

**RESPONSES OF TRADITIONAL STUDIOS TO CHALLENGES
POSED BY DIGITAL PHOTOGRAPHY IN NAIROBI**

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The Requirements For The Degree Of Masters Of Business
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DECLARATION

This management project is my original work and has not been presented for a degree award in any other university

Signed-----

Date 2.11.10.10.06

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This management research project has been submitted for examination with my approval as a University supervisor.

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DEDICATION

I wish to dedicate this project to my husband David who holds a very dear place in my heart and I thank God for his love and support. I also dedicate this project to my parents Mr. and Mrs. Peter Ng'ang'a and my parents in-law Mr. and Mrs. Daniel Wamathu for their prayers, encouragement and support.

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I wish to give glory and honour to God for enabling me to undertake and successfully complete this study and particularly to get the co-operation that was so critical to the success of this project.

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My thanks also go to the studio owners who participated in this study and who so graciously gave their time to fill in the questionnaires.

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ABSTRACT

This study sought to find out the responses of traditional processing studios to challenges posed by digital photography in Nairobi. The need for this study arose from the fact that for a long time, photography has relied on a roll of film as the primary input. Due to the increasingly change in technology, digital photography has emerged whose primary input is memory cards, diskettes, compact disks or flash diskettes. The manner in which the traditional studios respond to this change is very critical to the customers. The study was guided by two objectives: First to determine the challenges brought about by digital photography. Secondly, to find out the responds of the traditional processing studios to the challenges.

Primary data was collected using structured questionnaires for a census of fifty-nine studios in Nairobi. Data was thereafter analyzed using descriptive statistics through the use of mean scores, percentages, standard deviation and content analysis. The analysis revealed that digital photography has posed enormous challenges to the traditional photo processing studios. It also shows that though the studios have responded in different ways, there is need for them to respond more effectively. Some of the ways in which the traditional photo processing studios have responded to digital photography are: Strategic alliances, additional investments, selection of qualified staff and increased product range. To respond more effectively the studios need to understand the changes in technology and customers tastes and preferences and be able to formulate strategies that will enable them respond appropriately to these changes.

CHAPTER ONE: INTRODUCTION

1.1 Background

The external environment is composed of those trends, events and forces that are beyond the direct control of the management of the firm. Changes in the global external environment affect different industries or businesses in different ways.

Firms are social entities that are goal directed, deliberately structured activity systems with identifiable boundaries (Bedeian 1980). A firm itself as a system is inescapably found in a variety of inter-relationships to the larger systems that comprise the external environment. Boseman (1989) describes an organization to be "open" to its external environment in the sense that the internal functioning of every firm affects and is in turn affected by the external environment.

Major escalation of the environmental turbulence means a change from a familiar world of marketing and production to unfamiliar world of new technologies, new competitors, new consumer attitudes, new dimension of social control and above all an unprecedented questions of the firms role in the society (Ansoff and Mcdonna,1990). In order to survive in this very dynamic environment, organizations need strategies to focus on their customers and to deal with the emerging environmental challenges.

The Kenyan business environment has been undergoing drastic changes for sometime now. Some of the changes include the accelerated implementation of economic reforms, the liberalization of the economy, discontinuation of price controls, privatization and commercialization of public sector and increased competition. In this changing environment, organizations have to constantly adapt their activities and internal configuration to reflect the external realities. Failure to do this may put the future success of the organization in Jeopardy (Aosa,1998)

The traditional photo processing studios in Kenya has not been spared by the environmental turbulence and hence increased competition. The once lucrative sector

no longer boasts of huge margins, they have now started reevaluating their strategies and adopting new ways of doing business in order to stay afloat. The introduction and rapid development of digital photography has pushed the sector to come up with aggressive responses in order to survive.

1.1.1 Overview of Strategic and Operational responses.

Strategic response can be seen as the matching of the activities of an organization to the environment in which it operates. Strategic response affects the long term direction of an organization and requires large amounts of resources. It is aimed at achieving advantage for the organization and as such it is concerned with the scope of the entire organizations activities. (Johnson & Scholes, 1999)

After collectively considering the products and services demanded by customers, strengths and weaknesses of competitors, the environment, and the firm's own strengths, weaknesses, cultures, and resources, proficient firms can formulate their vision as expressed through the mission statement. This statement expresses the organization's values and aspirations; basically its reason or purpose for existence. Based on this mission statement the firm will formulate its business strategy. This business strategy is a long-term plan for accomplishing the mission set forth in the mission statement. Each function within the business can then derive its own strategy in support of the firm's overall business strategy (financial strategy, marketing strategy, and operations strategy).

1.1.2 Overview of Photo processing Industry in Kenya

In a Kodak story written by David Aaker (1996), the use of a film as the only input dates back in 1880s. The American *George Eastman* put **flexible roll film** on the market, and in 1889 he introduced the first Kodak camera with the slogan, "You push the button and we do the rest." Thus was launched the era of mass-market photography. David Aaker (1996) applauds Kodak for building the strongest brand. Kodak was/ and is so strong such that Kodak and Film was/is synonymous Kodak

film enjoyed 60% of the US market share in the 90s a head of its competitor Fuji and mainly referred as the Yellow film. David observes that Kodak's current challenge will be to stretch the Kodak brand name, known for traditional cameras and films, into the world of digital imagery.

In the 20s the Multinationals; Kodak, Fuji, Agfa and Konica established the first Photo processing Studios in Kenya. The first photo processing machines mainly processed black and white photographs from a roll of film. As the Industry continued to grow world wide, the local Arena was not left behind. In the 60s the multinationals continued to invest in more modern equipments that were easier to use and processed colour photos. As the market grew, the Multinationals launched franchises to do retail work as the Multinational concentrated on distribution and development. Since the Mid 80s the industry continued to grow and in the 90s the rapid growth was facilitated by the introduction of second hand photo processing equipments. To date we have over 200 retail outlets country wide branded either Kodak, Fuji Konica or Agfa that have equipments that process photos from a roll of film and are largely known as Traditional processing photo studios.

Daniel Carp the former CEO of Kodak in the article Kodak Comprehensive Imaging World feature in the International contact (2004, Vol 23, pg 27) admitted that the consumer film business was decreasing faster than expected and Kodak had adopted a strategy of driving the traditional business for cash without giving up on Kodak's leading position in Film business. He also advised that due to the shrinking film market, players needs to change by repositioning themselves.

Digital photo images began in 1985 with the first low cost camera from Cannon called the Xapshot. Images were produced on videodisks that fit into the camera and could be connected to a television set for viewing. The Kodak CD process came out in 1991, which allowed images from any source including slides and negatives to be recorded on a compact disk. Images are played back over a television and can be printed on a dye sublimation or wax printer or laser printer. Newspapers use the expensive technology to capture images and send them over the phone lines to other

1.2 Research Problem

Traditional photo processing studios are those studios that can only process photos from a traditional roll of film. Photography has over the years relied on films as the main input and as a result, many photography businesses invested in photographic equipments that can produce a photo from a roll of film.

Due to advancement in technology and new entrants in this industry, digital photography has been developed and since the main input is a memory card, this has posed a major challenge to the traditional processing studios. Digital photography has not only created enormous challenges but it also threatens the survival of Traditional photo processing studios. Kruger (January 2005) notes that the imaging industry is going through enormous technological transition that has created both new opportunities and a great deal of new challenges, such as increased competition from an array of new players and even from consumers themselves and goes a head to ask "what will it take for photo businesses to remain viable and successful in light of this new environment?"

A number of studies have been done in Kenya on the responses to challenges in various industries. Njau (2000) carried out a study on strategic responses used by East Africa Breweries Ltd and concluded that a change in the competitive position would require the company to decide on strategies to adopt. In the oil industry, Chepkwony (2001), made an inquiry into the strategic responses of petroleum firms in Kenya to challenges of increased competition in the industry. Isaboke (2001) also did an investigation of the strategic responses by major oil companies in Kenya to the threat of the new entrants into the oil Industry. Kandie (2001) was concerned with the strategic responses Telkom Kenya Ltd is using to cope with the competitive environment. Gathogo (2001) set out to identify the strategies that the commercial banks have applied to respond to changes in the environment.

Although extensive research has been done on how some industries have responded to the challenges in the environment, no documented research has been done on the responses in the photographic industry as a result of environmental challenges. It is against this background that the researcher seeks to identify the challenges facing the traditional processing studios and establishes how the studios are responding in order to remain competitive in Kenya

1.3 Objectives

1. To determine the challenges facing traditional photo processing studios as a result of Digital Photography in Nairobi
2. To establish responses of traditional processing Studios to cope with the challenges posed by digital Photography.

1.4 Importance Of The Study

1. It will inform the current owners of photographic retail studios the challenges that are posed by the demand of Digital photo processing.
2. The findings will help to establish the adequacy and capability of the response by the traditional photo processing studios to the changes. The findings are thus expected to help the studios to identify strategic gaps in their responses and enable them to better respond to environmental changes.
3. To a new investor it will be good knowledge of the happenings in the photo industry and this will help the investor formulate relevant strategies.
4. To the academicians, the study will be important as addition knowledge and can form a basis of future research

CHAPTER TWO:LITERATURE REVIEW.

This chapter of the project presents a review of some relevant literature published on the subject of the study. The review highlights the place of strategy and its origin, the impact of the external environment on organization and proceeds to show some responses of organization to the environmental challenges.

2.1 Concept of Strategy

Strategy is a multi-dimensional concept. It integrates patterns of decision, defines organizational purpose, deals with organizational competitive advantage and position of organization in the external environment. It actually defines the business of the organization. Due to dynamic nature of the business environment, strategic management plays a big role to ensure that available resources and capabilities are used to achieve the set objectives. Strategic management includes understanding the strategic position of an organization, strategic choices for the future and turning strategy into action.

The foundation of strategic management dates back to the 20th century and principally it is associated with increased industrialization in Europe, North America and Japan. It was only in 1950s during periods of sustained economic growth in the west and the greater spread of wealth, that the first strategies were published. Ansoff(1965, 1969) began to develop the corporate strategy concepts which later formed the two main approaches to corporate strategy which are prescriptive corporate strategy and emergent corporate strategy.

Mintzberg (1988) looked at the changing world around him and decided it was time to reexamine how strategic management was done. He examined the strategic process and concluded it was much more fluid and unpredictable than people had thought. Because of this, he concluded that there are five types of strategies

Strategy as a plan: - a direction, guide, course of action- intension rather than actual
Strategy a ploy; a maneuver intended to outwit a competitor. Strategy as pattern; a consistent pattern of past behavior- realized rather than intended. Strategy as position; locating of brands, products, or companies within the conceptual framework of consumers. Strategy determined primarily by factors outside the firm.
Strategy as perspective; Strategy determined primarily by a master strategist.

Ohmae (1983), emphasizes on strategy as the way in which corporation endeavors to differentiate itself positively from its competitors, using its relative strategies to better satisfy customer needs. Strategy enables an organization to adapt to the ever changing environment. According to Ansoff and McDonnell (1990), recourse to explicit strategy occurs when rapid and discontinuous changes occur in the environment of the firm in such a situation, a good strategy will help a firm to build a market position which is strong and capable of producing successful performance despite unforeseeable events, potential competition, and internal difficulties.

2.2 Impact of External Environment to Organization

The analysis of the external environment has become a key task within the process of creating strategy. An understanding of the nature of the environment is important, as is a familiarity with the tools and frameworks of analysis. The ability to understand the impact of the external environment upon an organization will not guarantee strategic success, but to ignore the external environment is highly likely to make failure a distinct possibility.

According to Pearce and Robinson (1997) due to the rapid change in the environment, the crucial responsibility for managers will be ensuring their firm's capacity for survival. This will be done by anticipating and adapting to environmental changes in ways that provide new opportunities for growth and profitability

Hesselbein (1997) points out that due to environmental changes all employees need to think like the owners of the company and as a result no one will need to tell the owner the need to stay close to the customer, to remain flexible, to reduce non value- adding overhead and to respond quickly to the new situations brought about by the ever changing environment.

Mintzberg (1979) while researching on the various organization structures concluded that in a stable environment the structures are bureaucratic while in a dynamic environment the structures were in an organic state and the manager at the strategic apex became overloaded with responsibility of charting the way forward

Boseman (1989) argues that although the basic philosophy of serving the customers needs by producing goods and services efficiently is still dominant concern of management in the organizations, today's rapid, turbulent and often unpredictable environmental changes have caused the focus of managers to shift. Managers now try to anticipate the future and prepare for it by formulating and implementing effective strategies. According to George A. Steiner, " A company may overcome inefficient internal resource use if its basic strategy is brilliant, but it is not likely to overcome inefficient internal wrong strategies even with excellent production and distribution performance". The ideal situation, of course is for an organization to design brilliant strategies and implement them effectively and efficiently. Strategy aims at identifying factors in the environment which influence the capability of an organization to position itself to such advantage.

Bertz in his article on " managing technological innovation..." indicates that due to the rapidly changing environment where technology is continuously progressing and markets are shifting, firms no longer operate in a static, stable environment. In this situation a firm's ability to make appropriate strategic decision to meet the threat arising from technology change strongly influences its business competitiveness and survival in the market place.

2.3 Responses by Organizations to Changes in the Environment

Since the environment is constantly changing, Organizations must adapt their strategies to new environments

Ansoff and McDonnell (1990) pointed out that the match between its strategic responsiveness and strategic aggressiveness and how these are matched to level environmental turbulence determine the success of every organization. This is because each level of environmental turbulence has different characteristics, requires different strategy (gies), and requires different firm capabilities. Therefore, each level of environmental turbulence requires a matching strategy, and the strategy has to be matched by appropriate organizational capability for survival, growth and development.

2.3.1 Strategic responses

Johnson and Scholes(1999) states that there are increasingly three types of company: those that make things happen, those that watch things happen and those that wonder what the hell happened. Within the pharmaceutical industry there has been several major trends. The first has been towards mergers and acquisitions, as companies have sought to merge with other companies in order to become larger to leverage economies of scale, and exercise the benefits of critical mass in exploiting more efficient R&D and better sales and marketing practices with an aim of gaining a competitive advantage in the ever-changing business environment. Examples here include Glaxo Wellcome, Smithkline Beecham. Other strategies have included the building of distribution system to gain information on product usage. Another strategy aimed at gaining better control of distribution and getting closer to the customers is the purchasing of pharmacy benefit managers in USA where Smithkline purchased DPS and Eli Lilly purchased PCS.

According to Kanter (1989) competitive pressures are forcing corporations to adopt new flexible strategies and structures. Many of these are familiar: acquisitions and divestiture aimed at more focused combination of business activities, reductions in

management staff and increased use of performance based rewards. In an emotional divesture article by Tim Hardy (January, 2005) he recounts that "Closing a business in which you have invested your money, time, effort and heart is painful. There are very frequently financial ramifications, as well as emotional toll. But, despite the aches that strike both your heart and your wallet, there are times when closing the business is simply the wisest thing to do."

Porter (1990) suggests three generic competitive strategies, which can help a firm, develop a competitive edge over its competitors in a competitive environment. A firm can develop a strategy of overall cost leadership, differentiation strategy and focus strategy.

To achieve overall cost leadership in an industry, a firm can adopt functional policies and resort to aggressive construction of efficient- scale facilities. This can be done through installation of new machines, if necessary to enhance efficiency and cost reduction. Cost leadership will enable a firm to be able to compete favorably through price cuts especially when dealing with customers who are price sensitive. In pursuing low cost leadership, managers must take care to include features and services that the buyers consider essential. Chase et.al (1998) argued that, measurement of cost is considered to be the most developed of all the competitive priorities, perhaps because of the management of accounting systems that were mainly concerned with cost.

Porter (1990) further argues that a firm can also adopt a strategy of differentiating its products or service offering as a means of trying to create something that is perceived as being unique. Porter points out that the advantage or uniqueness may be in the form of customer service, design, brand image or technology. Differentiation *insulates against the competitive* rivalry because of brand loyalty by customers and resulting to lower sensitivity to price.

Pearce and Robinson (1997) observe that differentiation is where the business creates differential advantage through features or services that sets it apart from others in the market. The essence of differentiation is to be unique in ways that are valuable to customers and that can be sustainable. In intense competition differentiation can be used to create a competitive edge.

Sushil (1990) observes that differentiation is used as a response technique to increased competition by firms. A firm can also resort to creating entry, mobility and substitution barriers to strategic groups. Barriers discourage potential competitors from entering the market while substitution barriers can be inform of differentiation that makes it difficult to imitate products.

Baker (1997) upholds the strategy of differentiation indicating that a firm can respond to competition by modifying its products to make it more attractive to the target market. This enables the firm to develop a position that potential customers will see as unique thus different from competitor's products.

Porter (1990) highlights that the focus strategies adopted by firms to respond to changes in the business environment aims at narrow market segment, product category or certain buyers. It is built around serving a particular market very well and once the segment is identified, then the firm may pursue either cost or differentiation strategy. Focus strategy helps firms to narrow their operations to specific markets and thus achieve competitive advantage. Focus therefore helps firms to direct their strategic plans to align themselves to the environment. Goro (2003) studied the strategic responses of commercial banks to the threat of substitute products and found out that the commercial banks had to redefine the automation processes and improve their technology in order to be more efficient. The commercial banks were notably changing their strategies and adopted new strategies among them segmentation, market focus and marketing activities which enable them to remain competitive in the changing environment.

According to Scholes(2002) Joint development, strategic alliances and collaborations strategies is where two or more organizations share resources and activities to pursue a strategy. These strategies have become increasingly popular. This is because organizations can always cope with increasingly complex environment from internal resources and competences alone. Wouter and Artur (1997) observed the changing face of strategic alliances in Latin America. They noted that Strategic alliances are more important than ever for Latin American companies that wish to grow and compete in global market places. Multinationals outside the research continue to forge alliances and acquire companies to gain entry in Latin America so that they can maintain a competitive position. Shollei (1999), argues that in order to fortify a firm's position against predators, it is important to collaborate. Collaboration also reduces the cost of differentiation and enhances competitive advantage (Morrison and Lee, 1990 in Shollei, 1999) .

In an article published in the Kodak Press News Photokina (2004) the announcement of Kodak to team up with IBM to develop New Image sensors for consumer digital cameras and cameras phones was a strategy to enable Kodak remain competitive and accelerate the growth of its digital businesses through innovations a move that was facilitated by the malted m o m g from m&tog to digital photography. Thiga (2002) JwundJhatin response to the environmental turbulence that characterized the aviation industry, all the airlines surveyed had in one way or another adopted strategies that enabled them to cope with the changed environmental conditions. Most of them had formed alliances and partnerships so as to quickly globalize their route- networks, thus giving them a competitive edge

In some cases the company embarks on a repositioning campaign as a response to the changes in the environment. In an article on Tusker export in the Marketing Africa magazine (December 2004 page48) as a result of significant loss of market share of Tusker export, the brand was repositioned in 2001 by changing the label on the bottle to red and re- introduction of the 330ml bottle. However the repositioning didn't work and on the same article the company is said to have employed the milking strategy

and final killing the brand. This clearly supports the divesture strategy if the brand cannot adapt to the changing environment.

2.3.2 Operational responses

Operations strategy

Slack and Lewis (2002) says that operations strategy is the collective concrete actions chosen, mandated, or stimulated by corporate strategy. It is, of course, implemented within the operations function. This operations strategy binds the various operations decisions and actions into a cohesive consistent response to competitive forces by linking firm policies, programs, systems, and actions into a systematic response to the competitive priorities chosen and communicated by the corporate or business strategy. In simpler terms, the operations strategy specifies how the firm will employ its operations capabilities to support the business strategy.

Hayes (1996) argued that company's Operations Strategies, therefore, has to begin with a statement specifying how it proposes to create for itself that chosen form of competitive advantage. He further noted that most companies only seek out and emulate the best practices of so called world class companies hence end up investing in processes and infrastructures that are not necessarily in line with the requirements of its market. Gagdon (1999) recounts that operations strategy should integrate recent theories from the resource-based view of strategic management and emphasize on the dynamic development and leveraging competencies and capabilities in order to set new business diversification strategies e.g learning and culture would be actively integrated within operations, in order to become key sources of competitive advantage.

Finns can respond to the environment through the resource-based view which focuses on the "strengths-weaknesses" component of SWOT analysis. It does this by identifying valuable (as perceived by customers), non-substitutable, non-imitable, firm-level competences as the basis of superior performance, Penrose (1959), Rumelt (1984), Barney (1991), and Conner (1991). A resource-based perspective has

sometimes also been adopted for purposes of industry-analysis. Industry capabilities are defined as resources that are shared by incumbents but are not available to outsiders. These include trust relations, and specific ways of diffusing and sharing technological knowledge, Foss (1997). An integrative perspective has recently been introduced, Foss and Eriksen (1995), Teece, Pisano and Shuen (1997) and Teece and Pisano (1998). In this, dynamic capabilities (at least implicitly) reflect the firm's ability to respond effectively, on the basis of its internal strengths/weaknesses, to external opportunities/threats. These dynamic capabilities include special company strengths to cope with the shifting character of the environment. More specifically, this approach focuses on the key role of strategic management in appropriately adapting, integrating and re-configuring company strengths towards changing environments, Teece and Pisano, (1998, p. 193).

Such a Schumpeter-type perspective focuses explicitly on the renewal of competencies and, implicitly, on the achievement of first mover advantages, because the time dimension is critical¹. Difficult replication by other firms permits a stream of rents to be sustained for a longer time. It is important to recognize that specific, firm level responses to external changes are influenced by path dependencies (example., long-term, quasi-irreversible resource commitments). The development of a dynamic capability by a firm therefore needs to build incrementally upon existing internal processes. Here, external forces must be taken into account, but these result themselves from paths along which the firm has traveled in the past. Bearing this in mind, it would appear that Porter's original five forces model could, at best, be only a partial analytical tool to aid in strategy development at the firm level.

Wit & Meyer(1998) points out that Changes in the international operating environment have forced Multinationals to optimize global efficiency, national responsiveness and world-wide learning simultaneously. For most companies, this new challenge implies not only a fundamental strategic reorientation, but also a major change in organizational capability.

Kotler(1998) observed that marketing plays a critical role in the company's strategic planning process and that it is the most significant contributor to this process. Marketing plays a role in defining the business mission, analyzing the environment, competitive and business situation. The involvement of marketing extends to development of programs and operating plans that are linked with strategic plan. In view of the fact that strategic plans deal with strategic responses, the marketing components articulated by Kotler form an integral part of the strategic response.

Rodney (2002) emphasizes that fanners could respond to changes in the business environment by embarking on business planning. He argues that the business planning process can help to identify the competitive advantage of your individual operation, and help you to devise specific strategies and tactics to capitalize on those advantages.

Muturi (2003) studied the churches in Kenya and found out that due to the challenges posed by the external environment, the churches have implemented different strategies. Most of the churches indicated that they had put in place a strategic plan within the last ten years. The churches also responded by building schools, hospitals and other institutions a move that would help the churches to be close to their customers and survive in the competitive environment.

Gilgeous (1995) wrote in a survey covering some UK companies in the midland that many companies embraced reliability of services as a strategy to survive in the competitive business environment. Stalk (1988) says that time is the source of competitive advantage currently exploited by world-class firms. As a strategic weapon, time is the equivalent of money, productivity, and quality, even innovation. Airline companies like Kenya airways have used Time/ Speed as a strategy to respond and maintain competitiveness in the ever-changing business environment.

Price is a short-lived strategy but works in the short run to boost sales by attracting customers. Aaker(1996) observes that the pressure to compete on price directly affects the motivation to build brands. This strategy is highly used by firms within the same industries example photo processing studios, petroleum companies'

Kanuk and Schiffman (1996) states that customers often judge the quality of a product or service on the basis of a variety of information cues which are intrinsic or extrinsic. Intrinsic cues concerns the physical characteristics and the extrinsic include price, brand image and promotional messages example Quality you can trust. In the article "The Bedroom Shoppers..." published in the Marketing Africa (December 2004 page46) the writer concluded " The market is very competitive therefore you have to out perform the competition by offering quality products and better customer service". This is an example a firm that responds to the competition in the business environment with an aim of remaining competitive.

Relationship/ customer retention marketing strategy involves a process of attracting and keeping customers. Firms will endeavor that repeat purchases by satisfied customers is enhances in order to build loyal customers. Some firms have launched loyalty programs in order to retain customers example Smart card by Nakumatt Holdings.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This is a survey design. According to Tull and Albaum (1973) a survey research is a systematic gathering of the information from a sample of respondents for the purpose of understanding and/ or predicting some aspects of the behavior of the population of interest. The survey design was chosen as the researcher intends to compare the strategic responses of various traditional processing studios. Survey design has been used before by researchers in more or less similar researches for example Njogu (2004), Murage (2001).

3.2 Population

The population of interest was all the traditional processing studios in Nairobi and therefore it was a census study. A list obtained from Kodak (Appendix2) shows that there are 59 traditional processing studios in Nairobi. Only 31 out of 59 studios targeted responded. This translated to 52.54% of the population anticipated.

3.3 Data Collection

The study used primary data. Semi-structured questionnaire (Appendix 1) was used to collect the data. This was divided into three sections. Section one targeted the demographic aspect of the studio which included, title, gender, Studio name, years of operation, number of studios and location. Section Two on the other hand addressed the challenges that have been brought about by digital photography while section Three dealt with the responses to the challenges posed by digital photography. The respondents were Dealers (owners of the studio) and in their absence the Studio Manager. The questionnaire was administered by using both personal interviews and "Drop and Pick" methods.

3.4 Data Analysis

Since the data collected was largely quantitative, descriptive statistics has been used to analyze data. These included frequency distribution and percentages to determine the profile of responding studios. Mean scores and standard deviation were calculated to determine the challenges facing traditional photo processing Studio's responses to the challenges. The descriptive analytical techniques have been applied in related studies in the past by for example Chepkwony (2001)

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

The objective of the study was to determine the challenges posed by digital photography to traditional studios and to find out the response of traditional processing studios to these challenges. This chapter deals with data analysis and interpretation of the research findings. The data was summarized and presented in form of tables, frequencies, percentages, mean scores and standard deviation. Out of the fifty nine Studios targeted, thirty one responded by filling in the questionnaire which was administered through personal interviews and "pick and drop" method. The thirty-one studios represent 52.5 percent of the total 59 studios in the census study.

4.2 Demographic characteristics of the studios

Table 1: Year of inception

Year	Frequency	Percentage
1990- 1995	7	22.5
1996-2000	11	35.5
2001- 2006	13	42

Table 1 indicates when the studios that were studied were established. Although 44 percent were established during the time digital started in Kenya, they didn't invest in digital photography because of the heavy initial capital outlay.

Table 2: Level of education of Employees

Level	Frequency	Percentage
Secondary level	91	70%
Certificate	32	25%
Diploma	7	5%
University		

Table 2 shows the level of the employees working in the studios. 70 percent of the employees have secondary education 25 percent certificate and only 5 percent are diploma and no single studio has employed a graduate. This may clearly explain the reasons why studios have not fully understood the potential of digital photography since most of the employees have not understood the basics of technology and they may also not be a source of knowledge to the customers. Two owners intimated that this level of knowledge is the best because they are affordable and follow instructions. The studios that have one or two certificate or diploma level explained that when any vacant is available they would prefer more qualified staff because customers are becoming more knowledge hence they need to be served by knowledgeable staff.

4.3 Characteristic and Challenges

Table3: Whether the studio has a formal organization structure

Response	Frequency	Percentage
Yes	5	16.1
No	26	83.9

As shown in the table 3 above, 83.9 percent of the studios do not have a formal organization structure while 16.1 have. One respondent who does not have a formal structure indicated that he is everything and the staff knows as much therefore he didn't see the need.

Table4: The last time the organization structure was revised

Options	Frequency	Percentage
Last one year		
Last two years		
Last five years		
Last 10 years		
Has never changed	5	100

All the studios that had a formal organization structure had not been changed since it was put in place as indicated in table 4 above.

Table 5: Type of customers served

Customer type	frequency	percentage
Walk -In	12	38.7
Field/ Professional photographers	15	48.3
Both (50-50)	4	13

Table 5 above indicates the nature of customers they serve 48.3 percent serve field/ professional photographers this are customers who use photography to earn a living while the 38.7 percent serve walk- in this are the customers who take photos for leisure. 13 percent serve both. The respondents explained that different types of customers have different tastes and preferences. The field/ professional photographers are very particular on price and quality, while walk-in customers are attracted mainly by good customer service.

Table 6: Type of Services Offered

Service	Frequency	Percentage
Digital Processing	0	0
Analog Processing	21	68
Both	10	32

32 percent of the studios that are able to offer both digital and analog are those that have invested in digital processing machines. The rest cited the cost of digital machines as a huge obstacle to investment.

Table 7: Rate of Enlightenment of Customers on Digital

Enlightenment	Frequency	Percentage
Very Enlightened	10	32.3
Less Enlightened	21	67.7
Not Enlightened	0	

Table 7 shows that customers are getting enlightened about digital photography. 67.7% of the studios studied indicated that the customers are less enlightened and 32.2% indicated that the customers very enlightened. The study revealed that the up market customers were very enlightened about digital photography. This means that traditional studios should make the necessary adjustments to embrace the change.

Table 8: The digital inputs that most customers use

Input	Frequency	Percentage
Memory Cards	4	12.9
Diskettes/ CDs	25	80.6
Phones	0	0
Others e.g flash disk	2	6.5

The above table shows that 80.6% of the customers who print on digital cameras use diskettes and CDs. This is likely to be interpreted that most customers do not own digital cameras but download photos sent to them through the Internet and take them to the studios for processing.

Table 9: Digital services offered

Services	Frequency	Percentage
Digital processing		
Photo Storage	3	10
Photo to photo processing		
All the above	10	32.2
None of the above	18	57.8

Table 9 indicates that 10 out of the thirty one studios that responded have digital enabling machines while 3 of the labs have only invested in CD writers which they can use to store the photos into CD but 18 respondents have not made the required investments to be able to offer digital services.

Table 10: Reason for offering some or none of the digital services

Reason	Frequency	Percentage
Lack of knowledge		
lack of equipment	21	100
Lack of Space		
Other reason		

This table was an analysis of why the 21 studios that responded could not offer all the digital services and they all indicated that they lacked the required equipment/machine due to lack of capital. Most of them indicated that they would buy digital equipments as soon as they become affordable. Most of them verbally said that though they didn't have the required knowledge they would invest in training once they get the digital machines.

Table 11: The ranking of goals before and after digital

Goals	Ranking Before digital	percentage	Ranking after Digital	Percentage
Survival	1	3.2	18	58
Growth	12	38.7	4	12.9
Profitability	15	48.3	8	25.8
Market Leader	3	9.8	1	3.3

Table 11 reveals that the studios priorities have changed since the emergence of digital photography. Before digital photography, out of the thirty-one studios that responded, 15 of them their main goal was profitability, 12 studios their main goal was growth, 3 strived to be market leaders and only 1 pursued survival. After digital photography, the scenario has changed greatly. 18 studios are currently pursuing

survival, 8 profitability, 4 studios growth while only 1 is daring to be a market leader. The ones pursuing survival said that the challenges of digital photography are increasing day by day and the competition for the shrinking market is also becoming intense.

Table 12: Challenges of digital photography

Challenges	Frequency	Percentage
Very intense	12	38.7
Fairly intense	19	61.3
Negligible	0	0

Table 12 shows that 19 out of the thirty-one studios admitted that the challenges of digital photography are fairly intense while 12 studios indicated that the challenges are very intense. From the analysis it clearly communicates that digital photography has posed challenges to traditional photo processing studios and they would be required to make necessary adjustments in order to be able to respond to this challenges effectively.

Table 13: Indication whether the Studio has a vision and a mission

Response	Frequency	Percentage
Yes	6	19.3
No	25	80.7

Table 13 was the analysis of the presence of Vision and Mission for the studio. 80.7% acknowledged that they didn't have a vision and a mission for their studios. Most studios said that it was all in their mind.

Table 14: Indication whether the Studio has a strategic plan

Response	Frequency	Percentage
Yes	12	38.7
No	19	61.7

As per the table above 61.7 % indicated that they didn't have a strategic plan while 38.3% have. Most of the ones who didn't have said that they relied on their distributors e.g Kodak and Fuji plans and tried to implement the same plans at studio level. Two of the respondents commented that strategic plans are for big companies like KBL and Coca-Cola and not for small businesses like studios. This table indicates that some studios have put in plans without necessarily having a mission and vision which raises concerns whether they can really achieve their desired objectives.

Table 15: The period the strategic plan covers

Period	Frequency	Percentage
Less than two years		
Less than five years	12	100
Over 10 years		

Table 15 indicates that the 12 studios that have strategic plans, the plans cover less than five years.

Table 16:How often the strategic plan is reviewed

Period	Frequency	Percentage
Yearly		
After five years		
Never revised	12	100

Table 16 reveals that the studios that have the strategic plans have never been revised. They indicated that they would only review them if need arises but they have no plans of review. This clearly indicates that most of the strategic plans don't address the changes that are taking place and the studios may not be adequately prepared to adjust and respond effectively and competitively to digital photography.

Table 17:Whether the strategic plan is communicated to all employees

Response	Frequency	Percentage
Yes	6	50
No	6	50

50 percent of the studios communicate the strategic plans to their employees while the other 50 percent said that they kept the plans to themselves so that the employees don't share their strategic plans with the competitors. This clearly indicates that the level of professionalism in the traditional photo processing studios is low.

Table 18: Indication of how the strategic plan is communicated to employees

Mode of communication	Frequency	Percentage
In meetings	6	100
Written communication		

All the 6 studios that communicate their strategic plans do it in meetings.

Table 19: Whether the studio owns digital machine

Response	Frequency	Percentage
Yes	10	32.2
No	21	67.8

Table 19 indicates that only 10 studios out of the 31 respondents have invested in digital machines. This shows that 21 studios have not responded to digital photography adequately and need to make the necessary adjustments.

Table 20: The reason for buying a digital machine

Reason	Frequency	Percentage
To be competitive	10	100
It was easy to buy		
Pressure from customers		

All the 10 studios that have invested in digital equipments did so in order to remain competitive in the market. This reveals that the 10 studios have been keen to adjust from the traditional photo processing to embrace digital photography a move that has enabled them to gain a competitive edge and increase their market share in an

industry where the studios that are only offering traditional photo processing have recorded a decline in their market shares and profitability.

4.4 Operational strategies adopted by studios

Table 21: Adjustments that have been adopted in response to the challenges brought about by digital photography.

Operational strategies	No of firms	Mean Score	Standard Deviation
Price on film processing	31	1.23	0.55
Price on digital processing	31	2.8	1.766
Additional investment	31	2.42	1.91
Offering discounts	31	1.48	0.98
Additional services to the traditional services	31	4.35	1.55
Payment by credit card	31	1.42	1.18
Giving staff incentives e.g commission.	31	1.26	0.714
Offering same service as the competitor	31	2.22	1.54
Increased product range	31	3.55	1.66
Attention to customers needs	31	3.48	1.64
Response to customer needs	31	3.9	1.28
Service delivery Time/ Quality	31	4.06	1.296
Customer Service	31	2.35	1.31
Opening of branches in strategic location	31	1.29	0.849
Offering credit to customers	31	1.1	0.387
Investment in training and customer service	31	1.13	0.552
Retrenchment/ rationalization of staff	31	1.7	1.3
Digital awareness	31	3.26	0.33

Table 21 shows the extent of the adjustments that studios have made using operational strategies to respond to the challenges posed by digital photography. Data was collected using a five point likert scale where one meant no adjustment has been adopted to respond to digital, while 5 meant that a very high response has been adopted. The data was analyzed by use of mean scores and standard deviation. This table shows that offering additional services above the traditional service with a mean of 4.35, is the most important adjustment that has been made in response to digital photography, followed by service delivery time and quality which has a mean of 4.06. Other important adjustment in response to digital worth noting are response to customers needs also has moderate response with a mean of 3.9 followed by increased product range 3.55 , attention to customers needs mean score of 3.48 and Digital awareness with a mean score of 3.26. The study reveals the operational strategies, which studios have not adopted to respond to digital photography, include offering credit to customers with a mean score of 1.1, studios have not invested in training this is reflected by the mean score of 1.13 and price on film processing with a mean score of 1.23.

4.5 Strategic responses to challenges

Table 22: The extent to which the following strategies have been used to respond to the challenges posed by digital photography.

Strategy	No of firms	Mean Score	Standard Deviation
Pricing	31	2.45	1.187
Focus Strategy	31	1.3	0.458
Differentiation	31	1.06	0.245
Cost leadership	31	2.16	1.483
Strategic alliance	31	4.74	0.437
Merger	31	1	0
Entering new Markets	31	1.7	1.196
Acquisition	31	1	0
Divesture	31	1.06	0.245
Selection of qualified staff	31	3.84	1.567
Merchandising and Communication	31	3.6	1.697
In-house Promotion and Marketing activities	31	1.55	1.01
Launching of loyalty programs	31	1	0
Competitors analysis	31	4.84	0.367

Table 22 shows the extent to which various strategies have been adopted by the studios to respond to digital photography. The data was collected using a five Likert scale where 1 meant the strategy has not been adopted at all while 5 meant that the strategy has been adapted to a very great extent. The collected data was analyzed using mean score and standard deviation. The study reveals that competitor analysis,

which has a mean of 4.84, has been used to a high degree in response to the changes in photography, followed by strategic alliance with a mean score of 4.74. This shows that studios have adopted competitor analysis and strategic alliance as major strategy to remain competitive. The strategies that have not been adopted at all by the studios to respond to digital photography are mergers, acquisitions and launching of loyalty programs where each of these strategies scored a mean of 1.

CHAPTER FIVE: SUMMARY AND CONCLUSION

This chapter presents a summary of the research project whose main objective was to determine the response of traditional photo processing studios to challenges posed by digital photography in Nairobi. Based on the findings, the chapter gives recommendations on how responses can further be improved to meet the demands of the ever-changing business environment. The limitations of the study together with suggestions for further research are also discussed.

5.1 Summary.

The first objective of the study was to establish the challenges posed by digital photography to traditional photo processing studios. The research indicates that there are diverse challenges facing the studios. Most of the studios have not been able to invest in digital photo processing machines because the initial capital outlay is very high. They also expressed the fear of not being able to realize returns on the investment since the digital technology is changing at an alarming rate. It was also clear that competition in photo industry has become a major challenge since those with digital processing machines are able to be competitive on price.

The research further revealed that most of the studio owners and their employees are not well enlightened about digital capabilities and as a result they are not able to serve their customers satisfactory and are also not able to introduce exciting services that would attract customers to their stores. They also expressed the fear of losing a lot of processing work in future since although very few customers own digital cameras many of them prefer to store their photos in computers and laptops and not visit the studios for photo processing. In the event that many customers own digital cameras in future the studios would have to be aggressive and creative to encourage photo process otherwise they risk facing extinction.

The second objective sort to find out the responses of the traditional studios to challenges posed by digital photography. The change in the photographic industry has threatened the existence of traditional photo processing. In order to remain in business, the traditional photo processing studios have embraced various strategies. In order to respond adequately to the challenges posed by digital photography studios have made changes in the services they offer. Before digital photography, all studios were only offering photos processed from a roll of film. Today most studios offer a range of services which include photo storage, photo to photo processing, digital processing and a variety of creative backgrounds on the photo.

The research indicates that there is an increased range of products in most studios. Before digital era studios only used to stock up analog cameras and films. Currently most studios are stocked with compact disks, memory cards, flash disks, diskettes and digital cameras. The increased product range ensures that the studios are able to satisfy the changing needs of their customers and to remain relevant. The studios have also made changes in as far as prioritization of their goals is concerned. Before digital, growth and profitability were given priority. The scenario has since changed with survival being the most important goal followed by growth and profitability.

While strategic alliances were unheard off before digital photography, studios have realized it is the only way to remain competitive and survive in the industry and the research indicates that strategic alliances have become the answer to survival. In some instances studios have invested in digital equipments with an aim of remaining competitive in photo processing and as a result they are able to price their digital services competitively. The study reveals that the studios are engaging more in gathering of competitor's information. The analysis of such information can help the studios to formulate strategies that can enable them gain a competitive edge and also being able to make the right strategic options.

Since digital photography emerged as a result of advancement in technology, the study reveals that most studios are now recruiting more qualified staff whenever they have a vacant. To be able to communicate and appeal to their customers, most studios

have embarked on proper merchandising which also enable them to serve the customers more effectively and efficiently.

It is evident that the traditional photo processing studios have used various strategic and operational strategies to respond to varying degrees of challenges so as to ensure their continued effectiveness in their endeavors to ensure their customers preserve their memories in form of photos.

5.2 Conclusions and recommendation.

The study reveals that the traditional photo processing studios have generally made substantial adjustments in order to remain both competitive and relevant in the changing business environment. It is necessary for the studios to be proactive than being reactive. This will help them create a competitive edge and remain profitable over a long period of time.

Organizations face continuous changing environmental conditions since they do not operate in a vacuum. It is important for the owners and managers of these organizations to understand this so as to steer their organizations to success. Organizations should always plan with the future in mind and keep reviewing their strategies to ensure that they respond to changes promptly and effectively. It is equally important to consider the resources and capabilities available in the organizations to ensure that they reap maximum benefits from the environment.

Studios like any other organization operate in an environment that is constantly changing. With the advancement in technology and the world becoming a global village, traditional photo processing studios will only survive if they are able to adapt to the changing environment. Studios should invest in strategic planning so that they can be able to understand the environment better and be able to formulate strategies that will enable them remain competitive.

All in all it should be noted that environmental changes are not necessarily for the worst. When pro-active strategies are put in place, they offer an excellent basic investment opportunity and re-investment climate.

5.3 Limitations of the study

This study focused mainly on the responses of traditional photo processing studios to challenges posed by digital photography in Nairobi. It therefore did not cover the responses of studios in other parts of the country. Studios also respond to other factors other than the challenges posed by digital photography example competition from cyber cafes and these were not covered.

The time allocated to the study was limited and this made it difficult to wait for all the respondents to return questionnaires or even time for a second visit when the owner was not available and therefore it affected the response rate.

5.4 Suggestions for further research.

1. The study majored on the responses of traditional photo processing to challenges posed by digital photography in Nairobi. A similar study should be earned out in the developed world.

2. Studies should be carried out on the challenges digital technology has posed on other industries like telecommunications and how the industries have responded.

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Appendix 1: Questionnaire

Section One: General Studio Data

1. What is the name of your studio_____
2. What position do you hold in the Studio
3. What is your Gender () Male () Female
4. What is the location of your Studio? () River Road () Up Market () Estate
5. What is the size of your Studio in terms of branches _____
6. What is the year of inception _____ (if more than one branch please specify year of inception per branch)

7. How Many employees do you have _____
8. What is the level of education? Tick
 - a) Secondary School level and below
 - b) Certificate
 - c) Diploma
 - d) University
9. What percentage of your staff fall under this level of education
 - a) Secondary school and below
 - b) Certificate
 - c) Diploma
 - d) University graduate
10. Does your Studio have a formal organization structure. If No go to section Two
11. When is the last time your organization structure was revised
 - a) Last one year
 - b) Last two years
 - c) Last five years
 - d) Last 10 years
 - e) Has never changed

Section Two

1. Who are the majority of your customers
 - a) Walk- In
 - b) Professional/ Field photographers
 - c) Both(50- 50)
2. What Services do you offer
 - a) Digital photo Processing
 - b) Analog Photo processing
 - c) Both
3. How would you rate the enlightenment of your customers on Digital photography?
 - a)Very enlightened
 - b) Less enlightened
 - c) Not enlightened at all
4. What digital inputs do most of your customers use?
 - a) Memory Cards
 - b) Diskettes/Cds
 - c) Phones
 - d) Any other (specify) —
5. Which digital services do you offer?
 - a) Digital processing
 - b) Photo storage
 - c) Photo to Photo processing
 - e) None of the above
6. If you offer some or none of the services Why?
 - a) Lack of knowledge
 - b) Can't compete on prices
 - c) Lack of equipments due to lack of capital

- d) Lack of space
- e) Specify any other reason

7. Rank the following goals in order of importance to your organization

Before Digital	After digital
a) Survival—	Survival
b) Growth	Growth-
c) Profitability	Profitability
d)Market Leader-	Market Leader

8. Describe the challenges of digital photography to your business

- a) Very Intense
- b) Fairly Intense
- c) Negligible

9. Outline some of the challenges

Section Three

1. Does your Studio have a vision and a mission statement?
 Yes No
2. If your answer is "NO" proceed to question 3. If your answer is YES,
 a) Since when have you had a mission statement? State the year—
 b) Why was it introduced. ?
3. Do you have a strategic plan? Yes No
4. If your answer is "NO" proceed to question 9 if Yes,
 a) Since when?

- b) Why was it introduced.
5. What period does the strategic plan cover
- a) Less than two years
 - b) Less than five years
 - c) Over 10 years.
6. How often is your strategic plan reviewed?
- a) Yearly
 - b) After five years
 - c) It is never reviewed
 - d) Specify any other period
7. Is the strategic plan communicated to all employees? ()Yes () No
8. If "NO" proceed to question 9 If YES, how is it communicated
- a) In meetings
 - b) Written communication
 - c) Specify any other means
9. Do you hold strategic meeting? () Yes () No
10. Do you own a digital processing Machine? () Yes () No. If no
proceed to question 13
11. When did you buy it Specify the year.....
12. Why did you make the decision to buy it
- a) To be competitive
 - b) It was easy to buy
 - c) Pressure from customers
13. How do you offer digital services?
- a) I own a digital lab
 - b) Through Strategic alliance
 - c) None of the above
14. Do you consider your services and pricing competitive in the digital
processing? () Yes () No

- Explain briefly _____

15. Indicate the extent of the adjustments that have been adopted in response to the challenges brought about by digital photography. Use a five point scale, where 1 = NO RESPONSE and 5 = Very high response.

SCORE	1	2	3	4	5	
Price on film processing						
Price on digital processing						
Additional investment						
Offering discounts						
Additional services to the traditional services						
Payment by credit card						
Giving staff incentives e.g commission.						
Offering same service as the competitor						
Increased product range						
Attention to customers needs						
Response to customer needs						
Service delivery Time/ Quality						
Customer Service						
Opening of branches in strategic location						
Offering credit to customers						
Investment in training and customer service						
Retrenchment/ rationalization of staff						
Technology						

16. Please Indicate (tick) to what extend you used the following strategies to respond to the challenges posed by digital photography. Use the following scale

1 - Not at all 2.- Little extend 3.- Moderate extent
 4.- Great extent 5.- Very great extent

Score	1	2	3	4	5
Pricing					
Focus Strategy					
Differentiation					
Cost leadership					
Strategic alliance					
Merger					
Entering new Markets					
Acquisition					
Divesture					
Selection of qualified staff					
Merchandising and Communication					
In-house Promotion and Marketing activities					
Launching of loyalty programs					
Competitors analysis					

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Appendix 2: Kodak branded outlets in Nairobi

AREA.	
1	CLEANSHINE
2	DAILY PHOTO
3	ELIFRA
4	FAVOURITE
5	FEDHA
6	FOTOLAND
7	FOTOWORLD
8	GALAXY
9	GITHURAI
10	HURRY STUDIO
11	KAMTECH
12	KAREN FOTO
13	LANGATA
14	MWANGAZA
15	FOTOMWA
16	NAKUMATT-Downtown
17	NAKUMATT-Embakasi
18	NAKUMATT-Highridge
19	NAKUMATT-mega
20	NAKUMATT-Ngong Rd.
21	NAKUMATT-Thika Rd.
22	NAKUMATT-Ukay
23	NIMMI
24	COLOUR VIEW
25	PHOTOLINK
26	PHOTOVISION
27	PHOTOZONE
28	RAMOGI
29	RIDGEFIELD
30	SNOWLINE
31	SPECTRUM (Westlands)
32	STUDIO MONA
33	STUDIO ONE
34	UCHUMI-Langata hyper
35	UCHUMI-Ngong Rd.
36	PHOTO POINT
37	FOTOSUK
38	PREETI
39	JEPRO
40	SAN ROSE
41	BLUE SKY
43	AFRICOLOUR
44	EAST AFRICA

45	COLURCUT
46	JACARANTA
47	C&A
48	CREATIVE PHOTO
49	ED KAN
50	SAMANI VILLAGE
51	PWANI STUDIO
52	SPECTRUM GIGIRI
53	WORTH PHOTO
54	RIVERSIDE
55	NEW SHADOW
56	MEDTZ PHOTO
57	PHOTOHIVE
58	PHOTOHOLLYWOOD
59	NAKUMATT JUNCTION