

**THE STRATEGIES ADOPTED BY BROOKSIDE DAIRIES LIMITED  
IN KENYA TO GAIN COMPETITIVE ADVANTAGE**

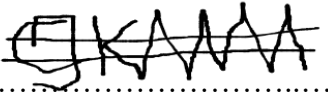
**BY  
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**A RESEARCH PROJECT SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF  
DEGREE OF MASTER OF BUSINESS ADMINISTRATION SCHOOL  
OF BUSINESS UNIVERSITY OF NAIROBI**

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## DECLARATION

I confirm that the research project has not been submitted for any academic award before.

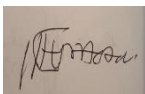
Sign  .....

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**D61/5789/2017**

The project has been submitted with my approval as the University Supervisor.

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## **ACKNOWLEDGEMENT**

The successful completion of this research project required the assistance of other people. First, I wish to pass sincere regards to my supervisor who sacrificed much of his time in guiding and assisting me as I undertook the project. Secondly, I am thankful to my family who assisted me in other ways in the completion of this involving work. Finally, I am grateful to God for giving me strength and peace during this tasking time.

## **DEDICATION**

This research project is dedicated to my family and my colleagues for their continued motivation and support of ensuring that I do my best towards completion of the course

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## **LIST OF ABBREVIATIONS**

<b>CEO</b>	Chief Executive Officer
<b>KCC</b>	Kenya Creameries Corporation
<b>KPLC</b>	Kenya Power and Lighting Company
<b>NGOs</b>	Non- Governmental Organizations
<b>RBV</b>	Resource Based View
<b>UN</b>	United Nations
<b>KEBS</b>	Kenya Bureau of Standards

## **ABSTRACT**

Firms globally are facing stiff competition from other companies worldwide in this age of globalization. As a result of intense competition and other challenges faced by businesses that reduce their profit levels, business establishments are compelled to embrace new strategies in order to stay ahead of their competitors. The study's objective was to explore the strategies employed by Brookside Dairies to remain competitive. This research was guided by the Porters generic strategy model and the resource-based view. The research employed the qualitative research design. Being a case study, top management officials namely the CEO, General Manager, Head of Marketing, Head of Sales, Head of Operation and Head of Strategy who are key decision makers at Brookside Dairies were target. Five out of the six responded translating to 85.7% response rate was achieved. Data was collected using interview guides will were personally delivered by the researcher. The collected data was cleaned and subjected to content analysis to make sense, draw comparisons and make inferences. The findings revealed that all the three generic strategies had been adopted by Brookside Dairies. Cost-leadership strategy was the deployed as the core strategy will differentiation and focus strategy were the secondary generic strategies deployed by the firm. The results also reveal that the choice of strategy was majorly influenced by external forces namely competition, technology, legal and regulatory forces and the economic environment. The conclusion of the study that the company has an aggressive strategy mix which has enabled it create sustainable competitive advantage in the sector. The research recommends the firm to employ a variety of sources of competitive advantage apart from the generic strategies which complement each other to attain sustained competitive advantage in the highly competitive business environment.



# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Organization capacity to achieve its long-term goals is dependent on its strategy. Hence, it is necessary for corporations to monitor their operating environment with sole of aligning their strategy with desired organization competitiveness and performance (Malburg, 2007). Decision making by organizations should be supported by strategic choices and target market niche which would create implementation of strategies that have not been adopted by rivals (Sharon & Barney, 2007). It has been documented that strategic management has causality with competitive advantage (Asante & Adu-Damoah, 2018). This is based on the fact that strategic management creates organization capabilities which propels performance as compared to rivals. According to Bansal (2008) adoption of low cost or product differentiation aid in discovery of competitive advantage.

The present study will be informed by the Porters Generic Strategy Model and supported by the Resource Based View. The Generic Strategy Model by Porter (1980) is based on cost leadership, differentiation and focus. The model argued that failure of corporation to focus on trio would lead to massive business loss and misappropriation of resources. The resource-based view by Penrose (1959) purports that competitive advantage arise from organizational resources and capabilities which underlie and determines the firm's innovative capacity. The theory posits that the effective and efficient application of the firm's essential resources facilitates competitive advantage and as well as its performance.

In Africa, approximately 15% of the total milk produced is processed to standard goods (margarine, cheese and yoghurt). The countries with high per-capita utilization in the Sub-Saharan Africa include Kenya, Botswana, Sudan and Mauritania. Dairy production patterns have been significantly influenced by their strategies. A few strategies have been proposed and recommended for the advancement of the dairy sector in Africa with every nation laying emphasis on specific segments of the value chain (Neilsen, 2014). The growth of the dairy business in Kenya traverse over a 100 years' time frame and has experienced various transformative stages. Specialized organizations such as O'Lakes, Egerton Universities' Tegemeo Institute of Agricultural Policy, International Livestock Research Institute and TechnoServe among others have stepped in to build a strong and vibrant dairy industry by increasing efficiency in production, processing and marketing of milk and milk products (Wambua, 2008). The liberalization of the dairy sector in Kenya in 1992 brought stiff competition and forcing every dairy firm to study the requirements of the consumers and strive to meet them effectively to sustain their survival through strategy (Nyariki, 2009).

### **1.1.1 Concept of Strategy**

According to Waggoner (2016), a number of organizations initiate strategies with enthusiasm to attain competitive advantage and it is on record that not so many of such organizations comprehend competitive advantage and how it works achieve as well as how to maintain. The robust competitive advantage emanate from strategies which are rarely replicated by other firms and is seen as an action that generates greater value above the competition (AlHawary & Bani-Han, 2009). Brandt (2013) argues that to gain competitive advantage, businesses want the difference that lies amid the cost of the production of a given product or

service and the perceived value derived by the client should to be greater than the competition.

Johnson & Scholes (2005) defines strategy as the path and competence of the firm over the long run over its alignment of financial mobilizations in a fluctuating business surroundings, to fulfil the requirements of the markets and to achieve shareholder's anticipations. Kangaroo (1998) posits that strategy is the principal conception in strategic management. It is related to winning and it functions as a uniting factor that provides consistency and bearing or direction to the action or engagements of the decision by an individual or a business.

Thompson (2007) agrees that a firm's strategy signifies the administrative action plan for managing the organization and carrying out operational issues. Ansoff (1965) opines strategy as a set of management processes and guideline for aiding the business operations. Subsequently, the strategy through which justifiable competitive advantage is attained is identified as organizational level strategy of the firm (Hill & Jones, 2001).

Grant (1998) opines that the principle of strategy is to build the future competitive advantage more rapidly than the rivals could impersonate even those owned today. The objective of competitive strategies explore a niche within the market where the business can best protect itself in contrast to the forces from the rival or use them in own benefit (Porter, 1998). Organizational management assess and select strategies that they consider to contribute to their corporate success. Firms become prosperous for the reason that they enjoy some advantage comparative to their rivals (Pearce & Robinson, 2007).

### **1.1.2 Competitive Advantage**

Simister (2011) coins that competitive advantage is an upper hand possessed by a firm over rivals through giving clients greater value, either by way of reducing prices or by giving superior product offering and service that substantiates higher prices. Porter and Collins (2006) purport that competitive advantage strategy comprises of all methods that an organization has taken to appeal to customers to endure competitive forces and enhance the market niche.

An organization is said to possess competitive advantages when it's capable of withstanding the profits that exceeds the industry's average (Porter, 1985). Thompson (1997) document that successful firms usually seek competitive advantage from multiple sources. Porter (1985) affirms that promptness and fast response to threats and opportunities can offer an upper hand, fundamentally by eliminating costs and distinguishing the firms from the competition. The most profitable companies transform and persistently pursue new kind of advantage so as to lodge a competitive pressure and then retain their market advantage as few other forms of advantage are profitable in the long-run.

Attaining competitive advantage entails kinds of specified resources and competences for the business. A prosperous competitive advantage indicates a similarity between client's discernments of the comparative superiority or value of a product in contrast to that offered by rivals on price gain in relative to the unit prices of closely competing products or services. Ohmae (1982) gives a divergent views openly on his related views over competitive advantage by emphasizing the three C's- of customers, corporation and the competitors. Clients will eventually choose whether or not the firm is profitable by purchasing the product offering. Companies are structured around specific purpose and the manner they are

designed and directed depicts the cost of value of the service or product whereas other players in the market will equally distinguish their products offerings to again competitive edge and avoid incur costs that come along with it (Shen, Wang & Su, 2011).

### **1.1.3 Dairy Industry**

The number of licensed dairy processors is approximated to be 28. The annual milk production in Kenya is estimated to be 5 billion litres which are a source of livelihood for over 1.5 million Kenyan and contribute 4.5% of the country's GDP. Furthermore, the agricultural GDP contribution made by the dairy industry is estimated to be 14% (United States Agency for International Development, 2010). Despite this, milk processors experience numerous challenges such as inefficient dairy practices, seasonality of production, high input costs and ageing farmers. The existence of informal trade is attributed to existence of inefficiencies of the formal system, price differences between raw and processed milk and changes in consumer trends (Muriuki, 2011).

The volatile and dynamic business environment in the milk industry has prompted the milk processors to adopt different strategies for survival. As a result of competition, the sector saw the merging of Brookside and Spin-knit in 2010 which resulted to price wars with the New KCC leading to price reduction (Sambu, 2010). Brookside further acquired Dalamere yoghurt in 2017 resulting to increased market share. After the liberalization of the dairy industry, other private players came in intensifying competition in the industry. Every move by a company is countered by a move by the competitor making the advantage merely temporary. No dairy firm can allow its competitor gain an obvious lead for long. This is because customers make decisions based on what they perceive each firm offers when compared to other available choices in the industry.

#### **1.1.4 Brookside Dairies**

Brookside is a Kenyan company with a 27 year of existence and is fully fledged in Kenya, Tanzania and Uganda. The firm commenced its operations in 1993 immediately after the liberalization of the Kenyan dairy sector. The company is currently the largest dairy processor with daily output of 700, 000 litre of milk daily. The company has a workforce of 1530 workers whose skills are upgraded continuously with technological changes and distribute a variety of products such as fresh pasteurized milk, butter, cream, lala, ghee yogurt, long life products (Brookside, 2010).

The corporation has a network of milk collection points and coolers across the country specifically Kiganjo, Eldoret, Muki, Wakulima in Nyeri, Sabatia in Eldama Ravine and Ol Kalau. The products of the company are distributed locally and exported to other parts of East Africa, Soth Africa Development Corporation blocs, Common Market for East and South Africa and Middle East. The company has largely invested in the world class milk production plant o guarantee the consumers quality products are create product loyalty (Brookside, 2015).

#### **1.2 Research Problem**

Firms globally are facing stiff competition from other establishments worldwide during this times of globalization (Ng'ang'a, Sakwa & Namusonge, 2016). As a result of intense competition and other challenges faced by businesses that reduce their profits, business establishments are compelled to adopt new ideas so as to maintain competitiveness.

The dairy industry has been termed as one of the most rapidly growing sub sectors in Kenya. According to the Kenya Dairy board, there was an increase in the annual volume of milk

going to the milk processing plants 516 million litres in 2015 compared to 144 million in 2006 (a 258.33% increase). The industry supports many livelihood in Kenya and contributes to approximately 8% of Kenya's GDP creating employment to over 1.5 million small dairy farmers as well as up to 500,000 jobs in milk transportation, processing and up to 750,000 support services. As a result of the rapid expansion of the dairy sector, all dairy companies in the industry are advised to develop and implement sound competitive strategies so as to assure performance in the highly competitive environment.

There exists high competition among different milk-processing companies in Kenya since as they compete for customers. Since the liberalization of the dairy sector in 1992, many milk processor firms have entered the market which has resulted to stiff competition in the Industry. The stiff competition for the market has experienced collapse of some dairy companies with most registering no growth. In some scenarios, business evident with Brookside dairy buying over the then Delamere dairies and Spin Knit dairy ltd. All this have been done in the spirit of consolidating the firm's operations and strength in the market through deployment of competitive strategies that drive the firm towards the anticipated performance.

Different studies have been carried out both globally and locally on strategies and competitive advantage. Asante and Adu-Damoah (2018) undertook an evaluation of strategic choices to be made to eliminate possibilities of resources spillage and misappropriation. Similarly, Rahman, (2015) executed a research survey on Competitive study of Airline market in Bangladesh Airlines the study employed case study design. Similarly, Gundogdu and Taskin (2017) explored the effect of product diversification on bank performance using the descriptive research design while Lee (2017) undertook a panel

study on impact of diversification strategy on competitive advantage of Taiwan property and liability insurance firms.

Locally, Guarandaru (2018) looked into the strategies deployed by the Fly-540 airline company to sustain competitive advantage. Mwangi (2017) studied competitive strategies and performance of SMEs funded by youth fund in Embakasi Central constituency, Nairobi Kenya. Further, Ngandu (2014) looked into the influence of competitive strategies on performance of Hotels in Kenya using the study adopted the descriptive research design. Additionally, Mutunga (2014) used the case study approach to examine the strategies deployed by KPLC to improve performance while Mbayeh (2012) analysed the competitive strategies employed by pharmaceutical firms operating in Kenya.

From the foregoing, it is evident that different studies have been carried out to link strategies and competitive advantage. However, this studies were carried out in other contexts and not the dairy sector. Brookside dairy is operating in a turbulent environment with stiff competition from other firms. Different firms use different strategies to attain competitive advantage. Therefore what strategies are adopted by Brookside dairy to gain competitive advantage?

### **1.3 Research Objectives**

This research had two objectives which were;

- i. To ascertain the strategies deployed by Brookside Dairies to gain competitive advantage.
- ii. To establish the factors that influence the choice of strategy for achieving competitive advantage by Brookside Dairies.



#### **1.4 Value of the Study**

The survey results are will be used by the dairy sector players, the study's findings will help in conception the challenges faced by the market. Emanating from these, both large and small milk processing firms are expected to advance theory market oriented competitive strategies in the highly dynamic business environment by identifying theory competences and market capabilities driven from the identified competitive strategies in the study.

The policy makers especially the government and other stakeholders are expected to benefit as the study is anticipated to be useful in emphasizing areas of policy breaches and areas that would need enhancement within the dairy sector as well as how to deal with the industry players, this would touch in cost effectiveness in the policy decisions making concerning the influence of government regime's guidelines in the dairy industry.

The research study is anticipated to be of abundant benefit to the future researchers and academicians as it poised to provide insight on the study gap; the reference is expected to add in to the knowledge creation and theory development. Academicians and practitioners are anticipated to gain more knowledge in the application of competitive strategies adopted by in Kenya's dairy sector as well as the turbulent environment within the industry even as the local and foreign products compete.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This section reviews literature in line with the study objectives. The section examined the theories underpinning the survey in accordance with the study objectives. The section further presents a comprehensive empirical analysis upon which study gaps are advanced.

#### **2.2 Theoretical Foundation**

The theoretical foundation outlines and discusses models informed this research in explaining the association between product diversification and SMEs' performance. This survey was informed by the Porters generic strategy model and supported by the resource view theory.

##### **2.2.1 Porter's Generic Strategy Model**

Porter (1980) developed generic strategies which were based on cost leadership, differentiation and focus. The model argued that failure of corporation to focus on trio would lead to massive business loss and misappropriation of resources. Subsequent empirical enquiries on the trio have cemented that they have capacity to stimulate corporation competitive advantage (Hilman, 2009). Though, they cautioned that corporation competitive advantage is anchored on strategy alignment with its goals and objectives (Muia, 2017).

Cost leadership strategy; corporation produces their goods in the lowest price and enhance its capacity to gain competitive advantage (Davidson, 2008). Cost advantage is achieved through pursuance of economics of scale, incorporation of technology in production process

and adoption of vertical merger with producers of raw materials (Malburg, 2007). According to Muia (2017) adoption of cost leadership strategy enhances organization capacity to develop internal strength. Moreover, organization should devise measures to acquire capital for acquisition of production machines. In fact, organization ability to attain and sustain cost leadership, then it will enhance performance as compared to their competitors.

Differentiation strategy is achieved through development of goods and services which are customized to customer unique needs and have superior quality as compared to their rivals (Davidson, 2008). Product uniqueness may increase corporation returns through charging of premium on goods and services. Corporation that has adopted differentiation strategy has unique characteristics such as improved corporate reputation due to quality service delivery and innovation.

Focus strategy is based on organization selection of narrow market niche aimed at achieving cost advantage and differentiation. Focus strategy promotes customer retention and loyalty which hinders competitor's capacity to cannibalize firm's market share. The greatest threat with adoption of focus strategy is narrowing market share due to contraction of bargaining power. This may be altered through passing of costs to customers due to no-existent of close substitute goods and services. Focus strategy has enabled corporation development of tailored products and services which strengthens market share dominance (Karikari, 2015).

Corporation ought to be prepared on measures geared on responding to external threats and opportunities. This will be possible courtesy through synchronization of competitive strategies with its goals and objectives. This will create value addition through competitive

advantage and minimize likelihood of market share cannibalization. Market share protection would promote customer loyalty and optimize their retention.

### **2.2.2 Resource Based View**

This RBV theory was introduced by Birge in 1984. The theory is inclined on the assumption that companies evaluate their competitive advantage through processes of analyzing their strategic advantages. According to the RBV, each firm has unique tangible and intangible resources and firm abilities to utilize those assets. This is an attributing factor to the differences between them. Resources owned by each firm form a basis for competitive advantage for each firm when developed well (Pearce & Robinson, 2007). Resources owned by the firm play a crucial part in the strategic practice and organizational performance.

The RBV provides the basis for articulating why and how organizations strategize therefore enabling us to classify the types of resources and capabilities which have value and result to competitive advantage by diversified companies (Barney, 1991). Firms change their strategies with time to utilize unexploited resources for instance excess capacity of idle employees, excess capital and underutilized systems. A firm may attain superior performance over its rivals in circumstances where the combination of separate business permits as opposed to strategic assets underlying the cost of the firm. The higher the resource specialization, the higher the diversification needed to uphold growth for a longer period and fully leverage on the capabilities. These knowledge and resources are valuable within the entity compared to when traded on open market and should be preserved for the firm to obtain sustained competitive advantage.

The RBV takes a firm-specific perspective as to why establishments thrive or fail in the market. The RBV argues that the abilities of the firm further enable some establishments to develop new products, add customer value in the value chain or venture into new markets (Teece, 2007). The RBV is dependent on the capabilities and resources that are inculcated in the organization to attain sustainable competitive advantage. The RBV has been lamented for an infinite regress on grounds that a company which has superior capacity to develop new products will in the long run surpass the company that in the present has best product innovation. The RBV advocated that establishments should always desire to obtain structures that better innovate products as opposed to product innovation. The RBV is applicable in this study in that it guides the firm in deciding whether adopting different strategies will be viable to the organization and if it will drive the firm towards sustainable competitive advantage.

### **2.3 Strategies and Competitive Advantage**

Ideally, strategy entails two things, deciding the direction your business takes and the anticipated outcome. Generic strategy is defined as the most basic decision which integrates and creates internal consistency among decisions (Tang, 1984). Generic forces can help the firm to cope up with the firm competitive forces. Michael porter proposes three fundamental ways through which the firm can attain and sustain competitive advantage namely; cost leadership, focus strategy and differentiation (Porters, 1980).

Differentiation is pursued by firms which are capable of either manufacturing distinct products or have an absolutely unique marketing strategy. They have the capacity to outshine their competitors in the market place and more fundamentally have distinct positioning in the minds of customers. On the other hand, cost leadership is practiced by firms who are

leaders in the market place with respect to volumes and win a wider market share by pricing their products at a lower rate. This is usually achieved through cost controls which are a result of very efficient supply chain. Finally, focus strategy is followed by firms which do not saddle the entire market, but concentrate in a particular customer segment (Hitt & Ireland, 2005).

Competition determines whether a firm will succeed or fail (Porter, 1980). The suitability of the activities of the firm that adds value through innovations, cohesive culture and good strategy implementation is determined by competition. Competitive strategies entail the identification of an ideal competitive position in the market (Simister, 2011). Not all firms offer equal opportunities for sustain profitability, yet the sector's profitability is essential in determining the firm's profitability. The second aspect in competitive strategy is the competitive position determinants within the industry. In most sectors, the profitability of some is higher than others regardless of the industry's average profitability (Saprong & Tandoh, 2016).

#### **2.4 Factors Influencing Strategic Choices**

The factors influencing strategic choices include; leadership, organizational structure, availability of resources, management, vision and mission, organizational culture, external environment and competition among others. Good leadership is an important factor influencing organizational performance as it ensures that organizational effort is committed toward attainment of its goals through provision of vision, initiative, motivation and inspiration (Koskei, 2003).

Organizational structure is an important factor since it dictates the tasks to be executed by individuals, how and when decisions should be made. According to Wambugu (2006), the organizational culture will determine the grouping, coordination and grouping of tasks. Organizational structure is an important aspect in implementing the formulated strategy as it pulls together activities which promote effective strategy implementation. Ethics plays a crucial role in strategy implementation. Analysis of the organization's ethical consideration influences the conduct of managers since ethical conduct manifests itself through individual character. Ethical consideration affects the management's choices on the direction to take.

Similarly, availability of resources influences strategic choice. As managers settle for a strategy, they should consider which resources will be required and consider the suitability of current budgets. Successful strategy implementation demands three types of resources which are financial, technological and human resource (Thompson et al., 2007). The management is also an important factor determining strategic choice. It is necessary to understand the management's orientation while analyzing why they opt for specific strategic decisions. On the other hand, the vision and mission plays a crucial in determining strategic choice thus an organization without a vision would be dead. According to Wambugu (2006), the organizational culture influences the way businesses behave in the organization and the decisions they make regarding the relationships of the organization with the environment and its strategy.

The external environmental factors impact strategic choice. These include political, social, economic, legal procedures and the environment. These are forces beyond the organization's control and influence the organization's decisions. Political interference may hinder penetration into particular markets. Finally, competition influences the firm's decision as it

forces companies to develop new products, services and embrace new technologies (Obado, 2005).

## **2.5 Empirical Studies and Research Gaps**

Research has been carried out both locally and internationally to upkeep the association between generic strategy and competitive advantages but these studies have produced inconsistent results due to varying dynamics and contexts.

Mishra and Phung (2016) undertook a survey in the impact of differentiation strategy on firm performance of quoted firms in Vietnam between the time frame 2007 and 2012. The results revealed a negative impact of differentiation strategy on firm performance. Additionally, the results indicated that inadequate corporate governance may mislead companies to adopt competitive strategies which could deter their firm performance. Deng, Li, Tian and Abrar (2012) explored the impact of diversification on corporate performance in China. The study's sampling frame constituted private firms quoted at the Shanghai and Shenzhen Stock Exchange between the time frame 2002 and 2005. The findings revealed that related diversification enhances firm performance while unrelated diversification had a negligible on performance of the firm.

Saprong and Tandoh (2015) explored the effect of strategy on business environment of Ecobank in Ghana. The case study was applied and 320 respondents were drawn through simple random sampling. Bivariate, multivariate and univariate techniques were applied for data analysis. Competitive strategies positively impacted banking performance. These findings would not have been generalized in Kenyan perspective since the duo business environment are exposed to different political risks and state of economic development.



Karikari (2015) delved into the effect of Porter's generic strategies on hotel performance in Kumasi. Descriptive research design was applied. Bivariate, multivariate and univariate techniques were adopted for data analysis. Study findings revealed positive and significant effect of differentiation, focus strategies and cost leadership on performance of hotels in Kumasi. Cristina (2011) conducted a study on Regular Airlines Flying towards A Low Cost Strategy in Portugal. The study used survey design to cover the entire Airline and more so regular airline in that route. Ozge (2010) delved into competitive strategies of Airline businesses plying in Turkish route. The study use survey design to draw a one off study on the Airline business in Turkey

Njuguna (2015) undertook a study on the effect of generic strategies on competitive advantage of SMEs in Nyahururu, Kenya. The study adopted the descriptive research design and a sample of 276 enterprises operating in Nyahururu town. The research established that generic strategies of differentiation and cost leadership were being adequately used by SMEs to gain competitive advantage. The focus strategy was only applied to a limited extent. The study's recommendation was that business owners should develop ways of differentiating themselves in order to standout unique to their clients.

Ouma (2015) carried out a study to analyze the association between porter's generic strategies and competitive advantage of bus operators along Kisumu-Nairobi Route. The study's population consisted all the 28 bus operators plying Kisumu- Nairobi. Structured questionnaires were administered to operation managers and route managers for data collection. Data was analyzed using both inferential and descriptive statistics and the findings revealed that out of the 28 companies plying the route, 42.52% adopted the focus

strategy, 34.82% cost leadership strategy, 42.85% differentiation strategy and 36.57% integrated strategies.

Monari (2011) investigated the sources of sustained competitive advantage by milk processing firms in Kenya. The study adopted a census approach where all the 23 milk processing companies in Kenya at the time were studied. The study utilized primary data which were largely quantitative. The study established that there was no universal source of competitive advantage but rather the companies employed a combination of strategies to stay competitive in the highly dynamic business environment. The strategies mentioned include product development, product differentiation, market development, cost leadership, diversification and strategic alliances.

While many scholar have been undertaken both locally and globally to link strategy and competitive advantage; Mishra and Phung (2016); Deng, Li, Tian and Abrar (2012); Saprong and Tandoh (2015); Karikari (2015); Cristina (2011); Ozge (2010); Njuguna (2015); Ouma (2015) and Monari (2011), there exists many gaps that the study seeks to address. First, the results of studies undertaken in the global context may not be generalized to the Kenyan context owing to differences in the political, social and economic environment. Kenyan companies are faced with different industry specific risks which may impact the choice of strategy. Secondly; local companies operate under different structural and operational risk frameworks compelling them to adopt varying strategies to ensure sustained competitive advantage. This study thus seeks to analyze the strategies adopted by Brookside Limited to gain competitive advantage.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Methodology examines the approaches that was applied to ensure exhaustive achievement of the objectives. It specifically outline research design, source of data and data analysis tool used.

#### **3.2 Research Design**

Kumari (2005) describes a research design as a method that is procedurally acquired by the researcher which enables the researcher to answer questions accurately, procedurally, objectively and economically. Olwenyi and Wanyama (2013) opines that a research design improves the study's ability to conceptualize an operation plan to use the available techniques and task required to complete a s study and ensure that the procedures used are sufficient enough to acquire valid and accurate data.

The study adopted the qualitative research design. The appropriateness of this design enabled the researcher to utilize qualitative data to undertake a case study. The qualitative research design helps the researcher to outline an issue or shed light on the issue under scrutiny. This research design was adopted by the researcher to gather information, summarize and make interpretation so as to find clarification on the matter.

### **3.3 Data Collection**

The study relied on primary data. The primary collection involved the use of interview guide to gather insight in accordance with the study objectives. The open-ended questions facilitated the collection of realistic recorded and observable evidences to help in exploring the data findings through content analysis. The interview guide was personally be delivered to six officials from the top management at Brookside limited head office consisting the CEO, General Manager, Head of Marketing, Sales, Operation and Strategy.

### **3.4 Data Analysis**

Data analysis is the process of bringing structure, order and sense to the data collected (Mugenda & Mugenda, 2003). The interview guide was edited for completeness and consistency. The qualitative data was then be analyzed and categorized based on the study's objectives to help in explaining and describing study findings. Since the collected data was qualitative, the responses were evaluated using content analysis. Content analysis enabled in-depth analysis of the responses of the interviewee.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

The study's objective was to analyze the strategies adopted by Brookside Dairies to gain competitive advantage. For the survey, data was collected through direct interviews with the respondents. The qualitative data was subjected to content analysis which enabled the researcher to make inferences from the responses.

#### **4.2 Demographic Characteristics**

For the study, five respondents were interviewed. This was out of the targeted six namely the CEO, general manager, head of marketing, head of strategy, head of sales and head of operations. This translated to a response rate of 85.7%. Thus the data was suitable for analysis as per Mugenda and Mugenda (2008) that a 70% response rate and above is good for analysis, making inferences and deductions. The study established that the respondents have been employed in the organization for between three and ten years. While two had been directly recruited to their positions, three had earned promotions to the current positions on the job demonstrating a good understanding of the organizations strategic matters. All the respondents appeared to understand the position of the organization with regards to the crafting of strategies thus good ability and capacity of the respondents to provide reliable information for the study.

### **4.3 Strategies Adopted by Brookside Dairies**

The objective was mainly achieved by evaluating the level of adoption of the different porter's generic strategies. In the below section, the substantial study findings have been generalized based on the respondent findings on the variables.

The study sought to explore the cost leadership strategies adopted by Brookside Dairies. The study established that lowering costs was the main strategy used by the company to penetrate into various consumer markets. The respondents argue that middle class was the company's main target market yet pricing factor was a crucial aspect for this type of consumers and thus cost leadership strategy was the most ideal for managing the needs of this customer segment. A response, "*we focus on affordability and ease of access of our product across the globe to create high brand awareness and sales growth*" was captured. The study established that apart from low pricing and supply chain efficiency, the company leveraged on discounts and sales coupons to meet their sales targets sales another cost leadership strategy. Further, the respondents alluded that the company encourages consumption and brand popularity through promotional campaigns on top of the discounts to popularize the product and maintain competitive advantage.

The respondents reported that the firm enjoys economies of scale which has been achieved through high capital equipment, expanding market coverage across the country and even beyond borders to Countries such as Uganda and Tanzania and acquisition of other milk processing firms such as Spin-Knit all in a bid to reduce the average cost of production and increase output. This has enabled the company to avail affordable products to the customers. The researcher established that the company has incurred higher advertising costs over time due to increased launch of new products and penetration onto new international markets.

The high advertising costs was also agitated by increased competition in the market and the need to constantly redesign the existing products to meet the customer demands. The respondents however cited the use of social media platforms and mainstream media as having played a core role in mitigating advertising costs as opposed to the traditional advertising approaches. When asked whether the company engages in partnerships, the response was that the company has partnered with Dadone an international dairy products expert to attain a robust supply chain and boost growth through expansion of product portfolio.

The survey sought to determine the extent to which the firm has invested on unique product features to attain competitive advantage. When asked whether the company has been able to offer unique products and services, the respondents stated that differentiation has been largely utilized by the company as a secondary generic strategy for meeting the specific needs of the customers thus expanding the customer base. The respondents argued that the consumer's growing health concerns and constant changes in preferences has compelled the company to embed innovation a core function in meeting customer needs. When interviewed, the marketing manager said “ *through product differentiation, the company's products have been packaged to stand out and be different from the available alternatives, we thrive on ensuring that our products fulfill the demands and needs of all our clients, the theme 'goodness for all' will always inform our services*”

The researcher found that the firm has been able to use technology and innovation to offer superior services. The respondents reported that that innovation had been largely leveraged as a tool to offer differentiated augmented services such as wide variety of flavors to match the consumer's unique taste needs. When asked to state the company has been able to

generate unique advertisements, the respondents stated that the company has heavily invested in marketing, advertisement and celebrity endorsement as the key channels to differentiate Brookside from other brands. The company also boasts on extensive experience and strong presence all over the world as some of the differentiation. The researcher established that advertisements were designed and placed in platforms that were likely to meet the target audience. Most advertisements that targeted adult products were lodged on online platforms such as Facebook and twitter while kid products were mainly placed in the mainstream media such as the television. The package designs were further augmented with images to entice buying. The respondents mentioned brand logo as the other differentiation factor that has been used to establish a strong brand image in the consumer's mind. The marketing manager said "*Brookside brand remains strong and of essence despite undergoing different revisions*".

The findings show that Brookside Dairies adopts focus strategy both in terms of low cost to specific segments and offering best value. The respondents alluded that the company has adopted low-cost focus strategies by serving the needs of a niche market at the lowest price possible. When presented a question on product attributes, the head of strategy said, "*Brookside dairies often revises its branding strategies and continuously redesign its products and packaging to satisfy the psychological expectation and maximize value for money*".

The findings also revealed that the company has heavily invested on product branding through investing in royal brand strategies to ensure that Brookside products are on the top of the list for any consumer going to shop for milk products. The respondents stated that the company had in place a strong feedback system which ensured that customer issues were



well articulated and that the production system is operationalized to a demand- driven one. This was in a bid to ensure that all new products were taken in by the customers. It was further reported that focus on the brand enabled the company to customize the products with special features to fulfill the needs of particular market niche. This enable the firm to add special ingredients and attributes to the products and sell at higher prices.

The findings on competitive advantage show that the company has enjoyed relative competitive advantage over the last five years. The respondents reported that the company's market share has expanded significantly both locally and internationally more so within the East Africa nations. The increased local market share was linked to the launch of new milk products and acquisitions of companies such as Spin-knit and Molo Milk. The company was also found to have established its market in Uganda and Tanzania and making exports to Rwanda and Burundi.

When asked to respond on customer satisfaction arising from the consumption of Brookside products, the findings revealed that the customers were largely content with the company's products. A response “ *the customers are happy with the product, that's why we've been able to survive and grow, we have innovated a variety of products for our customers because to us customer satisfaction is key, we want to keep them happy and yearn for more, that's why our market share is growing*” . The response on whether the company's products have attracted more loyal customers than competitors was that Brookside products were the most preferred evidence being frequent stock outs in the shelves for retailers despite constantly increasing the supply implying high preference for Brookside products.

The respondents authoritatively stated that the company was the market giant when opinion was sought as to whether the company makes more sales than any other company in the market. The respondents cited to purchase of previous market giants such as Delamere, Tuzo and Molo milk thus serving the market niche previously occupied translating to large market share and subsequently sales. The huge volume of sales was also attributed to exports, product variety as well as customer loyalty to the product

#### **4.4 Factors Influencing Choice of Strategy Adopted by Brookside Dairies**

The study explored the factors that influence the choice of strategy adopted by Brookside Dairies to gain competitive advantage. Competition was cited as the main factor necessitating adoption of new strategies by Brookside Dairies. The respondents reported that this was fuelled by entry of new firms into the industry and thus the need by the existing firms to increase their market share which creates some form of rivalry. The respondents further alluded the availability of substitutes as an aspect of competition. This was with regards to preference for unprocessed raw farm level milk products as opposed to processed milk products when consumers are exposed to this alternative.

The respondents further cited economic factors which often expose business to shocks forcing change of strategy. Inflation rates and interest rates were cited as the most common economic indicators that often distort the market. The respondents construed that the impacts strategy as it alters the pricing of raw milk, transport, energy as well as oil wages. The consequence is often increased prices of milk products which decrease demand. It was reported that the company often seeks to strike a balance between pricing and costs to avoid loss of loyal customers through the seemingly exorbitant pricing and still watch not to operate in losses.

Social factors were also cited as another factor influencing the choice of strategy. The respondents stated that changing consumer preferences and tastes and transition into more healthy products as a challenge to Brookside thus necessitating continuous revision of strategy to avoid running obsolete. Varying consumer preference was also accentuated by higher inter-firm rivalry resulting to intense markets which subsequently informs consumer tastes and preferences thus affecting the demand of the product

The choice of strategy was also technological factors which determines' the firms capacity to produce higher quality goods at low cost. The attributed cost efficiency and timely delivery to technology. The researcher found that the company had leveraged on technology in the production processes such as tracking temperatures and PH to ensure that a standard final product is produced. The use also technology was also evident in marketing as the company had adopted different online platforms as a form of marketing. The company had also transformed from a labor-intensive to a capital- intensive one thus eliminating redundancies leading to cost savings.

Finally, legal and regulatory factors were reported to influence the choice of strategy of the company. The respondents argued that they did not operate in a free market as there were many regulatory requirements to be adhered to along the production and distribution chain. At the product certification stage, certification was done by KEBS to ensure that ensure that the products met the recommended standards and was safe for consumption. The study also stated that the expansion and entry into new markets was done in consultation with the competition authority of Kenya which often limits growth. The respondents also mentioned taxation as a regulatory requirement that consumes a high percentage of their returns thus

limiting growth. It was revealed that the tax charge on both stake and profit is an impediment to expansion strategies of Brookside Dairies.

#### **4.5 Discussion of the Findings**

As a result of intense competition and other challenges faced by businesses that reduce their profit levels, business establishments are compelled to embrace new strategies in order to stay ahead of their competitors. From the above findings, it can be said that Brookside Dairies has largely leverages on cost leadership strategy to gain quick brand recognition, expand the customer base, encourage consumption and attain sales target.

The findings reveal that the company has largely invested on the affordability and accessibility of the product. The company offers quality yet affordable milk products which have enabled it to leverage on its niche market which is the middle class. Sales discounts and sales coupons to also demonstrated the cost leadership strategy approach taken by the company to gain competitive advantage. These findings agree with Palepu and Healy (2008) that cost leadership enable establishments' standard, high volume products at the most competitive price to customer thus enabling firms to gain competitive advantage due to low costs in labour and manufacturing recourse.

The findings on differentiation revealed that differentiation has been largely utilized by the company as a secondary generic strategy for meeting the specific needs of the customers thus expanding the customer base. The study established that the company's investment in specific product features was informed by changing lifestyles and consumer's growing health concerns and changes in preferences which have compelled the company to customize their product offerings to meet the customer's demands. The company also attributed

competition to the need to constantly reconfigure their products to survive in the highly dynamic environment. These findings are in tandem with Hitt and Ireland (2005) that companies pursue differentiation strategy to manufacture distinct products or have an absolutely unique marketing strategy to outshine their competitors in the market place and more fundamentally have distinct positioning in the minds of customers.

From the analysis, it is evident the company has invested on focus strategy by investing on a strong brand name that the customers can easily identify with and one that is easy to recall. The results are in agreement with Keller (2003) that brand awareness relates to the brands strength mode ensures that the customer recalls the brand in different conditions thus product loyalty. This relates to the likelihood that brand name will easily come to the mind of the customer. Brand awareness could be used by the company to reinforce brand loyalty (Kapferer, 2008). The study further established that the company's strategic choices was influenced by both internal and external strategic factors. The study however noted that the companies' operations were largely influenced external forces such as competitors, economic factors, legal and regulatory forces as well as technology. These findings agree with Wlaker (2004) that inter-firm rivalry was a major threat for competing firms. The findings also concur Obado (2005) that competition underlies the economic structures and goes beyond the current competitor's behavior.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

Findings are summarized in this section and conclusions made. Furthermore, the proposed recommendation are outlined together with the limitations of the applicability of research findings.

#### **5.2 Summary**

The study's results can be summarized as follows;

##### **5.2.1 Strategies Adopted by Brookside Dairies**

The study explored cost leadership was the main strategy used by the company to penetrate into various consumer markets. The study findings reveal that fair pricing factor was a crucial aspect for this type of consumers and thus cost leadership strategy was the most ideal for managing the needs of this customer segment and ensuring profitability at the same time. The study established that apart from low pricing and supply chain efficiency, the company leveraged on discounts and sales coupons to meet their sales targets sales another cost leadership strategy. Further, the respondents alluded that the company encourages consumption and brand popularity through promotional campaigns on top of the discounts to popularize the product and gain competitive advantage. The respondents reported that the company enjoys economies expanding market coverage across the country and even beyond borders to Countries such as Uganda and Tanzania. The researcher established that the company been incurring higher advertising costs over time due to increased launch of new products and penetration onto new international markets. The high advertising costs was also

agitated by increased competition in the market and the need to constantly redesign the existing products to meet the customer demands.

The study sought to explore the degree to which the firm has leveraged on differentiation. The results show that differentiation strategy has largely been utilized by the company as a secondary generic strategy for meeting the specific needs of the customers. The respondents argued that the consumer's growing health concerns and constant changes in preferences has compelled the company to embed innovation a core function in meeting customer needs. The researcher found that the firm has been able to use technology and innovation to offer superior services. The respondents reported that that innovation had been largely leveraged as a tool to offer differentiated augmented services such as wide variety of flavors to match the consumer's unique taste needs. When asked to state the company has been able to generate unique advertisements, the respondents stated that the company has heavily invested in marketing, celebrity endorsement as the key channels to differentiate Brookside from other brands. The company also boasts on extensive experience and strong presence all over the world as some of the differentiation.

The findings revealed that Brookside Dairies adopts focus strategy both in terms of low cost and offering best value. The respondents alluded that the company has adopted low-cost focus strategy by serving the needs of a niche market at the lowest price possible. It was also reported that the best value focus strategy has been achieved by emphasizing over the taste, size and the product's design that could best match the needs and requirements of the customer. The findings also revealed that the company has heavily invested on product branding through investing in royal brand strategies to ensure that Brookside products are on the top of the list for any consumer going to shop for milk products.

### **5.2.2 Factors Influencing the Choice of Strategy**

On the factors influencing the strategies adopted by Brookside Dairies to gain competitive advantage, the respondents cited majorly the external environmental factors such as competition, technology, economic environment and legal and regulatory forces. Competition was cited as the main factor necessitating adoption of new strategies by Brookside Dairies. The respondents reported that this was fuelled by entry of new firms into the industry and thus the need by the existing firms to increase their market share. Economic forces such as inflation, interest rates were linked with exposing the business to shocks forcing change of strategy. Social factors were also cited as another factor influencing the choice of strategy. The respondents stated that changing consumer preferences and tastes and transition into more healthy products as a challenge to .The choice of strategy was also technological factors which determines' the firms capacity to produce higher quality goods at low cost. The attributed cost efficiency and timely delivery to technology. Finally, legal and regulatory factors were reported to influence the choice of strategy of the company through regulation of competition, licensing and taxation among others

### **5.3 Conclusion**

The study's findings prove that Brookside Dairies has well-defined strategies used to gain competitive advantage and compete in the dairy industry. The findings reveal that strategies being used by Brookside Dairies have enabled it to outperform their competitors as evidenced by rapid growth and acquisition of other players in the industry. The management of Brookside are content with current strategy as they attribute it to their success journey. The firm has an aggressive strategy mix to help it create sustainable competitive advantage



in the industry. The firm has leveraged on cost leadership strategy as the primary generic strategy and differentiation and focus strategies as the secondary generic strategies.

Further, the study notes that the firm's choice of strategy is influenced by different forces, both within the internal and external environment. However, the external environmental forces were indicated to have the greatest impact. The strongest force cited was competitors as they create rivalry to the firm through introduction of substitutes and price wars which put the strategy of the firm to test. Other external forces that played a key role are technology, legal and regulatory environment, economic forces and the social-cultural factors. The study concludes that the firm has put a commendable effort in utilizing the opportunities in the external environment and absorbing the threats leading to a continuous growth curve.

#### **5.4 Recommendation**

The study recommends the firm to employ a variety of sources of competitive advantage apart from the generic strategies which complement each other to attain sustained competitive advantage in the highly competitive business environment. These strategies include effective leadership, highly motivated employees, training, continuous learning and superior skills of the personnel. The researcher also recommends that the company considers the internal factors as crucial in influencing the choice of strategy as it is this that determine the internal capabilities and potential of the firm. Excessive focus on the external forces makes the company reactive as opposed to being proactive.

### **5.5 Limitation of the Study**

The research was faced with time constraints and resource constraints. The researcher had limited time to collect data in the field and hence more detailed and comprehensive data would have been availed had the time been adequate. Focus on Brookside limited also limited the scope of the study as more concrete results would have been attained had the entire dairy industry been studied.

The respondents were not willing to share all information, but the investigator assured them of utmost confidentiality and that it was intended for academic purposes.

Some respondents were unavailable at the time as they were working from home thus the researcher had to be patient and wait for them or fix a different date.

### **5.6 Suggestions for Further Research**

The research only focused on the effect of generic strategies namely cost leadership, differentiation, and focus strategies on performance. Future studies should consolidate other factors such as resources, organizational culture, stakeholder involvement etc. This shall provide more insights on the factors that influence competitive advantage.

For more comprehensive insights and robust conclusions to be made, similar studies investigating the strategies adopted to gain competitive advantage can be done using different analytical techniques such as factor analysis, regression analysis, secondary data and the results compared and contrasted for more reliable conclusions to be made.

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# APPENDICES

## Appendix 1: Interview Guide

The interview guides is for the purpose of collecting information on strategies deployed by Brookside Dairies to gain competitive advantage. It will assist the research in gathering crucial information.

### Part A: Demographic Information

1. What is the name of your department? -----
2. What is your current position at Brookside Dairies? -----
3. How long have you been working with Brookside Dairies? -----

### Part B: Strategies Adopted by Brookside Dairies to gain Competitive Advantage

#### Cost Leadership

4. Have you adopted any cost cutting measures in your organization? Please explain
5. Has economies of scale been realized in the organization?
6. What has been the trend of advertising costs over the last five years?
7. What is the extent of investment in R&D in the organization?
8. Has your leveraged-on technology to minimize cost? Please explain
9. Does your Company partner with suppliers to reduce input costs? Please explain

#### Differentiation

10. Has your company consistently supplied unique products and services?
11. Has the firm been able to offer better quality goods compared to the competitors?



12. Does the company place unique advertisements?
13. How has the firm leveraged on technology to offer superior services?

**Focus**

14. Are the firm's services and product tailored to meet the market needs? Please explain
15. Does the firm focus on one market segment?
16. How is the firm able to improve product branding?
17. Has the firm been able to leverage on product attributes ?

**Part C: Factors influencing Choice of Strategy**

18. Which are the major factors influencing choice of strategies adopted by Brookside Dairies? Explain.

**Part D: Sustained Competitive Advantage**

19. Has the company's market share increased over the last three years? Please explain
20. Has the company registered increased sales due to adoption of various generic strategies?
21. How can you describe customer the customer satisfaction levels arising from consumption of products offered by the company? Please explain
22. Can you confidently declare that the company's products and services have attracted more loyal customers that the competitors? Please explain
23. Will it be true to say that the company makes more sales than any other company in the industry? Please explain

*Thank you for your time.*