in this industry are essentially owned by Asian and white Kenyans.

1.1.5 Huruma Estate

Huruma Estate is a residential estate located in the northeast of Nairobi, the capital of Kenya. It borders Kariobangi and Dandora to the East, Moi Air base to the south, Mathare to the North and Eastleigh to the West. Administratively, Huruma has two sub locations: Huruma and Kiamaiko, each covering an area of 0.7 square kilometers. The total population for both Huruma and Kiamaiko sub locations is 72,495 and 33,824, leading the total population of Huruma to be 106,319; with a total population density of 77,656 and 34, 017 households (KNBS and GOK, 2010).

UN HABITAT (2003) terms Huruma as an informal settlement; referring to illegal or semi – legal urbanisation process, unsanctioned subdivisions of land at the urban periphery where land invasion took place, often by squatters, who erected housing units usually without formal permissions of the land owner and often with materials and building standards not in line with the criteria of the local building code. The average household monthly income in Huruma is KSH 5,000 (around USD 65) (UN-Habitat 2003).

1.2 Research Problem

The entrepreneurial spirit is growing internationally as market-oriented economies replace planned economies, as individual / corporate capitalism replaces state capitalism, and as democracy/ pluralism replaces single party rule (Gray, et. al., 1996). The operating environment of these organizations is very dynamic as new opportunities and threats emerge time and again. Although changes in the business environment may create different challenges to varying industries, the way in which the industry players respond will determine their performance (Kawino, 2007).

Evaluating the opportunities is the starting point of all growth of the business as the entrepreneur will understand what business strategies can tap the environmental opportunities , resources required and cost and returns expected (Porter, 1998). Once the opportunity is identified, the entrepreneur is expected to develop a business concept in response to exploit this opportunity. This strategy will then determine failure or success of the organisation (Stevenson, Roberts and Groesback, 1989). Market positioning can, then, be used as a strategy to distinguish MSEs from their competitors, along real dimensions, in order to be the most preferred firm for a certain market segment or prospect (Ries and Trout, 1986).

In recent years the Micro and Small Medium Enterprises have witnessed increased emphasis on the cultivation of a culture which fosters the effective implementation of marketing programmes to enable them gain a competitive edge. This growing attention stems from the belief that sound marketing practices provide an important source of competitive advantage in the sector, which is characterized by high levels of interaction between firms and their customers. Marketing academics and managers

proclaim that a strong marketing culture leads to customer retention, which in turn, yields higher profitability (Hooley and Saunders, 1993).

Although the marketing positioning concept and its effect on firm performance has received considerable attention and acceptance by both marketing scholars and practitioners (Hooley et al, (2001); Hooley and Saunders, (1993); Kalra and Goodstein, (2002), there is limited empirical research of positioning within the domain of business marketing and how it affects the performance of the firm, more so in the local micro and small scale enterprise context. While studies by Kawino (2007), Waweru (2002) and Butler (2001) have greatly discussed opportunities and growth within the MSEs, there remains a knowledge gap on how positioning strategies can be used to improve performance within this sector. This study, therefore, sought to fill this gap by investigating the effects of positioning strategies on the performance of Micro and Small Scale Enterprises; with specific reference to furniture dealers in Huruma. The study attempted to answer the following research questions:

- i. What are the positioning strategies used by the Micro and Small scale Enterprises in the furniture industry in Huruma estate, Nairobi?
- ii. How do the positioning strategies affect the performance of the Micro and Small scale Enterprises in the furniture industry in Huruma estate, Nairobi?

1.3 Research Objectives

The objectives of the study were:

- i. To establish the positioning strategies used in the Micro and Small scale Enterprises in the furniture industry in Huruma estate, Nairobi.

- ii. To establish the effects of positioning strategies on performance in the Micro and Small Enterprises in the furniture industry in Huruma estate, Nairobi.

1.4 Value of the Study

The researcher: The researcher would benefit from the study as it would add on to the growing body knowledge in strategic marketing practices in Kenya. This would act as a source of reference for studies to be done on marketing positioning strategies

Government: The Kenyan government has relentlessly strived to give a lot of attention to this sector with the hope that it will transform the nation to be industrialised (Republic of Kenya: Sessional Paper 2 1992, 1996, 2005). This body of knowledge would contribute in informing its efforts in the growth of the Micro and Small Scale Enterprises, particularly in its goal of achieving vision 2030; where the government hopes to create and develop at 5 small and medium Enterprise (SME) industrial parks (G.O.K. 2007).

Entrepreneurs: This study was important to entrepreneurs within the micro and small scale enterprises in Kenya as it would act as a business reference point for application of marketing positioning strategies needed to be put in place, as a way of growing their market and improving performance.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter gave a review of literature related to the study. The chapter discussed the meaning of positioning, steps in developing positioning strategies as well as the different positioning strategies marketers can use. Organisational performance and the various metrics that could be used by an enterprise to measure performance was also brought into focus.

2.2 Positioning

Positioning is the marketing programme used by a firm in an attempt to cope with the larger and more established competitors' position in the mind of the consumer (Kotler, 2003). A strong and desirable market position is being first. Mercer (1998) asserts that positioning is the most important activity in the whole of marketing. Carried out effectively by design or poor by default, it determines every other element of marketing. Kotler (2003) points out that no company can win if its product and offering resembles every other offering in the market.

Aaker, Batra and Myers (2006) define a brand position in a consumers mind as a relative concept; in that it refers to a comparative assessment by the consumer of how this brand is similar to or different from the other brands that compete with it. It is also a set of associations the consumer has with the brand. Calagione (2001) further explains that the goal of any marketer is that positioning should make the product more interesting enough to people to make it worth producing and distributing. New ventures always fail because of poor market positioning or lack of perceived advantage in the minds of customers and their target market. To minimize the chances

of failure, an entrepreneur should consider the benefits of exploring gaps in the market rather than going head to head with the competition; done by implementing focus strategies (Longenecker et.al, 2006).

2.3 Steps in Developing Positioning Strategy

The positioning task consists of three steps: Identifying a set of competitive advantages to exploit, selecting the right ones and effectively signalling to the market the firms positioning concept. The first task is to examine its costs and performance in each value activity and look for improvements. Competitive advantage is gained when the company estimates its competitors’ costs and performances as benchmarks and succeeds in doing better than its competition. One way of doing this is to identify new potential advantages and to introduce them one by one to keep competitors off balance. This is referred to as differentiation and a company may be differentiated along the lines of product, services, personality or image. The value chain provides the firm with a comprehensive framework for systematically searching these potential advantages, in an attempt to provide superior value to customers (Kotler, 1988; Gillian and Wilson, 2003).

Kotler (1988) introduces the New Boston Consulting Group Matrix as a search method for competitive advantage:

Table 2. 1: New Boston Consulting Group Matrix

Number of approaches to achieve advantage	Fragmented	Specialization	Many
	Stalemate	Volume	Few
	Small	Large	
	Size of advantage		

Adapted from *Marketing Management: Analysis Planning, Implementation and Control*, 6th edition (P.311) by Kotler, P (1988), Prentice Hall, New Jersey.

Volume companies represent companies that gain only a few but rather large advantages. For example, construction and equipment industry, where a company can strive for low cost position or highly differentiated position and succeed on either basis because profitability here is depended on company size and market share. In stalemated companies, profitability is unrelated to company share. There are a few potential advantages and each of them is small. It is hard, for instance, to differentiate the product or its manufacturing costs (under a certain technology) in the steel industry. Companies in this bracket will try to recruit better sales people and in the case of firms within the service industry, entertain their customers more lavishly. Fragmented industry companies face more opportunities for differentiations but each is of small import. Restaurants, for example, can differentiate themselves in many ways but not end up gaining a large market share because profitability in this industry is not depended on size. Specialized industry companies face many opportunities for differentiating and can have a high pay off. An example would be companies that may concentrate on making specialized machinery for selected market segments (Kotler, 1988; Kotler and Armstrong, 1993).

A multidimensional scaling program, applying the perceptual map can also be used in an attempt to locate objects in a two – or three-(or more if necessary) dimensional space. The program attempts to construct the perceptual map, such that the two objects with the highest similarity are separated by the shortest distance. The object pair with the second highest similarity is separated with the second shortest distance and so on (Aaker, Batra and Myers 2006). The Marketer then needs to decide which advantages to promote based on how they are important, distinctive, superior,

communicable, pre-emptive, affordable and profitable (Kotler and Armstrong, 1993).

A method of competitive advantage selection can also be used as illustrated below:

Table 2. 2: Method for Competitive Advantage Selection

1. Competitive Advantage	2. Compan y Standing	3. Competitor' s standing	4. Importanc e of improving standing (H-M-L)*	5 Affordabilit y and speed (H-M-L)	6. Competito r advantage to improve standing	7. Recommende d action
Technolog y	8	8	L	L	M	Hold
Cost	6	8	H	M	M	Monitor
Quality	8	6	L	L	H	Monitor
Service	4	3	H	H	L	Invest

*H=High; M=Medium; L=Low

Adapted from Marketing Management, 11th Edition, (P.313) by Kotler, P.2003, Prentice Hall, New Jersey.

Kotler (2003) gives the above illustrated example to show how the method of competitive advantage selection works. Column one shows how target customers feel about each of these attributes. In this case, the company has one major competitor and has the same standing with the competitor on technology (1=low score, 10=high score), while it has a higher standing on quality and service; though service is below average. On cost, the competitor has a lower standing on the competitor. While selecting the best competitive advantage to promote, there is question on how target

customers feel about improvements in each of these attributes. Improvements into cost and service may be important, but there is question on whether the company can afford these improvements with speed. Column 5 shows that improving service would have high affordability and speed. Column 6 shows the competitors ability to improve service would be low. Column 7 infers on the appropriate action to take. It makes most sense to improve its service and promote it.

The last step is to communicate the company's positioning. Companies must take specific steps to build and advertise their competitive advantage and not assume that it will automatically be apparent to the market (Kotler, 1988). Designing the marketing mix-product, price, place and promotion-essentially involves working out the tactical details of the positioning strategy. Thus a firm that seizes upon a 'high quality position' knows that it must produce high quality products, charge a high price, distribute through high class dealers and advertise in high quality media (Kotler and Armstrong, 1993).

2.4 Positioning Strategies

A positioning strategy is vital to provide focus to the development of an advertising campaign. The strategy can be conceived and implemented in a variety of ways that derive from the attributes, completion, specific applications, the types of consumers involved, or the characteristics of the product class. Each represents a different approach to developing a position strategy, even though all of them have an ultimate objective of either developing or reinforcing a particular image for the brand in the mind of the audience (Aaker, Batra, and Myers 2006). Positioning strategies that can be used are: Using product characteristics or customer benefits, the price approach, the use or applications approach, the product- user approach, the product – class

approach, the cultural symbol approach and the competitor approach (Aaker, Batra and Myers, 2006; Kotler, 2003).

A product may be positioned using its characteristics or customer benefits, where a new product can also be positioned with a product characteristic that competitors have ignored. A product can also be positioned along two or more product characteristics simultaneously (Aaker, Batra and Myers, 2006). Myers and Shocker (1978) make a distinction between physical characteristics and pseudo physical characteristics; all of which can be used in positioning. Physical characteristics are the most objective and can be measured on some physical scale such as temperature, colour intensity, sweetness, thickness, distance, acidity, saltiness, strength of fragrance and weight. Pseudo physical characteristics on the other hand reflect physical properties that are not easily measured. Examples are spiciness, smoky taste, and tartness, type of fragrance, greasiness, creaminess and shininess.

Products can also be positioned by use or application. This strategy focuses on the product's superiority in a particular use or application, relative to competition (Govoni, 2004). Products can also be positioned by product user. Makers of casual clothing such as jeans have introduced 'designer labels' such as Calvin Klein or Jordache to develop a fashion image. The expectation is that the model or personality will influence the products image by reflecting the characteristics and image of the model or personality communicated as a product user (Aaker, Batra and Myers, 2006).

Another strategy that can be used to position products is by product class. This strategy focuses on how an advertiser's product is better than another product in another category or the entire range of products in another category (Govoni, 2004).

Some margarine, for example, position themselves with respect to butter. Advertisers, while positioning by cultural symbols, will sometimes identify something that is very meaningful to people that other competitors are not using and associate the brand with that symbol. Marlboro cigarettes, for example, chose the American cowboy as the central focus to help differentiate its brand from competitors and developed the Marlboro man (Aaker, Batra and Myers, 2006).

A product can be positioned by a competitor for two reasons: The competitor may have a firm, well crystallized image developed over many years. This competitor's image can be used as a bridge to help communicate another image referenced to it. The second reason is that sometimes it is not important how good customers think you are; it is just important that they believe you are better than, (or perhaps as good as) a given competitor. Positioning with respect to a competitor can be an excellent way to create a position with respect to a product characteristic, especially price and quality (Aaker, Batra and Myers, 2006).

Products can also be positioned by price and quality. In many product categories there exist brands that attempt to offer more in terms of service, features, or performance. Manufacturers of such brands charge more- partly to cover higher costs and partly to help communicate the fact that they are of higher quality. There are still other products that appeal on the basis of price, although they might also try to be perceived as having comparable or at least adequate quality (Aaker, Batra and Myers, 2006). This promotional strategy offers to provide the best value relative to competitors (Govani, 2004).

A clearly focussed market positioning strategy should offer a benefit that the target audience really wants, have an honest – to goodness benefit, separate the product

from its competition and be unique or difficult to copy (Longnecker et.al, 2006). It is important to note that a brand cannot be sharply distinctly positioned if it tries to be everything to everyone (Aaker, Batra and Myers, 2006).

A company must avoid four major positioning errors to avoid disbelief and loss of clear positioning. These are under positioning, over positioning, confused positioning and doubtful positioning. In under positioning, some companies discover that buyers have only a vague idea of the brand. The brand is just seen as another entry in the crowded market place. It is basically a quest for clarity. Buyers may also have too narrow an image of a brand; for example, perceived cost of a product. This is over positioning. Confused positioning refers to buyers having a confused image of the brand resulting from the companies making too many claims or changing the brands position too frequently. In doubtful positioning, buyers may find it hard to believe what the brand claims in view of the products features, price or manufacturer (Kotler, 2003).

2.5 Organizational Performance

Kirkman, Lowe and Young (1999) define performance as the achievement of organisational goals in pursuit of business strategies that lead to sustainable competitive advantage. Although widely used in empirical and theoretical research, the notion of organisational performance remains largely unexplained and recourse is taken to commonly used operationalisations of performance. There is relatively little agreement about which definitions are “best” and which criteria are to judge definitions (Verweire and Berge, 2004).

Organisational performance may be measured in terms of accounting measures, operational measures, market based measures, and survival measures. Measures of

economic value creation are also popular in practice but are not frequently used in strategic management or entrepreneurship (Carton, 2004).

Accounting measures are those that rely upon financial information reported in income statements, balance sheets, and statements of cash flows. Accounting measures can be further subcategorized into profitability measures, growth measures; leverage; liquidity and cash flow measures; and efficiency measures. Profitability measures include values and ratios that incorporate net income or a component of net income such as operating income or earnings before taxes. Growth measures include values and ratios that present some indication of organizational growth. Growth has been conceptualized both in the context of resources and from a business operations perspective. Typical accounting-based growth measures include absolute or percentage change in total assets, operating assets, sales, total expenses, and operating expenses. Organizational size can be conceptualized as being part of the growth construct since size generally is measured in absolute terms of a growth variable of interest, where growth is the change in the variable. Size in absolute terms is typically used as a control variable and not an outcome variable (Carton, 2004).

Leverage, liquidity and cash flow measures include values and ratios that represent the organization's ability to meet its financial obligations in a timely manner and provide a cash return to capital providers. The ability to meet financial obligations can be measured both by the ratio of liquid assets to liabilities, and/or by the organization's ability to generate sufficient cash flow to meet outstanding liabilities. Efficiency measures include values and ratios that represent how well the organization utilizes its resources. Typical efficiency ratios include asset turnover, net

profit per employee, net profit per square foot, sales per employee, and sales per square foot (Carton, 2004).

Operational measures include variables that represent how the organization is performing on non-financial issues. These measures include the Balanced Scorecard, Deming model and Baldrige model. The balance scorecard is a measuring instrument that offers to the organization the opportunity to clarify its vision and strategies and translate them into action. This provides feedback on both internal business processes and on external achievements in order to continuously improve strategic performance and business results. The variables applied in this model include market share, changes in intangible assets such as patents or human resources, customer satisfaction, and stakeholder performance. The Balanced Scorecard retains financial metrics as the ultimate outcome measures for company success, but supplements these with metrics from three additional perspectives – customer, internal process, and learning and growth – which are the drivers for creating long-term shareholder value (Carton, 2004; Gregore, Badea, Catalina, 2010; Kaplan, 2010).

Deming model refers to changes occurring at each step in the production process and causes of variation being identified and fixed. If this is possible, then there is a way to reduce defects and improve product quality indefinitely. According to this model, all business processes should be part of a feedback system with chains. The feedback should be examined to determine the causes of change, which is what presents significant problems. According to the Baldrige model, the purpose of measurement is to obtain information that allows managers to know the company and to take responsible long term decisions. Measurement standards must derive from business

strategy and provide key data and information about key processes, productivity and results. Areas covered would be consumer performance, consumer products and services, operations, marketing, competitive comparison, suppliers, employee performance and financial cost. This model proposes performance measurement standards or indicators to measure, which are measurable characteristics of product, services, processes and operations that the company uses to track and improve performance (Gregore, Badea and Catalina 2010).

Market-based measures of performance include ratios or rates of change that incorporate the market value of the organization. These variables include returns to shareholders, market value added, holding period returns, Jensen's alpha, and Tobin's Q. The calculation of these variables requires a market valuation for the company and is generally only available for publicly traded companies (Carton, 2004).

Survival measures of performance indicate if the organization remained in business over the time period of interest. According to Drucker (1954), the ultimate measure of organizational performance is survival. There are eight different performance dimensions that are essential for the survival and prosperity of a firm. These dimensions include market standing relative to the market potential both now and in the future, innovation, productivity, physical and financial resources, profitability sufficient to cover the risk premium for being in business, manager performance and development, worker performance and attitude, and public responsibility. These eight dimensions are all necessary for the long-term survival of the organization, which is the ultimate test of performance.

Economic value measures of performance are adjusted accounting measures that take into consideration the cost of capital and some of the influences of external financial

reporting rules. Carton (2004) points out that these measures have not been used by researchers in strategic management or entrepreneurship empirical studies because the values are not generally reported and most companies do not even calculate them internally. Typical economic value measures include residual income, economic value added, and cash flow return on investment.

Recently, research has argued that firms characterised by an 'entrepreneur strategic orientation' have higher levels of performance (Covin and Slevin, 1991). An entrepreneurial strategic orientation means that the firm is more willing to innovate, is more prepared to take risks and is more proactive than competitors. As such entrepreneurial orientation captures aspects of the firm's decision making styles, methods and processes (Wiklund and Shepherd 2005).

Small firm performance can also be explained in terms of other factors such as industry structure and the entrepreneurial orientation of the owner- manager. Industry structure impacts on the success of new ventures and has a critical impact on the choice of the strategy (Sanberg and Hofer, 1987). Most commonly, researchers focus on strategic attributes of successful small businesses. Success is typically measured in terms of existing competitive position and the change in this position overtime. Measuring success in a small business context is inherently difficult, as success should be related to the owner – manager objectives rather than measured in terms of competitive, market and financial success. Studies on the strategies pursued by small businesses typically focus on some measure of success in terms of this latter criteria rather than in terms of the owner- manager's personal definition of success (Carter & Jones- Evans, 2000).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out the research methodology that was used to meet the objectives stated in chapter one of this study. The research design, the target population, sample design, data collection instruments and data analysis techniques are discussed.

3.2 Research Design

The research adopted a descriptive survey of the Small and Micro enterprises in the furniture industry located in Huruma, Nairobi. Descriptive research was applied to determine and report the positioning strategies applied by the Micro and Small scale furniture dealers in Huruma and described their effects on performance (Mugenda and Mugenda, 1999).

3.3 Target population

The target population for the study was the micro and small scale enterprises dealing in furniture in Huruma estate, Nairobi. The number of employees used to define the size of Micro and Small enterprises, as defined by McCormick and Pedersen (1996) were firms that had less than 50 employees. According to the national baseline survey by CBS/ICEG and K-Rep (1999), Nairobi and Mombasa contributed about 16% of the MSE population, with Nairobi having the larger share. Huruma was a densely populated area with the total population of 106,319 people; a total population density of 77,656 and 34, 017 households (KNBS and GOK 2010). According to a physical count done by the researcher, there were 103 Micro and Small scale furniture dealers in Huruma (Appendix II).

3.4 Sample Design

A sample size of 50 was used for this study. Mugenda and Mugenda (1999) advise on a sample size of 10% of the population, for descriptive studies. Singh and Bajpai (2008), however recommend a sample size of at least 30; the larger the sample the greater the precision and accuracy. This sample size was, therefore, considered a representative of the population. Convenient sampling was used; to enable the researcher select the respondents that were available for the study.

3.5 Data Collection

Primary data was used for the purpose of this study. The data was collected using a semi structured questionnaire consisting of both open ended and closed questions. The open ended questions aimed at obtaining qualitative data while the close ended questions were used to obtain quantitative data. The questionnaire was divided into three sections: Section one obtained background data on the entrepreneur, while section two obtained background data on the enterprise. Section three obtained data on the positioning strategies applied by the entrepreneur while; section four looked at the relationship between the positioning strategies and the performance of the enterprise (See Appendix I). The questionnaire was self administered.

3.6 Data Analysis

The questionnaires were sorted, analyzed, and presented in tabular and graphical format. The closed ended questions was analyzed quantitatively, based on percentages and frequencies and presented in tables and charts. Further, the Likert scale type questions were analyzed using mean scores and standard deviations. Mean scores showed the statements that most of the respondents agreed with. The open-ended

questions analyzed qualitatively using content analysis and the results presented under identified themes as per the objectives of the study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and discussion of the study findings as set out in the research methodology. The results were presented on the effects of positioning strategies on the performance of Micro and Small Scale Enterprises. The data was gathered exclusively from questionnaire as the research instrument which was designed in line with the objectives of the study.

4.1.1 Response Rate

The response rate was 100%. This commendable response rate was due to a number of reasons, namely; use of research assistants familiar to the respondents, who self administered the questionnaire and prior appointment arrangements and follow up visits. The respondents were also alerted in good time. This response rate was above the recommended limit and conforms to Mugenda and Mugenda (1999). A response rate of 50% is, 60% is good and a response rate of 70% and above is excellent.

4.2 Demographic Information of the Respondents

This chapter discusses the gender, age, level of education and technical education of the respondents.

4.2.1 Gender of the respondents

From the findings, 56% of the respondents were male while 44% were female which implies that there are more men in the furniture industry than women as illustrated in table 4.1 below.

Table 4. 1: Gender Distribution

	Frequency	Percent
Male	28	56.0
Female	22	44.0
Total	50	100.0

Source: (research data, 2012)

4.2.2 Age of the respondents

The study established that 70% of the respondents were aged between 30-45 years while 30 % were between the age of those 15 and 30 years. There were no respondents who were over 45 years which means that majority of the furniture dealers are middle aged as shown in table 4.2.

Table 4. 2: Age Distribution of the Respondents

Age Distribution	Frequency	Percent
15-30	14	28.0
30-45	35	70.0
11.00	1	2.0
Total	50	100.0

Source: (research data, 2012)

4.2.3 Level of Education

According to the findings, 72% of the respondents had secondary education, 26% had primary education while 2% had university education. This means that majority of the respondents have secondary education.

Table 4. 3: Highest Levels of Education Attained

Levels of Education	Frequency	Percent
Primary education	13	26.0
Secondary education	36	72.0
University education	1	2.0
Total	50	100.0

Source: (research data, 2012)

4.2.4 Technical Education

46% of the respondents indicated that they had on-job training. 32% had gone to polytechnic, 2% had diploma while 20 % had none as shown in table 4.4.

Table 4. 4: Highest Levels of Education Attained

Technical Training	Frequency	Percent
On job training	23	46.0
Polytechnic	16	32.0
Diploma	1	2.0
None	10	20.0
Total	50	100.0

4.3 Background Information on Micro and Small Scale Enterprises in Huruma

This chapter discusses the data analyzed on the period the enterprises were started, the number of employees and reason for choosing the furniture business.

4.3.1 Enterprise profile

According to the study, (44%) of the business ventures began between 2000 and 2005, 30% started before 2000 while 18% and 8% were established between 2006-2010 and 2011-2012 respectively as indicated in table 4.5. This means that most of the businesses were started between 2000 and 2005 and have been operational in the last 7 years.

Table 4. 5: Enterprise Profile

Year	Frequency	Percent
Before 2000	15	30%
2000-2005	22	44%
2006-2010	9	18%
2011-2012	4	8%
Total	50	100%

Source: (research data, 2012)

4.3.2 Number of Employees

From the findings of the study, 60% of the enterprises had 1-4 employees, 38% had between 5 and 10 employees, while the 2% had more than 10 employees as illustrated in table 4.6.

Table 4. 6: Number of Employees

Number of employees	Frequency	Percent
1-4	30	60.0
5-10	19	38.0
More than 10	1	2.0
Total	50	100.0

Source: (research data, 2012)

4.3.3 Type of Ownership

The study established that 94% of the enterprises were sole proprietorship while a small representative was limited companies at 6%. There was no enterprise in the partnership deal as shown in table 4.7. This implies that majority of the businesses are sole proprietorships.

Table 4. 7: Type of Business Ownership

Type of Business Ownership	Frequency	Percent
Sole proprietorship	47	94.0
Limited Company	3	6.0
Total	50	100.0

Source: (research data, 2012)

4.3.4 Reason for choosing furniture business

From the responses of the study, the researcher established that the respondents were driven by several reasons to start business. Key among these were training experience in Carpentry possessed by the entrepreneurs, some wanted to be self employed, others had a small capital for a big business so they settled for furniture business. Others

were motivated by the ease of movement of wood products, which meant easy access to raw materials which were readily available. For others, they were motivated by the ready availability of market for their products.

4.4 Positioning Strategies

4.4.1 Preamble of Positioning Strategies

This chapter discusses the application various positioning strategies identified in this study, as applied by the Micro and Small Scale furniture enterprises in Huruma, Nairobi. Mean has been used to measure the level of agreement while standard deviation has been used to measure how tightly the levels of agreement are clustered around the mean.

4.4.2 Product characteristics or customer benefits

The respondents agreed to a large extent they communicated the benefits of their products such as quality, comfort and design to the consumers at a mean of 3.86; and created furniture products of different sizes; e.g. beds and sofas; depending with the user with a mean of 4.02. However, they agreed to small extent that their products were easy to disassemble and assemble for easy transportation as shown in table 4.8.

Table 4. 8: Positioning By Product Characteristics or Customer Benefits

	Mean	Std. Deviation
We communicate the benefits of our products such as quality, comfort and design to the consumers.	3.86	0.64
We create furniture products of different sizes; e.g. beds and sofas; depending with the user.	4.02	1.50
Our products are easy to disassemble and assemble for easy transportation.	2.38	0.88

Source: (research data, 2012)

4.4.3 Positioning by use or application

The findings revealed that the respondents agreed to a large extent that their products were for home use at a mean of 4.18. On the contrary, they agreed to a small extent their products were for office use and school use with means of 2.28 and 1.84 respectively as shown in table 4.9.

Table 4. 9: Positioning By Use or Application

	Mean	Std. Deviation
Our products are for home use	4.18	1.38048
Our products are for office use	2.28	1.22957
Our products are for school use	1.84	1.05676

Source: (research data, 2012)

4.4.4 Positioning by cultural symbols

The respondents agreed to a small extent that they engraved cultural symbols on the wood in the furniture products they produced as shown by a mean of 1.92; they used fabric with cultural symbols for their sofa sets and any other furniture product e.g., fabric with the Kenyan flag colours at a mean of 1.84; and they produced furniture products that represented cultural symbols with a mean of 2.04 as indicated in table 4.10.

Table 4. 10: Positioning By Cultural Symbols

	Mean	Std. Deviation
We engrave cultural symbols on the wood in the furniture products we produce.	1.92	1.03
We use fabric with cultural symbols for our sofa sets and any other furniture products. E.g., fabric with the Kenyan flag colours.	1.84	0.71
We produce furniture products that represent cultural symbols.	2.04	1.14

Source: (research data, 2012)

4.4.5 Positioning by competitor

The respondents agreed to a large extent that their furniture products were better than their competitors as shown by a mean of 3.9. They also agreed to a moderate extent that their furniture products were the same as their competitors with a mean of 3.08; and their furniture products were different from those of their competitors at a mean of 2.66 as summarized in table 4.10.

Table 4. 11: Positioning By Competitor

	Mean	Std. Deviation
Our furniture products are better than our competitors.	3.9	0.71
Our furniture products are the same as our competitors.	3.08	0.92
Our furniture products are different from those of our competitors.	2.66	0.82

Source: (research data, 2012)

4.4.6 Positioning by price

On positioning by price, the agreed to a large extent they dealt in moderately priced furniture (Intermediate) at a mean of 3.66; and agreed to a moderate extent that dealt in highly priced furniture (Premium) with a mean of 2.8. Nevertheless, they agreed to a small extent that dealt in low priced furniture (Penetration) and offered free transport services as shown by mean of 1.98 and 1.80 respectively. This information is best illustrated in table 4.12.

Table 4. 12: Positioning By Price

	Mean	Std. Deviation
We deal in moderately priced furniture (Intermediate).	3.66	1.22
We deal in highly priced furniture (Premium)	2.8	0.99
We deal in low priced furniture (Penetration)	1.98	0.89
We offer free transport services.	1.80	1.19

Source: (research data, 2012)

4.4.7 Positioning by quality and customised positioning

The respondents agreed to a large extent that they used the best materials to ensure quality of their furniture products such as hard wood (Mahogany, Elgon tick and Meru oak) at a mean of 3.53; and they customized their furniture to suit the needs of various types of customers with a mean of 3.92 as summarized in table 4.13.

Table 4. 13: Positioning By Quality and Customised Positioning

	Mean	Std. Deviation
We use the best materials to ensure quality of our furniture products. Such as hard wood (Mahogany, Elgon tick and Meru oak)	3.53	0.84
We customize our furniture to suit the needs of various types of customers	3.92	1.02

Source: (research data, 2012)

4.4.8 Product class strategy

The respondents agreed to a large extent that their customers knew them for their home furniture, e.g. sofa sets, beds, wardrobes, dining sets with a mean of 3.67. However, they agreed to small extent that their customers knew them for their office furniture, e.g. office chairs and computer desks; school furniture, e.g. school desks

and chairs; and for their coffins as shown by means of 1.75, 1.65 and 2.18 respectively. (See table 4.14)

Table 4. 14: Product Class Strategy

	Mean	Std. Deviation
Our customers know us for our home furniture, E.g. sofa sets, beds, wardrobes, dining sets	3.67	1.71
Our customers know us for our office furniture, E.g. office chairs and computer desks.	1.75	0.75
Our customers know us for our school furniture, E.g. school desks and chairs	1.65	1.05
Our customers know us for our coffins	2.18	1.69

Source: (research data, 2012)

4.4.9 Positioning Strategies Summary

The study computed average mean scores and standard deviation for each of the positioning strategies used by the respondents. This involved getting the total mean as well as the standard deviation and dividing it with the number of entries in each strategy. The findings were as shown in table 4.15:

Table 4. 15: Ranking of Positioning Strategies

Factor	Average Mean Score	Average Standard Deviation	Rank
Positioning By Quality and Customised Positioning	3.72	0.93	1
Positioning by Product Characteristics or Customer Benefits	3.42	1.01	2
Positioning By Competitor	3.21	0.82	3
Positioning by Use or Application	2.77	1.22	4
Product Class Strategy	2.32	2.60	5
Positioning by Cultural Symbols	1.93	0.96	6
Positioning By Price	0.69	0.31	7

Source: (research data, 2012)

From the ranking above, it can be deduced that Positioning by Quality and Customized Positioning was the most highly adopted positioning strategies followed by positioning by product characteristics or customer benefits with a mean of 3.42 and a standard deviation of 1.01. In the third position was positioning by competitor with a mean of 3.21 with a standard deviation of 0.82. Positioning by use or application was fourth with a mean of 2.77 and a standard deviation of 1.22. Product class strategy and positioning by cultural symbols were in fifth and sixth with means of 2.31 and 1.93 respectively. The least preferred positioning strategy was by price with an average mean of 0.69. The study also shows reveals product class strategy had the highest standard deviation of 2.60, indicating the highest level of dispersion from the mean, while the lowest was positioning by price with a standard deviation of 0.31.

4.6 Effect of the Positioning Strategies on Performance

The study sought to establish the respondents' monthly revenue. According to the findings, 56% of the respondents indicated that their monthly revenue ranges from

KSH 50001-KSH 100,000 followed by those with a monthly revenue of below KSH 50000 at 42% while 2% had monthly revenue of between KSH 150,001-KSH 200,000 as shown in table 4.16.

Table 4. 16: Monthly Revenue

	Frequency	Percent
KSH 50001-KSH 100,000	28	56
Below KSH 50000	21	42
KSH 150,001-KSH 200,000	1	2
Total	50	100

Source: (research data, 2012)

The study further sought to determine the respondents' monthly gross profit. The findings revealed that majority (78%) of the respondents noted that their monthly gross profit was below KSH 50000 while 22% indicated that their monthly gross profit ranged between KSH 50001-KSH 100,000 as shown in table 4.9 below.

Table 4. 17: Monthly Gross Profit

	Frequency	Percent
Below KSH 50000	39	78
KSH 50001-KSH 100,000	11	22
Total	50	100

On the respondents' monthly net profit, the study established that most (88%) had below KSH 50000 as their monthly net profit while 12% had between KSH 50001-KSH 100,000 as indicated in table 4.18.

Table 4. 18: Monthly Net Profit

	Frequency	Percent
Below KSH 50000	44	88
KSH 50001-KSH 100,000	6	12
Total	50	100

4.7 Number of repeat customers in the last six months

The study sought to establish the repeat customers for the entrepreneurs within the last six months. The findings were as illustrated in the table 4.19:

Table 4. 19: Number of Repeat Customers

Number of Repeat Customers over the past 6 months	Frequency	Percent
Below 5	19	38%
between 6-10	19	38%
Between 11-15	7	14%
Between 16-20	3	6%
Above 21	2	4%
Total	50	100%

From the research findings, majority of the entrepreneurs (38%) indicated that they had received repeat businesses from customers in the categories of below 5 and between 6-10 customers. The respondents indicated that some of the customers were middlemen with well established selling points who came to purchase furniture for resale. 14% of the respondents had repeat business of between 11-15 customers while 6% had repeat business of between 16-20 customers. 4% of the entrepreneurs had above 21 repeat customers.

4.8 Correlation Analysis

The study conducted a correlation analysis to establish the strength of the factors in affecting the performance of entrepreneurs. The study used net profit as the measure of performance as it an actual measure of the money pocketed by the entrepreneur at the end of the month. From the research findings, the study established that there existed a weak negative relationship between positioning by quality and customized positioning; and net profit of -0.237. Positioning by Product Characteristics or Customer Benefits registered a positive correlation co-efficient although the relationship was a weak one of +0.119. Positioning by competitor recorded a weak negative correlation with of -0.211.

From the above correlations, the study analysis indicates that positioning by quality and customized position together with positioning by competitor had negative relationship because positioning by quality and customized positioning increased the cost of production which meant that the price quoted on a given product would be more than what competitors are offering. With a higher price than what competitors are offering, the entrepreneur will lose business to the competitor hence the negative relationship.

Positioning by Product Characteristics or Customer Benefits posted a weak positive relationship with financial performance because as product characteristics are improved, more and more customers get to ask of that product meaning that the turnover for the entrepreneur increases which in turn leads to increased profitability. This shows that if the entrepreneurs concentrated on product features they are likely to increase their financial performance. These findings are summarised in Table 4.20.

Table 4. 20: Correlation Analysis

		What is your monthly Net profit
What is your monthly Net profit	Pearson Correlation	1
	Sig. (2-tailed)	
	N	50
Positioning By Quality and Customised Positioning	Pearson Correlation	-.237
	Sig. (2-tailed)	.101
	N	49
Positioning by Product Characteristics or Customer Benefits	Pearson Correlation	.119
	Sig. (2-tailed)	.411
	N	50
Positioning By Competitor	Pearson Correlation	-.211
	Sig. (2-tailed)	.141
	N	50

The findings of this study agree with Njeru 2010, who found positioning by Price to be the least adopted positioning strategy among pharmaceutical companies in Kenya. Micro and small scale furniture dealers in Huruma estate operate within a very price sensitive market, hence the weak negative correlations between positioning strategies and performance noted in this study. This means that these positioning strategies are not applied successfully. Successful positioning occurs when the target customers find that the product or brand satisfies their expectations and desires (Dibb and Simkin, 1996). Despite their use of positioning strategies, the Micro and small scale furniture dealers in Huruma do not gain competitive advantage because they do not estimate their competitors' costs and performances as benchmarks and succeed in doing better than their competition Kotler, 1988.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and also it gives the conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were to establish the positioning strategies used in the Micro and Small scale Enterprises in the furniture industry in Huruma estate, Nairobi; and to establish the effects of positioning strategies on performance in the Micro and Small Enterprises in the furniture industry in Huruma estate, Nairobi.

5.2 Summary of the Findings

From the findings of the study, the furniture industry in Huruma is dominated by men, with majority being in the age bracket of 30 to 45 years. Most of these entrepreneurs have secondary education with very few having attained University education. In terms of technical education, majority of the respondents had gained their skills through on job training, which implies that Micro and small scale enterprises actually do not rely on formal education for their growth. Most of the entrepreneurs interviewed have actually been in business since year 2000 to 2005. This demonstrates that on job training has provided a great and source of knowledge. The apprentices get to meet actual business challenges and are able to make quick decisions when required so as to fit in the dynamic business environment. The study also revealed that most of the entrepreneurs employed 1 to 4 employees. This conforms to the definition of Micro and Small Scale enterprises by CBS, ICEG, K-Rep Holdings Ltd (1999).

The study also revealed that Micro and Small scale furniture dealers in Huruma, Nairobi do use positioning strategies as a key marketing strategy. The strategies most preferred were positioning by quality and customized positioning; using product characteristics or customer benefits; and positioning by competitor. The respondents agreed to a large extent they used the best materials to ensure quality of their furniture products. They also agreed to a large extent that they customized their furniture to suit the needs of various types of customers. The least adopted positioning strategy was positioning by price. These findings are in line with those of Njeru (2010) who established that the most adopted positioning strategy in pharmaceutical firms in Kenya was quality positioning strategy and the least price positioning strategy.

There was a negative correlation between positioning by quality and customized position and net profit; as well as positioning by competitor and net profit. This is because positioning by quality and customized positioning increased the cost of production which meant that the price quoted on a given product would be more than what competitors are offering. With a higher price than what competitors are offering, the entrepreneur will lose business to the competitor hence the negative relationship. This also showed that the target market for these furniture enterprises was very price sensitive.

Positioning by Product Characteristics or Customer Benefits posted a weak positive relationship with financial performance because as product characteristics are improved, more and more customers get to ask of that product meaning that the turnover for the entrepreneur increases which in turn leads to increased profitability. This shows that if the entrepreneurs concentrated on product features they are likely to increase their financial. The study, however, did not indicate a great financial

performance in this industry as majority we earning a net profit of below KSH 50,000. On the number of repeat customers a large number of the enterprises recorded up to 10 repeat customers within the last 6 months.

5.3 Conclusions

The study concludes that Micro and Small scale furniture dealers in Huruma Estate, Nairobi rely on positioning as a key marketing strategy. The most preferred positioning strategies are positioning by quality and customized positioning; using product characteristics or customer benefits; and positioning by competitor. The positive though weak correlation between positioning by product characteristics or customer benefits and net profit indicate that positioning strategies can be used to improve performance in the Micro and small scale enterprises.

There is great reliance on job training, with majority of the entrepreneurs having gone up to secondary school. The study concludes that though from the findings the enterprises agree they use positioning strategies, most of the respondents did not know what positioning strategies were and therefore may have not explained the strategies they were using. The entrepreneurs focus on this value proposition, as indicated by the agreement on positioning by quality and customized positioning, has enabled create customer loyalty, leading to repeat business. This is particularly important because most of the products sold are for home use and customers rarely purchase them as they are not fast moving. The net profit, however, is not very impressive as majority earning below KSH 50,000 in a month. This indicates that Micro and small scale furniture enterprises in Huruma are still low income earners.

5.4 Recommendations

From the findings and conclusion, the study recommends that Micro and small scale enterprises need to have a clearly focussed market positioning strategy as a key marketing strategy. While a lot of emphasis is laid on production within the Micro and small scale enterprises, few entrepreneurs seem to focus on how to market the products. Great execution of positioning strategies can lead to great performance and the Micro and Small scale enterprises should therefore focus on these strategies.

The researcher also realized that majority of the respondents interviewed had not come across the term Positioning strategies before. The study, therefore, recommends that along with the adoption of positioning strategies among the MSEs, the government and the Vision 2030 secretariat focus on training on marketing strategies as way of growing Micro and Small Scale enterprises. Training and support on best performance metrics should also be given to the entrepreneurs to enable them track their growth. The Micro and Small scale enterprises have a great opportunity to grow the economy and all efforts to grow them should be utilized.

5.5 Limitations of the Study

The respondents were reluctant in giving information fearing that the information asked would be used to intimidate them or paint a negative image about them or their enterprises. The researcher handled this problem by carrying an introduction letter from the University and assured the respondents that the information they gave would be treated with confidentiality and was used purely for academic purposes. The area chief was also notified about the research as a way of seeking both authority and goodwill to contact the research.

Time and financial limitations were also a constraint. The study required exhaustive and extremely comprehensive research approach; which required time and finances. The researcher countered this limitation by carrying out by engaging experienced to assist with data collection.

5.6 Area for Further Research

The study recommends that a study to be done on the knowledge and application of key marketing practices in the Micro and Small scale enterprises in Kenya and a knowledge gap on the same established, as a way of developing a training module and assist with the implementation of these marketing practices. The study further recommends a study be done on the performance metrics of Micro and Small scale Enterprises in Kenya to allow the enterprises to adopt performance measurement by use of simple and standard measurement tools.

5.7 Implications on Policy, Theory and Practice

The researcher/academicians should benefit from the study as it should add on to the growing body of knowledge in strategic marketing practices in Kenya. This should act as a source of reference for studies to be done on marketing positioning strategies. The Kenyan government has relentlessly strived to give a lot of attention to this sector with the hope that it will transform the nation to be industrialised. This body of knowledge should contribute in informing its efforts in the growth of the Micro and Small Scale Enterprises, particularly in its goal of achieving vision 2030. This study should also be important to entrepreneurs within the Micro and Small scale enterprises in Kenya as it should act as a business reference point for application of marketing positioning strategies needed to be put in place, as a way of growing their market and improving performance.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

SECTION ONE: ENTREPRENEUR PROFILE

1. Gender of respondent (tick one)

a) Male

b) Female

2. Age (tick one)

a) 15-30

b) 30-45

c) 45-60

d) 60-75

3. What is your highest level of education? (Tick one)

a) Primary education

b) Secondary education

c) University education

d) None.

4. Indicate technical education you may have received

a) On job training

b) Polytechnic

c) Diploma

d) None

e) Any other, please specify.....

SECTION TWO: ENTERPRISE PROFILE

1. When did you start the business.....

2. Why did you choose this particular business activity?

.....

3. How many employees do you have.....

4. What is the type of your business ownership? (Tick one)

a) Sole proprietorship

b) Partnership

c) Limited Company

SECTION THREE: POSITIONING STRATEGIES

Indicate by a tick [√] the extent to which you business practices the positioning strategies listed in the table below using a scale of **1** to **5**, where

1: to no extent

2: to a small extent

3: to a moderate extent

4: to a large extent

5: to a very large extent.

Positioning Strategies	Extent				
Using product characteristics or customer benefits	1	2	3	4	5
We communicate the benefits of our products such as quality, comfort and design to the consumers.					
We create furniture products of different sizes; e.g beds and sofas; depending with the user.					
Our products are easy to disassemble and assemble for easy transportation.					
Positioning by use or application					
Our products are for office use					
Our products are for home use					
Our products are for school use					
Positioning by cultural symbols					
We engrave cultural symbols on the wood in the furniture products we produce.					
We use fabric with cultural symbols for our sofa sets and any other furniture products. E.g., fabric with the Kenyan flag colours.					
We produce furniture products that represent cultural symbols. For example, the L shaped coffins for the Luhya community and cultural stools.					
Positioning by competitor					
Our furniture products are the same as our competitors.					

Our furniture products are better than our competitors.					
Our furniture products are different from those of our competitors.					
Positioning by price					
We deal in highly priced furniture (Premium)					
We deal in moderately priced furniture (Intermediate).					
We deal in low priced furniture (Penetration)					
We offer free transport services.					
Positioning by quality					
We use the best materials to ensure quality of our furniture products. Such as hard wood (Mahogany, Elgon tick and Meru oak)					
Customised Positioning					
We customise our furniture to suit the needs of various types of customers					
Product Class Strategy					
Our customers know us for our home furniture, E.g. sofa sets, beds, wardrobes, dining sets					
Our customers know us for our office furniture, E.g. office chairs and computer desks.					
Our customers know us for our school furniture, E.g. school desks and chairs					
Our customers know us for our coffins					

SECTION FOUR: EFFECT OF THE POSITIONING STRATEGIES ON PERFORMANCE

1. What is your monthly revenue (Quantity sold x Price)? (Tick one)
 - a) Below KSH 50000
 - b) KSH 50001-KSH 100,000
 - c) KSH 150,001-KSH 200,000

d) KSH 150,001-KSH 200,000

e) Above KSH 200,000

2. What is your monthly gross profit (Revenue – Cost of goods sold)? (Tick one)

a) Below KSH 50,000

b) KSH 50,001-KSH 100,000

c) KSH 150,001-KSH 200,000

d) KSH 150,001-KSH 200,000

e) Above KSH 200,000

3. What is your monthly Net profit (Gross profit-expenses-taxes-interest)? (Tick one)

a) Below KSH 50,000

b) KSH 50,001-KSH 100,000

c) KSH 150,001-KSH 200,000

d) KSH 150,001-KSH 200,000

e) Above KSH 200,000

3. How many customers have purchased products from your enterprise more than two times in the last six months?

.....
.....

APPENDIX II: LIST OF FURNITURE DEALERS IN HURUMA

1. B61 furniture
2. Baraka designers
3. Baraka designers
4. Berdua Funeral servtces
5. Bush Engineering (R)
6. Busia Furniture
7. Central furniture
8. Chanda Funeral services
9. Classic Furniture
10. Demco Furniture
11. Dove Funeral services
12. Downcity furniture
13. Downtown Furniture
14. Eloi services
15. Emidens hardware
16. Emmaus funeral services
17. Empire Furniture and Hardware
18. Exceed funeral services
19. Exodus funeral services
20. Faithful Ideal Furniture
21. Flats coffin center
22. Four line Enterprises
23. Glory furniture
24. Golden Welfare Services.
25. Got Kick Two Brothers Furniture mart
26. Guruneti Furniture mart
27. High-tech Furniture mart
28. Ikiyo Furniture
29. Indigo Furniture
30. Jaack Furniture designers

31. Japolo kazi Mzuri
32. Jokinds Furniture
33. Kagan Furniture
34. Kensonight Furniture
35. Kilungu furniture and Sofa sets
36. Kimia Furniture
37. King Allan Furniture
38. Kitabu hardware
39. Kowaro Furniture and designers
40. Loving care funeral Services
41. Luanda workshop and Furniture
42. Makueni Furniture
43. Malsim Enterprises
44. Mata meta Furniture mart
45. Mathioya Furniture
46. Matooni Furniture
47. Matooni services
48. Mbaku Funeral services
49. Mbiri Furniture
50. Mogaka Furniture & Timber sale
51. Moonlight Coffin and furniture services
52. Mos mos Furniture
53. Move on Furniture
54. Mukungalu Furniture
55. New kayonzo general enterprises
56. New Mujos machines
57. New Nambale Hardware
58. New Western & Nyanza Funeral Services
59. Newgen Funeral services
60. Ngengi Furniture
61. Ngengi Furniture- Masokani
62. Nyaseme Furniture
63. Nzwii Cushion and Furniture designers

64. O.H Hardware
65. Osigo hardware
66. Osore C.M of furniture Designing
67. P & Z Coffins mart
68. Perowin furniture
69. Petma Funeral services
70. Pick and carry hardware
71. Pole Funeral services
72. Raack Timber (I)
73. Raack timber (II)
74. Rafiki furniturte
75. Remedy funeral services
76. Saack Furniture and Showroom Sales
77. Shining Star Furniture Showroom
78. Sindindi General workshop
79. Smart Choice
80. Smart Funeral services
81. Smart Point Furniture
82. Soft Steel Enterprises
83. St Michael funeral services
84. Stage Coffins Enterprises
85. Stage hardware Stores
86. Stemark Funeral services
87. Suncity Furniture
88. Super Grey furniture
89. Tahidi Hardware and glasses
90. Til-Burg Furniture
91. Top End Furniture
92. Top Mark Furniture
93. U & Me Furniture mart
94. Uame Furniture Mart
95. Ugenya Furniture
96. Ujamaa furniture

97. United funeral services
98. Urembo Furniture designers
99. Victory Furniture
100. Wakanesa Furniture mart
101. West Bank Furniture
102. Win-tech glass mart
103. Wote Funeral services

APPENDIX III: AUTHORITY LETTER



UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 15/08/2012

TO WHOM IT MAY CONCERN

The bearer of this letter MUTUA STEPHEN MASUA

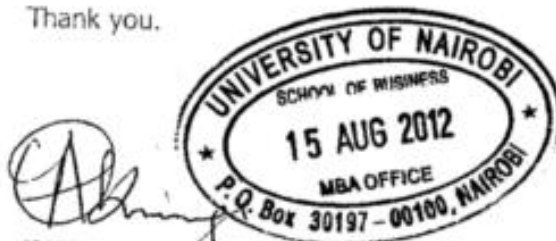
Registration No. DB1/70508/2008

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE