RESPONSE STRATEGIES OF BANKS TO COMPETITION IN THE CREDIT CARD SECTOR IN KENYA

BY

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DECLARATION

This management project research is my original work and has not been presented for any award in any other institution.

Signed. . . . . .Date.!?..... 1.1!

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

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DEDICATION

To my parents and family members who have been there for me and to my dearest friend Samuel Ngui for your inspiration when I felt like giving up.

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My greatest gratitude is to the almighty God who has given me the strength to complete this project, it has been a long and challenging journey. Glory and praise be to him forever.

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TABLE OF CONTENTS

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATIONS

CHAPTER FIVE: CONCLUSION

LIST OF TABLES

ABSTRACT

Globalisation has led to increase in the number of credit card holders and users in Kenya. With the current changes in technology and increase of Ecommerce firms have no choice but to try and match the competition in the sector. Most of the credit cards offered have similar features and therefore competition in the sector is very intense. Consumer awareness has increased and organisations have to find ways of attracting new customers and retaining ones.

The study was designed with the objective of determining how banks have responded to competition in the credit card sector. The data analysed was provided by mangers or the equivalent in respective card centres. Out of sixteen credit card companies, all of which were served with questionnaires only twelve responded by returning filled questionnaires. This formed 75% response rate which the study considered suitable for analysis.

The study used a semi structured questionnaire. To achieve the study objective, respondents were presented with statements describing various ways in credit card centres have responded to competition. The major findings of the study were that competition has had a great effect on the sector and technological environment had contributed highly to competition. According to the study all card centres have responded to a large extent to competition in the sector. Differentiation and cost leadership were highly used as strategic responses.

Based on the study product development is a strategy that all banks should use to be able to increase their market shares. All banks that were interviewed offered credit cards with similar features, with majority having three types of cards. This Cleary shows why competition is very stiff in this sector. Most banks have also concentrated more in Nairobi and therefore have not been able to penetrate other regions in the country which have a very high potential. This implies that the banks needs to improve on their market penetration and product development strategies in order to be able to increase their market share in the sector. With globalisation a lot of growth is expected in the sector and more banks and other firms are expected to introduce credit cards.

CHAPTER ONE
INTRODUCTION

1.1 Background

The environment is rapidly changing making it imperative for organisations to continually adapt their activities in order to succeed. To survive in a dynamic environment their strategies need to focus on their customers and deal with emerging environmental challenges. This is necessary because they are environment serving (Ansoff, 1987). All business firms are open systems. They affect and are affected by external conditions that are largely beyond their control (Pearce and Robinson, 1997).

Organisations without exception depend on the environment as a source of inputs in the form of resources and as outlets for their outputs after a transformation (Porter, 1995). Because all organisations are environment dependent, the environment within which companies operate is constantly changing presenting opportunities, challenges and a manager must jump at the right time (Mintzberg, 1987). Failure to adapt the organisation to its environment leads to a strategic problem evidenced by a mismatch between what the organisation offers and what the market demands.

According to Johnson and scholes (2002) the environment encapsulates many different influences and the difficulty is making sense of this diversity. The pace of technological change and the speed of global communications mean more and faster change now than ever before. Grundy (1995) states that responsiveness and flexibility are increasingly important factors that determine the success of an organisation, Hill and Jones (2001) add that the achievement of superior efficiency, quality, innovation and responsiveness enables an organisation to create superior value and obtain competitive advantage. The environment is highly dynamic and constantly prevents opportunities and challenges.

According to Hunger and Wheelen (1999), the environment consists of variables that form the context within which the form exists. Pearce and Robinson (2000) state that a firm's environment can be divided into internal and external. Internal environment comprises of factors such as the organisations' competitive capabilities and both tangible and intangible resources that affect the firms' ability to meet its objectives. These include organisations' culture, structure, and resources (Hunger and Wheelen, 1990). While the External environment consists of all conditions and forces that affect firm's strategic options and define its competitive situation.

1.1.1 Response Strategies

Firms often respond to environmental changes through strategic and operational responses (Bartol and Martin, 1998). According to Pearce and Robinson (1991) strategic responses are set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firms' objectives. It is thus a reaction to what is happening in the organisations' environment. Ansoff (1990) states that strategic responses require organisations to change their strategy to match the environment and also transform or redesign their internal capabilities to match their strategy. Operational responses are concerned with developing and nurturing a distinctive competence to provide an organisation with a competitive advantage (Hunger and Wheelen, 1990).

In order to cope with external and internal pressures, organisations have been forced to become more innovative, anticipate change and drive it as well (Mintzberg, 1987). For organisations to remain truly competitive over time as the environment changes, Ross et al (1996) argue that they have to learn, adapt and reorient themselves to the changing environment. A strategic problem requires strategic response (Ansoff and McDonnel, 1990).

1.1.2 Kenya's Credit Card Sector

The credit card was the successor of a variety of merchant credit schemes. It was first used in the 1920s, in the United States, specifically to sell fuel to a growing number of automobile owners. There is an increase in the number of credit card holders and users each month. Barclays bank, having opened its products much earlier in Kenya, is reaping the benefits from these products, the Bank currently has a market share of 65 %(East African Standard, 2007). Other commercial banks are equally following suit, and have made great leaps in the last few months in getting people to access credit facilities. It is projected that by June 2007, the total number of credit cards users will have increased and surpassed the current number of about 100,000 if the pace of subscription remains the same. (East African Standard, 2007). According to Abraham McLaughlin (2006) across Africa, cash has long been the king but now there's a credit boom, this will help African economies grow faster and it may also curb corruption by reducing untraceable cash.

Kenyans are transacting globally on a daily basis and using credit cards for online transaction, in some countries for example the United States Credit cards are a necessity and most people travelling abroad are required to have a credit card to be able to book a hotel and other services, the demand has therefore gone up and banks need to get means of satisfying this demand. Kenyans have an option of getting this product from many banks and therefore banks are getting more concerned with relationship management in order to maintain these customers. According to a recent research credit card organisations need to develop their understanding of retention and loyalty theory before trying to develop retention strategy, a successful retention strategy involves developfng an organisational vision; the vision needs to encompass a set of goals to which all components of the credit card organisation agree. (VISA, 2002)

There are two main card association organisations in Kenya, which are Visa International and Master card. Majority of credit cards issued in Kenya are Visa international. With CFC bank offering master credit card, the bank was the first to launch a chip card in the industry in 2006. The chip card is believed to be more secure as compared to the magnetic strip. Visa international has also moved to chip technology and soon all visa cards will be required to use the chip technology (VISA, 2005). This will help reduce fraud, there have been fears that an alarming increase in credit card fraud in Kenya could slow down the growth in credit card usage. According to the central bank's Bank Fraud unit (2004) in March 2004 KSH 10 million was lost through use of fake international cards, the unit is working with international police network to deal with the threat because there is an international ring behind it.

Visa International runs a promotion campaign in the first quarter of every year. Through marketing support to member banks, Visa expects to reach out to potential card users in Kenya and beyond. Through Kenya Visa expects to enhance their position in the surrounding countries of Uganda, Tanzania and Ethiopia. According to Winter (2005) Visa has focused in Kenya longer than other countries due to the country's stable and developed bank infrastructure and expects reforms in the information and communications sector to unlock more opportunities. This is evident in the number of banks issuing credit cards at the moment. In May 2007 Fidelity commercial bank and Chandarana Supermarkets launched a co-branded visa credit card. According to Sultan Khimji the partnership is to encourage the use of the credit card as a safer and convenient method of payment, the bank is targeting customers and non-customers. Nakumatt supermarket and Barclays bank launched a co-branded VISA credit card in July 2007. The Nakumatt VISA credit card enables holders to enjoy unique benefits offered by both

Barclaycard and Nakumatt (Kathuri B, 2007). More banks are planning to join the industry with Equity Bank being one of them.

The recent development in the sector is the acceptance of credit cards for purchasing shares in the Nairobi Stock Exchange. The partnership is between Barclays bank and Nairobi Stock Exchange members, this is to allow stockbrokers and investment banks to be signed up as Barclaycard Merchants authorised to run cards on point -of-sale terminals. This partnership is to offer investors purchasing shares on the stock market an alternative payment option, which is secure and faster, "Kenyans in the Diaspora will benefit from the partnership by using their cards to make purchases through the brokers. The credit card usage is easier and less costly than securing a loan for the purchase of shares, especially during initial public offers when demand is overwhelming (Kathuri, B and Njoka, K, 2007)

1.2 The Research Problem

The global economy has not spared any organisation from economic, social and political turbulence. Porter (1991) stated that companies must be flexible to respond to competitive and market changes. According to VISA (2002) consumers have tripled their use of credit cards over the last decade. Business on the internet is booming the world over, this is an indicator that e-commerce will pick up very fast in the country as there is an increase in the number of credit cards holders and users each month. It is projected that in 2007, 500,000 credit cards will be issued in Kenya, a dramatic jump from current 100,000 cards in the nation of 31 million people (Abraham McLaughlin (2006). In 2005 Barclays Bank doubled the number of credit cards issued, also the same year just seven banks were issuing credit cards currently there are sixteen.

Competition amongst same business such as banks has brought about entry of new products, services and counterfeits as well (Mbogo 2003). Consumer awareness has also increased and therefore organisations have to find new ways of attracting new customers and retaining old ones hence ensuring competitiveness in the market. Companies must be flexible to respond rapidly to competitive and market changes (Porter, 1991). Globalisation has greatly increased awareness of the credit card, currently banks are the providers of this product. Most of credit cards offered have the same features and this has made it very competitive. It is therefore important to find out how these banks are responding to the competition in this industry.

Previous research in the credit card industry has narrowly been done. Most of the research has been done by VISA International and has focused on financial aspects of the credit card, statistics on growth in terms of customers and banks offering this product. A lot of research has been done in the banking industry focusing on areas like finance, strategy implementation, human resource and other products offered by the banks, but none has focused on the credit card. Studies on responses of firms due to increased competition have previously been done by Adoyo, (2005), Kathuku, (2005), Leresian (2006), Leseketeti (2006), Mwangi, (2006) and Wanjohi (2002).

13 Objectives of the Study

To establish how Banks are responding to competition in the Kenyan Credit Card Sector.

1.4 Significance of the Study

The study will be useful to the Kenyan credit card Sector, as it will serve as a point of reference to the sector and other related areas. The players in the market will be able to identify areas that need improvements and ways in which they can cope with the changes in the environment

The study will also benefit Academic researchers as it will serve as a stimulus to carry out further research in the same and related areas so as to increase the volumes of existing knowledge.

CHAPTER TWO

LITERATURE REVIEW

2.1 The Concept of Strategy

Strategy is a game plan that creates a match between firms' capabilities and the environment. A strategy is an action that a firm takes in order to achieve a set of goals aimed at responding to changes in the environment. All organisations are faced with the challenge of managing strategy. Strategy issues by nature are future oriented and require large amounts of the firms' resources. Jofaison and Scholes (2002) define strategy as the direction and scope of an organisation over a long term which achieves advantages for the organisation through the configuration of its resources within a changing environment to meet the needs of the market and full stakeholders' expectations. Meeting Stakeholders expectations requires a firm to balance the expectations of the owners, customers, employees and the public at large.

Strategy is the pattern of objectives, purposes or goals and major policies and plans for achieving these goals stated in such a way as to define what business the company is in or is to be in the kind of company it is or it is to be (Andrews, 1987).According to Aosa (1998), strategy is about creating a fit between the external characteristics and internal conditions to solve a strategic problem. The strategic problem is the mismatch between the internal characteristics of an organisation and its external environment. Firms are in trouble if they do not work on their future. They need strategies in order to be successful and sustainable (David, 2000). Strategies enable a firm to get to a new state through competitive advantage with least difficulty and in the least time (Grundy, 1995)

Porter (1980) sees strategy as basically about competition and the means by which an organisation tries to gain a competitive advantage. Strategy can be seen either as the building of defences against competitive forces or finding of a position in an industry where competitive forces are weakest. Pearce and Robinson (1997). Without asking why and hence challenging status quo, and going back to zero when paradigms shift, companies will not be able to withstand the challenges posed by environmental turbulences which are over present(Grant, 2000). He adds that strategy is the ability to identify and occupy attractive market segments. Strategy provides management with a future oriented framework for understanding of how external forces impact on organisations performance.

According to Johnson and Scholes (2000) corporate level strategy is concerned with the future direction of the company, business level strategies are concerned with sustainability of different portfolios concerned with shop floor delivery systems and procedure. Strategy is a set of decision making rules for guidance of organisational behaviour (Ansoff, 1990). Strategy is therefore a fundamental framework through which the organisation can simultaneously assert its vital continuity and facilitate its adoption to the changing environment. It is a tool of the top management team for coping with both external and internal changes (Wanjohi, 2002). Organisations therefore have to respond with relevant strategies that match the changed "Environment

Thomson and Strickland (1993) define strategy as the pattern of organisational moves and approaches devised by management to achieve organisational objectives and pursue organisational mission. As Jauch and Gluek (1988) observed, strategy is a unified, comprehensive and integrated plan that relates the strategic advantage of the firm and to the challenges of the environment and that it is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organisation. Strategy is a multidimensional concept embracing all critical activities of the firm, providing it with a sense of unity, direction and purpose as well as facilitating the necessary changes induced by its environment (Hax and majluf, 1996). They argue that strategy is the means of establishing the organisational purpose in terms of its long term objectives, action programs and resource allocation; a response to external opportunities and threats and internal weaknesses and strengths and a way to define managerial tasks with corporate business and functional perspectives.

Central to the strategic management process is the concept of strategy. Batemand and Zeithaml (1990) assert that strategy is a pattern of actions and resource allocations designed to achieve goals of the organisation. The strategy that an organisation implements is an attempt to match the skills and the resources of the organisation opportunities found in the external environment. The major task of managers is to assure survival and success of the companies they manage. In order to achieve success the companies have to adequately adjust to meet environmental challenges.

2.2 Organisation and the External Environment

Change is inevitable, as organisations do not exist in a vacuum. If the environment of the organisation changes drastically, this will create pressure for change within the organisation.

For survival, the organisation has to adapt its internal operations to reflect the external realities (Ansoff, 1988). Companies that do not keep up with accelerating pace of industry changes will be irrelevant. According to Drucker (2002) the period we are living in is one of profound transitions and changes are more radical than those of 2nd revolution and great depression.

A host of external factors influence a firms' choice of direction and action ultimately, its organisational structure and internal processes. These factors, which constitute the external environment, can be divided into three interrelated subcategories, factors in the remote environment, industry environment and operating environment. The remote environment comprises factors that originate beyond and usually irrespective of any single firms operating situation and include economic, political, social and technological. The remote environment presents firms with opportunities, threats and constraints but rarely does a single firm exert any meaningful reciprocal influence (Pearce and Robinson, 2002). He further adds that the industry environment is shaped by five forces which include; the threat of new entrants, the bargaining power of customers, the bargaining power of suppliers, the threat of substitute products or services and the jockeying among current contestants, while the operating environment comprises factors in the competitive situation that affect a firm's success in acquiring needed resources or in profitably marketing its goods and services.

As Asoff and Mcdonnel (1990) argue, business firms are in a constant two way interaction with the environment, they receive an assortment of resources from the environment and after a transformation deliver them back to the external environment in the form of goods and services. The connection of the external environment and the organisation is an input-throughput-output process where inputs are received from the environment and released back into the same environment after being processed by the environment. What is released back can be consumed by the organisation if it fits the environmental requirements and needs (Porter, 1985).

According to Grant (2000) the business environment of the firms consists of all the external influences that impact firms' decision and performance. An organisation survives and succeeds when it creates and maintains a match, between its strategy and the environment, and also between its internal capability and strategy. Grand 2000). The environment is not static but turbulent. Discontinuous and uncertain strategic responses call for organisations to change their strategy to match the environment and also to transform or redesign their internal capability to match this strategy. Aosa (1992) noted that environmental turbulence brought challenges to management. An understanding of the environment therefore enables a firm to define its objectives and to develop new strategies that are best suited to cope with the change.

2.3 Competition

In a given industry five forces framework by porter help identify the sources of competition in an industry. The five sources are the threat of entry, threat of substitutes, competitive rivalry, buying power of and power of suppliers. Threat of entry will depend on the extent to which there are barriers to entry (Johnson and scholes, 2002).Competition has intensified over the last decades in virtually all parts of the world^This increase in competition has played a maipr role ** in unleashing innovation and driving progress world wide (Porter, 1979). No company and industry can afford to ignore the need to compete and each therefore must try to understand and master competition (Leseketeti, 2006).

Competition is the act of striving against another force for the purpose of achieving dominance or attaining a reward. Competition may be between two or more forces, life forms, agents, systems, individuals, or groups, depending on the context in which the term is used. (Kurtus, 2005) identified four forms of competition. First there is pure competition where individuals or firms operating on the market place have the same objectives to be achieved under the same rules. Secondly, there is collaborative completion where firms or individuals have shared objectives to be achieved under the same rules on the market of operation. Thirdly there is competition as being the market share where the operating firms are governed by different rules although they have similar objectives. Finally he identifies the market growth competition where the firms are governed by different rules although they have value added orientations.

Ansoff (1990) conceptualised the effect of environmental changes on the organisational strategy and capability. He further stated that for a given environmental change an organisation must come up with a suitable strategy. He further ads that the change in the competitive environment will require new strategies which in turn call fro reformed organisational capability. One way to predict future driving forces is to utilise environmental scanning techniques, such scanning involves studying and interpreting social, political, economic, ecological, and technological events in»an effort to stop budding trends and conditions that could eventually affect the industry (Thompson and Strickland, 1999).

Competitive rivals are organisations with similar products and services aimed at the same customer group (Johnson and Scholes, 2002). Rivalry among existing competitors takes the familiar form of jockeying for position using tactics like price, competition, product introduction and adversity. It has been observed that changes in the external environment including competition have an impact on the organisation. Chandler (1962) points out that firms are environment dependent and changes in the environment shape the opportunities and challenges facing the organisation. Any corporate strategist tries to look for a position in the industry where his company can best defend itself against the forces above or to influence them. To do so there is need to understand the underlying pressure. This knowledge provides the ground work for a strategic agenda for action. A firm needs the competitiveness of its industry.

2.4 Response Strategies to Increased Competition.

Organisations depend on the environment for their survival and they have to scan it in an effort of building trends and conditions that could eventually affect the industry and adapt to them (Thompson and Strickland, 1993). Response of any organisation to competition can be both strategic and operational. Operational responses are concerned with efficiency of operations while strategic responses are long term in nature and embrace the whole organisation and involve large amounts of resources and decisions relating to them are usually made at corporate and business levels of the organisation (Byars, 1991).

2.4.1 Strategic Responses

Strategic responses have been defined by Pearce and Robinson (1991) as the set of actions that result in the formulation and implementation of plans designed to achieve a firm's objectives. Thompson (1997) argues that strategic adoptions are changes that take place over time to the strategies and objectives of an organisation. Such change can be gradual or evolutionary or more dramatic, even revolutionary.

According to Ansoff (1998), firms must adapt new strategies to new environmental condition. The change in competition will require strategies, which in turn call for reformed organisational capabilities. Increased competition threatens the attractiveness of an industry by reducing profitability of players. Competition exerts pressure on firms to be proactive and to formulate successful response strategies to changes in the competitive environment. Porter (1980) suggests three genre strategies; these strategies are overall cost leadership, differentiation and focus.

Differentiation is used as a response technique to increased competition by many firms. To differentiate is to make one unique and distinctive (Moore, 1996 in Barman, 2002). In a study conducted by Barman (2002) she identifies differentiation as a strategy used by non profit organisations when they are faced with a crowded market. Differentiation involves differentiating of the product or service offering of the firm and creating something that is perceived industry wise as being unique.

According to Pearce and Robinson (1997) strategies dependent on differentiation are designed to appeal customers with~a special sensitivity for a particular product attribute. "They argue that it provides insulation against competitive rivalry because of brand loyalty by customers and resulting lower sensitivity to price. The differentiation strategy adopted may be may be broad or narrow. The current realization is that broad differentiation affords a firm a broad market share upon which long-term profitability base can be developed.

Cost leadership requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reduction from experience tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like research and development, service, sales force, and advertising Leseketeti (2006). The firm strives to become the most efficient producer in the market, and has the ability to change the lowest price. Mugambi (2003) argues that cost leadership can be achieved by a firm adapting functional policies and resorting to aggressive construction of efficient scale facilities. The quality assurance process may also be elaborate to reduce costs of customers' delays and cost of errors.

The focus strategy aims at narrow market segments, product category of certain buyers. The strategy is about identification of a particular customer segment, geographical market and coming up with products suitable for that segment, once the segment has been identified, then the firm may pursue either cost or differentiation strategies Porter (1980) argues that this strategy rests on the premise that the firm is thus able to serve its narrow strategic target more effective or efficient than competitors who are competing more broadly. According to Chekwony(2001) the focus strategy therefore helps firms to direct their strategic plans to align themselves to the environment.

Change of culture is another response to increased competition in the environment. Culture is a pattern of beliefs, values and learned ways of coping with experiences that have developed during the course of an organisations history (Brown, 1998). According to Thomson (1997), the potential for changing the culture of an organisation is also affected by the strength and the history of the existing culture, how well the culture is understood. He adds that the culture of an organisation would need to be changed when it does not fit well with the requirements of the environment or the organisations resources, the company is not performing well and needs major strategic changes, or the company is growing in a changing environment and need to adapt.

Restructuring involves looking at an organisation as a whole. Organisation structure is the established pattern of relationships between component parts of an organisation outlining communication channels, control and authority (Wilson and Rosenfield, 1990). The levels of the structure should be as few as possible to reduce the scalar chain of command (Drucker, 2001). Firms can be dramatically improved their efficiency and quality of their output by focusing on the processes that create value to them (Hammer, 1996). Radical business process re-engineering requires complete rethink of how certain tasks are carried out and search for new ways through which performance can be improved (Thompson, 1997). When competitiveness problem finally becomes inescapable, most executives resort to the brutal task of restructuring through refocusing, delayering, decluttering and right sizing. According to Hammer (1996) a firm will profitably restructure itself out of business when top management seems incapable pf profitably creating the future.

Marketing is a social and managerial process through which individuals and organisations obtain value through an exchange process (Kotler and Armstrong, 1999). Marketing helps to define the business mission, its environment and competitive situation (Kottler 2000). Environmental analysis will assist in manipulating marketing variables such as the product, price, place, promotion, people, and probe to ensure relevance of the firm. According to Thompson and Strickland (1993) environmental scanning enables mangers to identify potential developments that could have an important impact on industry conditions leading to the emergence of opportunities and threats. This will help the managers to develop appropriate strategies given the industry's' competitive situation, a number of marketing variables may be manipulated in response to competition. These include adjusting of targets markets, diversification, developing new product^, distribution changes and making price cuts (Business Trends Review, 1992)

Diversification is another strategy that firms resort to in times of changing environmental conditions. Diversification refers to the changes in the products, markets and functions that can be done internally or externally, horizontally or vertically and it involves related or unrelated changes. (Jauch and Glueck, 1990). Related diversification is development beyond the company's present market, but still within the broad confines of the industry. It builds on the assets or activities that the firm has developed. Horizontal integration refers to a strategy of seeking ownership or increased control over firm's competitors. This strategy is most effective when an organisation can gain monopolistic characteristics in a particular region without being challenged. Vertical integration occurs when a company becomes its own supplier distributor. Unrelated diversification is development beyond the present industry into products or markets, which at face value, may bear no close relation to the present products or market (Johnson and _ Scholes, 1997).

Organisations can also pursue strategic alliances, joint ventures, retrenchment, divesture and merger and acquisitions as defensive strategies. Strategic alliances involve pulling of resources with other organisations, to band together in order to exploit opportunities and to share ideas and information (Burnes, 2000). Such alliances are for cases when the resources of the various partners are insufficient to allow them to undertake the project by themselves. A joint venture is a strategic alliance that occurs when two or more companies form a temporary partnership for the purpose of capitalizing on some opportunity.

Retrenchment occurs when an organisation regroups through cost and asset reduction to reverse declining sales and profits. This strategy would be very effective when an organisation has a clearly distinctive competence, but has failed to meet its objectives and goals consistently overtime. Divesture is the selling of a division or part of an organisation. It is often used to raise capital for further strategic acquisition or investment. Mergers are more typically the result of organisations coming together voluntarily because they are actively seeking synergistic benefits.

Intensive strategies such as market penetration, market development and product development can also be used. Market penetration involves introducing present products or services into new geographical areas (Pearce and Robinson, 1997). Product development seeks to increase sales by improving or modifying present products or services. Pearce and Robinson (1997) observed that this strategy is most effective when an organisation competes in an industry that is characterised by rapid technological developments and when major competitors offer better quality products at comparative prices. On the other hand market penetration seeks to increase the market share for present products or services in present markets through greater marketing efforts. These strategies are more appropriate when increased economies of scale provide major competitive advantages.

2.4.2 Operational Responses

According to Hunger and Wheelen(1990) firms can respond to environmental changes by crafting new operational changes which are taken by functional areas of the organisation to achieve corporate and business unit objectives by maximizing resource productivity. They note that operational responses are concerned with developing and nurturing a distinctive competence to provide an organisation with a competitive advantage. Operational responses include marketing and financial strategies (Hunger and Wheelen, 1990). Marketing strategies deal with pricing, selling and distribution of a product. By adopting a marketing development strategy, a company can nurture a share of existing market for current products through market saturation and penetration. A company can also examine the financial implications of corporate and business unit options and identify the best financial course of action. The key issue is the trade off between the desired debt to equity ratio and relying on internal long term financing via cash flows (Hunger and Wheelen 1990).

Other operational strategies include research and development, human resource strategies and purchasing strategies (Byars 1991). He further adds that human resource strategy is concerned with determining he human resources that the organisation needs to achieve its objectives as it could decide to use low skilled or skilled employees. Research and development strategies are an effective way to safeguard the organisation against product or production process obsolescence. Purchasing strategy deals with the obtaining of raw materials, parts and supplies needed to perform operational functions. According to Johnson and Scholes (2001) the nature and tasks undertaken by the operating core of an organisation has an important influence on the various aspects of organisation design and control. Operations are the core function of the organisation and continuously manage the flow of resources through it. In many organisations operations count for 80% of employees and hence most of their added value and output of an operation system is the bundle of goods and services, which is consumed in society.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The research design for this study was a cross-sectional survey. This type of design was suitable as the study was concerned with measuring of some variables at a particular point in time to facilitate comparisons. The study was aimed at determining how firms in the credit card sector are responding to increased competition.

3.2 Target Population

According to the data from the Kenya Credit Card association there are 16 credit card firms in Kenya. All these firms are Banks. (See Appendix 3).The population of interest in this study was all credit card firms in Kenya. A census study was carried out due to the relatively small size of the population.

3.3 Data Collection

Primary data was collected by use of questionnaires (see Appendix 2) which were dropped to firms in the sector and then collected later. The questionnaires were divided into three sections which contained General information, competition and response strategies respectively. The questionnaire was addressed to one respondent from each firm, all respondent interviewed were in management or relevant positions such as credit risk officer, customer care manager, operations manager.

3.4 Data Analysis

Data was analysed using measures of central tendency. Section A of the questionnaire which contained general information was analysed by use of frequencies and percentages. Section B and C of the questionnaires were analysed by use of mean scores this determined the extent to which banks faced competition and to what extent they applied various response strategies. Standard deviation was used measure the degree of spread in the scores in relation to competition and response strategies.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

This chapter contains summaries of data findings together with their possible interpretation. The chapter has been divided into three sections; the first section analyses the general information of the respondents. Part two analyses the extent to which banks face competition and part three focuses on the response strategies used by Credit Card Centres. Sixteen (16) questionnaires were distributed to the credit card centres, out of which twelve (12) centres responded. This gave a response rate of 75%. Credit Card centres interviewed included Commercial Bank of Africa, Cooperative Bank of Kenya, Barclay Bank, NIC Bank, Kenya Commercial Bank, Southern Credit, I&M Bank, Imperial Bank, Prime Bank, National Bank and Post Bank

Data was analysed using frequencies, percentages, Mean Scores (MSc.) and Standard Deviations (Std. Dev.). Mean scores were used to determine the extent to which banks faced competition and also the extent to which they used strategies to responded to competition, on a five point likert scale ranging from "very large extent" (5) to "no extent at all"(l). The mean scores were rated as follows: "T o no extent at all", 0 -1.49, "To a small extent" (SE), 1.5 - 2.49, "To a Moderate extent" (ME), 2.5 -3.49, "To a large extent" (LE), 3.5 -4.49 and to a "Very Large extent" (VL), 4.5-5.00. The standard deviation was used to measure the degree of the spread in the scores among the respondents.

4.2 General Information on Respondents

All respondent interviewed were in management or relevant positions.

4.2.1 Duration at Credit Card Centre

Respondents were asked to indicate for how they had worked for the credit card centre they were currently in. findings were displayed in table 4.2.1. below

Table 4.2.1: Duration at the Credit Card Centre

Years	**Frequency**	**Percentage**
0-2	4	33.33
3-4	3	25.00
5-6	2	16.67
7-8	3	25.00
Total	**12**	**100**

Analyses revealed that the respondents had served their respective credit card centres for at least two years and at the most, eight years

4.2.2 Year of Establishment of Credit Card Centre

This question sought to find out the year of establishment of the credit card centre. The credit card centres had been established between the years 1984 and 2005. the years were grouped and findings were summarized in table 4.2.2 below

Table 4.2.2: Establishment of Credit Carcf Ce&tre

Years	Frequency	Percentage
1984- 1988	1	8.33
1989- 1993	1	8.33
1994- 1998	6	50.00
1999- 2003	1	8.33
2003- 2007	3	25.00
Total	**12**	**100**

The earliest Credit Card centre had been established in 1984, and the latest to be established was in the year 2005. Most (50%) of the centres were established between 1994 and 1998. 25% had been established between 2003 and 2007.

4.2.3 Current Number of Credit Card Customers

Table 4.2.3: Current Number of Credit Card Customers

Number of Customers	Frequency	Percentage
Below 2000	5	41.67
2,001 -4,000	1	8.33
4,001 -6,000	2	16.67
6,001 -8,000	1	8.33
Above 8001	3	25.00
Total	**12**	**100**

Further analyses revealed that earlier Credit Card Centres had managed to secure large customer bases. The least had a custorrier base of 600 while the highest recorded a customer base of 75,000 customers. 41% of the centres had below 2000 customers while 25% of the credit card centres had more that 8001 customers.

4.2.4 Geographic Area of Operation

This question sought to establish the geographical area that the Credit card centre covered

Table 4.2.4: Area of operation

Years	Frequency	Percentage
Nairobi	6	50.00
Major Towns	1	8.33
Countrywide	4	33.33
World wide	1	8.33
Total	**12**	**100**

Most of the credit card centres (50%) operated within the Nairobi Area, followed by 33.33% operating countrywide. 8.3% operated only in major towns while another 8.3 operated world wide.

4.2.5 Types of Credit Cards Offered by the Bank

There are various types of cards offered by different Banks, therefore the aim of this question was to find out how may types of these cards the banks offered.

Table 4.2.5: Number of Various Cards Offered by Banks

Years	Frequency	Percentage
One	2	16.67
Two	4	33.33
Three	4	33.33
Five	1	8.33
Seven	1	8.33
Total	**12**	**100**

Majority of the banks offered two (33.3%) types and three (33.3%) types of cards to their customers. 16.7% of the banks interviewed offered two types of cards to their customers while one bank offered five types of cards to its customers. The highest number of cards offered was seven, and this was by only one bank.

4.2.6 Presence of Strategic Plan

This question sought to establish whether the Credit Card centres had a strategic plan or not. It was evident than 83.3% of the responding centres were aware of the existence of a strategic plan, whereas 16.7% of the respondents were not aware of the existence of a strategic plan or there was actually none in existence.

Table 4.2.6: Presence of Strategic Plan

	Frequency	Percentage
Yes	10	83.3
No	2	16.7
Total	**12**	**100**

4.2.7 Duration Since Implementation of a Strategic Plan

The researcher was interested in finding out since when, the interviewed Credit Card Centres have a strategic plan.

Table 4.2.7: Duration of having the Strategic Plan

Years	Frequency	Percentage
1 - 3	3	25.00
4 - 6	2	16.67
7 - 9	1	8.33
10-12	1	8.33
Not Aware	5	41.67
Total	**12**	**100**

41.67% of respondents were not aware of when their firms started having a strategic plan. 25% of the firms started having a strategic plan between 1 to 3 years ago, 16.67%, 4 to 6 years ago, 1 started between 7 to 9 years ago while another between 10 and 12 years ago.

4.2.8 Periodic Review of Strategic Plan

Table 4.2.8: Periodic review of the strategic Plan

Period	Frequency	Percentage
Quarterly	1	8.33
Yearly	2	16.67
After 3 years	2	16.67
After 5 years	2	16.67
When need arises	1	8.33
Un aware	4	33.33
Total	**12**	**100**

Respondent firms were to indicate how frequently they reviewed their strategic plan. Responses were varied and were grouped as shown in table 4.2.8 above. 33.3% were unaware on how often the plan was reviewed, 16.67% reviewed their plans after every 5 years, another 16.67% reviewed their plan after every 3 years, and a third 16.67% reviewed their plan yearly. 8.3% reviewed their plan on a quarterly basis while another 8.3% reviewed their plan when the felt there was a need to do so.

4.3 Competition

4.3.1 Aspects of Competition in the Credit Card Industry

Respondents were asked to rate on a scale of 1-5, on the following aspects of competition.

Table 4.3.1: Aspect of Competition

Aspects of Competition	**Mean**	**Standard Deviation (SD)**
Extent of increase in competition in the industry	4.25	0.62
Effect of competition to the firm	3.58	0.90
Top management support towards competition	4.08	0.90
Differentiation of services from competitors'	3.75	0.97
Effect of pricing on competition	3.33	0.89
Overall Mean/SD	**3.80**	**0.86**

Most respondents were of the view that competition had increased to a large extent (4.25) in the credit card industry. And most of the respondents were also in agreement (0.62) to that. The general view (0.90) extent to which competition had affected the firms was also rated to a large extent (3.58). The effect of pricing by competition was rated to a moderate extent (3.33) and responses were similar (0.89). Most firms were of the general view (0.97) that they had differentiated their services from those of competitors to a large extent (3.75). Most firms rated the support of top management in terms of competition to a large extent (4.08). Overally, competition was to a large extent (3.80) affecting the firm's activities.

4.3.2 Environmental Factors Contributing to Competition

Respondents were further requested to rate how the technological, social, economic and political/ legal environments had contributed to competition

Table 4.3.2: Environmental Factors Contributing to Competition

Environmental Factors	Mean	Standard Deviation (SD)
Political and legal	2.58	1.24
Economic	3.58	0.79
Social	3.42	1.00
Technological	4.08	0.67
Overall Mean/SD	**3.42**	**0.93**

^Most respondents agreed that the technological environment (0.67) and the economic environment (0.79) had contributed to competition to a large extent (4.08 and 3.58 respectively). However, responses were varied on the Social environment and Political/Legal environment (1.00 and 1.24 respectively) having contributed to increased competition to a moderate extent (3.42 and 2.58 respectively). Generally, environmental factors had contributed to the current competition levels to a significantly moderate extent (3.42) and this was the general view of the respondents (0.93).

4.3.3 Challenges Relating to Competition

Respondents were asked to rate challenges, i.e. Information technology, leadership, culture change and organization structure, in relation to competition,

Table 4.3.3: Challenges Relating to Competition

Challenges	Mean	Standard Deviation (SD)
Information technology	4.50	0.67
Leadership	3.75	0.97
Culture change	3.17	0.94
Organization structure	3.67	1.07
Overall Mean/SD	**3.77**	**0.91**

Information technology was rated to a very large extent (4.50), which was the general view of the respondents (0.67). Both Leadership and organization structure were rated to a large extent, (3.75 and 3.67 respectively) while culture change was rated to a moderate extent (3.17). There were variations in rating organization structure (1.07). Generally, challenges relating to the organization structure were rated to a large extent (3.77) and this appeared to be the view of respondents (0.91)

4.4 Response strategies

4.4.1 Response Strategies

Respondents were asked to rate on a scale of 1-5, on the following aspects on their response strategies.

Table 4.4.1: Response Strategies

Response"Strategies	**Mean**	**Standard Deviation (SD)**
Response to competition	3.92	1.08
Autonomy in decision making	3.50	0.90
Top management support in decision making	4.17	1.19
Overall Mean/SD	**3.86**	**1.06**

Though responses varied, (1.08) respondents agreed that they had indeed responded to competition to a large extent (3.92). the autonomy in making decisions within their specific areas was also rated to a large extent, (3.50), while top management support in effecting response strategies was generally (1.19) rated to a large extent.

4.4.2 Credit Card Centre Strategic Responses

This question sought to find out how the Credit Card centres had used strategic responses such as differentiation, cost leadership, focus, restructuring, retrenchment, diversification, defensive, product development, market development and market penetration

Table 4.4.2: Credit Card Centre Strategic Responses

Strategic Responses	**Mean**	**Standard Deviation (SD)**
Differentiation	3.50	1.09
Cost leadership	3.58	0.79
Focus	3.92	1.16
Restructuring	3.42	1.38
Retrenchment	1.58	0.79
Diversification	3.17	1.19
Defensive	2.75	1.36
Product development	3.75	1.22
Market development	4.17	1.03
Market penetration	3.92	1.16
Overall Mean/SD	**3.38**	**1.12**

Differentiation, cost leadership, focus, product development, market development and market penetration strategies were found out to be used to a large extent in terms of responses (3.50, 3.58, 3.92, 3.75, 4.17 and 3.92 respectively). It was generally agreed that retrenchment as a means of strategic response (0.79) was used to a little extent (1.58). Defensive strategies, restructuring strategies and diversification strategies were also used to a little extent (2.75, 3.42 and 3.17 respectively), though responses were relatively varied (1.36, 1.38 and 1.19 respectively). Agreements in responses were observed in Cost leadership as a strategic response. The remaining strategies had standard v\deviations greater than 1. In summary, strategic responses were used to a moderate extent (3.38), though there were variations in responses (1.12)

4.4.3 Operational Strategies Used by Credit Card Centres

Interviewees were requested to rate to what extent the Credit Card centre had used operational strategies which included marketing, financial, human resource and research and development

Table 4.4.3: Operational Strategies Used by Credit Card Centres

Operational strategies	**Mean**	**Standard Deviation (SD)**
Marketing	4.17	0.83
Financial	3.83	0.94
Research and development	3.67	0.78
Human resource	4.00	0.85
Overall Mean/SD	**3.92**	**0.85**

According to table 4.4.3, it was evident, as indicated by a standard deviation of less than 1, that all respondent were in general agreement that their credit card centres used marketing strategies, (0.83), financial strategies, (0.94), research and development strategies, (0.78), and human resource (0.85) to a large extent (4.17, 3.83, 3.67 and 4.00 respectively. In conclusion, it can be noted that there was agreement amongst respondents that operational strategies (0.85) were used to a large extent (3.92) by credit card centres.

4.4.4 Credit Card Centre Responses to Challenges

Respondents were requested to rate how their respective credit card centres had responded to challenges information technology, leadership, culture change and organization structure

Table 4.4.4: Credit Card Centre Responses to Challenges

Challenges	Mean	Standard Deviation (SD)
Information technology	4.08	1.16
Leadership	3.83	0.83
Culture change	3.43	0.79
Organization structure	3.50	1.09
Overall Mean/SD	**3.71**	**0.97**

Most respondents were in agreement that their centres had responded to Culture change (0.79) to a moderate extent (3.43) and Leadership (0.83) to a large extent (3.83). There were however varied responses on response to organization structure challenges (1.09) and information and technological challenges (1.16), both to a large extent (3.50 and 4.08 respectively). Overall mean and standard deviation revealed that credit card centres responded to challenges to a large extent (3.71).

CHAPTER FIVE
CONCLUSION

5.1 Introduction

This chapter focuses on the discussions, summary of the findings of the study as per the research objectives and conclusions. Also presented in this chapter are the limitations of the study, recommendations for further research, and implications of the study for policy and practice. The discussions are going to focus on competition in the credit card sector and how banks-are responding to competition.

5.2 Summary, Discussions and Conclusions

The credit card sector has grown tremendously over the years. Globalisation has brought about change on how business is carried out. In order for businesses to survive they have been forced to change the way things are done so as to cope with the changes in the environment. In Kenya the concept of plastic money has been perceived as for the rich or people of particular social economic class. This is because it was very difficult for one to qualify for the card in the past. Things have changed and banks are more flexible in issuing out the cards. The number of credit cards in the market in 2006 were estimated to be 100,000 and it is focused this should increase to 500,000 by the end of 2007(Kathuri B, 2007). More banks are expected to join the sector. According to the study most of the card centres were established between 1994 and 1998, between 2003 and 2007 there was also an increase in the card centres. This shows that there is an upward trend of growth in the sector.

Based on the study that was carried out competition in the sector has increased to a large extent. Technological and the economic environment have contributed greatly to competition. In order for the credit card to function effectively the banks need to have a very efficient infrastructure to be able to cope with the current market needs. Customers have bought into the concept of plastic money and therefore they need their cards to work when doing their daily shopping. Electronic commerce has also increased the awareness on credit cards. More people are shopping electronically by using their credit cards. This means one is able to get services by just keying in their credit card number on the computer. Technology in the Kenyan market compared to countries like United States of America or Britain is not up to date, as a result the networks are clogged and transaction decline rates are very high especially on weekends when everyone is out shopping. The economic environment determines who is able to afford or qualify for the credit card. Although it is easier to qualify for the credit card than in the past, majority of Kenyans are not able to qualify for this product. A large population are left out who include Students, Small Business Enterprises and people who have temporal jobs. This therefore leaves a very big population untapped. This has therefore been a big challenge to these banks considering the fact that also the level of poverty in Kenya is very high. Lack of information in Kenya on credit rating is not easy to get and this has forced banks to be more careful and cautious about who gets a credit card (WaithakaW, 2007)

Culture change was also seen to contribute to a moderate extent to competition, for a very long"""" time there has been the culture of card phobia, this is based on the past where majority of people who took the cards when they had just been introduced incurred huge debts and were un able to pay. The ones who have witnessed their friends or relatives being affected do not want to be victims. Therefore there is a phobia in the society in regards to credit cards. According to the study done organisation structure and leadership were also rated to a large extent has challenges relation to competition. In order for business growth the leader should be able to have a vision that is in line with the business, the organisation structure should also be able to facilitate growth in an organisation. Fraud is also seen as big threat to the credit card sector. Fear of fraud as slowed down growth of the credit card sector in Kenya (Waithaka W,2007). Central Bank Fraud Unit is working closely with international and local police to deal with the threat.

The study also showed that there was top management support in effecting response strategies. Differentiation was used to a large extent in response to competition. Most credit cards have the same features and therefore banks have differentiated their products by giving them different brand names or having additional features to these products. For example Barclays Bank has the Manchester United card and the Premier League card. Kenya commercial Bank has the Serena Card. Banks have also co-branded with other organisations. Nakumatt Supermarket and Barclays bank launched a co-branded VISA credit card in July 2007. The Nakumatt VISA credit card enables holders to enjoy unique benefits offered by both Barclaycard and Nakumatt (Kathuri B, 2007).

Product development has also been used to a large extent in response to competition, Banks have had to develop their products to be able to meet the current market needs. Kenya Commercial Bank offers prepaid cards, these cards are able to meet the needs for students, un banked, frequent travellers and those who transact often in the internet and for one reason or another may not qualify for cards. Most card centres have developed their products in order to cope with increased competition in the market. Cost leadership has also been used to a large extent as a response strategy, since the features of the cards are similar pricing greatly influences credit card sales. As a result price has decreased over the years due to competition, joining fees that was charged on most cards is no longer charged by majority of the banks. Interest rates have also decreased over the years. The banks are only charging annual fees that range from two thousand five hundred and four thousand (Waithaka W, 2007). Market penetration and development strategies have also been used by banks as way of responding to competition. Majority of banks have been concentrating in Nairobi for Credit Card sales."Based on the study half of those interviewed operate in other regions where they have branches. Therefore the focus has changed from Nairobi to other towns. All the card centres have offices in Nairobi and therefore the market is getting saturated and hence the need to penetrate into other regions that have not been tapped.

Banks have used operational strategies such as marketing and financial strategies. In Kenya most consumers are not well informed or educated on the credit card. Therefore a lot of consumer education is very important for the customers to be able to use the product. Banks have to spare part of the budget for marketing. Finances are also very important for survival in this sector a lot of money is needed to ensure smooth operation of business. The credit cards are also international which means most customers transact outside the country, for this to be possible financial capability is very important. With the operations being international it means banks have also to invest highly on human resource as the centres operate on a twenty four hour base to cater for those customers transacting abroad.

According to the discussions above it clearly shows that there is intense competition in the credit card sector, the firms are targeting the same markets due to the challenge of technology since the card can only be used where there is a point of sale terminal. Most firms have employed various strategies in order to increase their market share in the industry. The products offered by these firms have similar features and therefore differentiation, product development and market development have been used to a large extent. Globalisation has led to change in the way companies do business and in order to cope with the environment certain changes have to be implemented. Therefore it is expected that the number of card centres will increase and most Kenyans will be more open to the idea of credit cards.

5.3 Limitations of the Study

The findings of this study should be interpreted with the following limitations in mind.

It was not possible to get a 100% response rate due to the busy schedule for some of the respondents who never found time to fill in the questionnaires. Out of 16 card centres only 12 responded.

Some of the questionnaires were dropped and collected at a later date, and it was not possible to identify the actual person who filled the questionnaire.

5.4 Recommendations for Further Research

Since the study adopted a census research design yet it was not possible for all credit card companies to participate in the research, a case by case study would help bring out some of the in depth findings about specific companies.

The respondents are based in Nairobi and therefore the views given mostly represented the area they are based on, further research emphasizing on other areas of operations outside Nairobi could be done so as to have in depth findings.

5.5 Implications of the Study for Policy and Practice

The banking industry has registered a tremendous growth over the last year and this is evidenced by the huge profits being declared by banks. In other countries for example the United States of America thirty percent of their income is from the credit card sector. This is a trend that is likely to pick in Kenya in a few years to go and most banks are therefore going to shift their interest to the credit card. The study that was done on this sector implies that banks have to emphasis on various areas in order to register growth in this sector.

Most Banks offer products with similar features as a result consumers are limited when it comes to choices. The banks need to emphasis more on product development this will enable them to gain a competitive edge in the market. Market penetration and development practices should be looked at if business growth has to continue. Majority of banks have concentrated a lot in the main urban centres and there is need to extend to other areas.

Banks need to investment more on Information technology to ensure increased productivity. Technology is a key factor for growth in the credit card sector. The infrastructure has to be efficient and point- of- sale terminals are crucial for any transaction to be done. It therefore means that more points have to be installed especially where there is a high potential of sales. The banks will need to improve on policies based on organisation structures and culture change. The society has to change their perception on the credit cards, the card phobia in the market is intense and this has hindered growth potential. Banks have therefore to go out and send messages that will have a positive impact on consumers and this can be done through promotions and campaigns.

Fraud which is a major threat in this sector need to be addressed urgently, banks are losing million of money dtle fraudulent transactions the Kenya Anti Fraud unitTieed to put better policies and procedures that will enable banks to be able to fight this crime more effectively, which means law governing this product should give banks power to be able to deal with fraudsters and other individuals related to these crimes. With the more growth expected in this sector banks have to put a lot of effort and keep on improving on various policies and practices in order to cope with the changes in the environment.

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APPENDICES

Appendix 1: Letter of Introduction

Rose K. Mbaabu,
Faculty of Commerce,
University of Nairobi
P. O. Box 30197,
Nairobi.
27^{tln}July 2007

Dear Respondent,

COLLECTION OF SURVEY DATA

I am a post graduate student at the University of Nairobi, pursuing a Master's degree in Business Administration. I am undertaking a management research in partial fulfilment of the academic requirements on the topic "Response Strategies of Banks to Competition in the Credit Card Sector in Kenya"

Your esteemed firm has been selected to form part of this study. I will be very grateful if you would spare some time to respond to the questions listed on the attached questionnaire as truthfully as possible.

The information provided will be used exclusively for the purpose of this research. A copy of the final report will be availed to you upon request.

Your assistance and co-operation will be highly appreciated.

Yours faithfully,

Rose K. Mbaabu
MBA Student
University Of Nairobi

Dr. Martin Ogutu
Project Supervisor
University of Nairobi

Appendix 2: Questionnaire

SECTION A: GENERAL INFORMATION

1. Name of the Credit Card Centre-

2. Title or Position of the respondent-

3. How long have you worked for the credit card centre? •Years.

4. When was the credit card centre started?-

5. What is the Current number of Credit Card customers in your Bank?

6. What is the geographical area of operation of the credit card centre?—

7. How many types of Credit Cards are offered by your bank?

8. Does your Credit Card centre have a Strategic plan? Please tick one.

   Yes ( ) No( )

   If yes answer question below..

9. Since when have you had a strategic plan? Years.

10. How often is your strategic plan reviewed? Years.

SECTION B: COMPETITION

Please rate the following on a scale of 1-5 where: 5-Very Large extent, 4-Large Extent, 3-Moderate Extent, 2- Little Extent, 1 - To No Extent (Tick as appropriate).

	5	4	3	2	1
1. To what extent is there increased competition in the credit card industry?	( )	( )	( )	( )	( )
2. To what extent has competition affected your firm	( )	( )	( )	( )	( )
3. How would you rate top management support in terms of competition.	( )	( )	( )	( )	( )
4 .To what extent are your services differentiated from competitors	( )	( )	( )	( )	( )
5. How has pricing been affected by competition	( )	( )	( )	( )	( )

6. How have the following environmental factors contributed to competition.

	5	4	3	2	1
a) Political and Legal	( )	( )	( )	( )	( )
b) Economic	( )	( )	( )	( )	( )
c) Social	( )	( )	( )	( )	( )
d) Technological	( )	( )	( )	( )	( )

7. How do you rate the following challenges in relation to competition?

	5	4	3	2	1
a) Information Technology	( )	( )	( )	( )	( )
b) Leadership	( )	( )	( )	( )	( )
c) Culture change	( )	( )	( )	( )	( )
d) Organisation Structure	( )	( )	( )	( )	( )

SECTION C: RESPONSE STRATEGIES

Please rate the following on a scale of 1-5 where: 5-Very Large extent, 4-Large Extent, 3-Moderate Extent, 2-little Extent, 1 - To No Extent (Tick as appropriate)

	5	4	3	2	1
1. How have you responded to competition?	( )	( )	( )	( )	( )
2. How would you rate autonomy in making decisions within your area	( )	( )	( )	( )	( )
3. How would you rate top management support in effecting response strategies?	( )	( )	( )	()	( )*V

4. To what Extent has the Credit Card centre used the following strategic responses?

	5	4	3	2	1
a) Differentiation	()	()	()	()	()
b) Cost leadership	()	()	()	()	()
c) Focus	()	()	()	()	()
d) Restructuring	()	()	()	()	()
e) Retrenchment	()	()	()	()	()
f) Diversification	()	()	()	()	()
g) Defensive	()	()	()	()	()
h) Product development	()	()	()	()	()
i) Market development	()	()	()	()	()
j) Market penetration	()	()	()	()	()

5. To what Extent has the Credit Card Centre used the following operational strategies?

	5	4	3	2	1
a) Marketing	( )	( )	( )	( )	( )
b) Financial	( )	( )	( )	( )	( )
c) Research and Development	( )	( )	( )	( )	( )
d) Human Resource	( )	( )	( )	( )	( )

6. How would you rate the Credit Card centre response to the following challenges?

	5	4	3	2	1
a) Information Technology	( )	( )	( )	( )	( )
b) Leadership	( )	( )	( )	( )	( )
c) Culture change	( )	( )	( )	( )	( )
d) Organisation Structure	( )	( )	( )	( )	( )

THANK YOU FOR YOUR CO-OPERATION

Appendix 3: Number of Credit Card Firms in Kenya.

CREDIT CARD FIRMS IN KENYA	
1	Barclays Bank
2	Commercial Bank of Africa
3	Cooperative Bank of Kenya
4	Kenya Commercial Bank
5	National Bank of Kenya
6	Southern Credit
7	Post Bank
8	Fidelity Bank
9	Prime Bank
10	Imperial Bank
11	I & M Bank
12	Stanbic Bank
13	C.F.C Bank
14	Paramount Bank
15	NIC Bank
16	Diamond Trust Bank

Source: Kenya Credit Card Association

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