THE VALUE CHAIN AND COMPETITIVE ADVANTAGE IN THE CORPORATE BANKING INDUSTRY IN KENYA: THE CASE OF CITIBANK KENYA

BY

STEVE BIKO ODERO

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School Of Business
University Of Nairobi
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ABSTRACT

The value chain framework is an approach for breaking down the sequence (chain) of business functions into the strategically relevant activities through which utility is added to products and services. Value chain analysis is undertaken in order to understand the behavior of costs and the sources of differentiation (Shank & Govindarajan, 1993). In the banking fraternity, differentiation is achieved by creating a perception among targeted customers that the services offered as a whole are unique in some important way, usually by being of higher quality. The appeal of differentiation is strong for banking institutions, for which image and the perception of quality are important. This perception allows the institution to charge higher service fees, and so to outperform the competition in revenues without reducing costs significantly.

To survive in today's highly competitive business environment, any organization must achieve, at least temporarily, a competitive advantage. A low cost/price strategy focuses on providing goods or services at a lower cost than the competition, or superior goods or services at an equal cost. In banking, it might be accomplished by limiting service offerings, by reducing the complexity of the service delivery process, or by limiting service support. This strategy requires as well a tight cost-control system, benefiting from economies of scale in production and experience curve effects.