COMPETITIVE STRATEGIES USED BY SMALL MUSHROOMING FIRMS IN THE SOLID WASTE TRANSPORTATION AND DISPOSAL INDUSTRY IN NAIROBI, KENYA

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DECLARATION

This research project is my original work and has never been presented in any other University/College for the award of degree/diploma/certificate.

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

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DEDICATION

To my brothers Kelly, Tim, Alan and Levi.

Your support was my strength.

And your encouragement inspirational.

Your prayers were earnest.

I thank God for you.

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The MBA program has been a very long, taxing and challenging journey, the successful completion of which has been the result of the support and encouragement from many people. I am indebted not only to people who gave me inspiration to take up this program but also to those who gave me the guidance and assistance on what I have reported here. With a lot of reverence, I thank the Almighty God, for He led me all through and has done it all. Praise be to God.

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ABSTRACT

The main objectives of the study were to determine the challenges of competition faced by firms in the solid waste transportation and disposal industry and to determine the competitive strategies used by these firms in the industry. The study was greatly motivated by the fact that the solid waste transportation and disposal industry in Kenya and Nairobi in particular is a growing industry and the players therein are grappling with the challenges of competition which result into the use of various competitive strategies.

Questionnaires were administered to the Chief Executive Officers or Sales and Marketing Managers and where these did not exist, to the managers in charge of strategic planning. The study targeted 8 firms. All the 8 firms were served with questionnaires, which they answered and returned, hence achieving a response rate of 100%. Data collected was analyzed using cluster analysis and presented using tables.

The major findings were that the solid waste transportation and disposal industry is faced with thirteen challenges of competition. These challenges include consumers being price sensitive; firms offering similar services; pressure from substitute services; freedom of entry and exit; use of tactics like price competition, advertising, product introductions and increased customer service or warranties; strict regulations enforced by industry regulators; firms offering similar prices to customers; fast growth; inputs supplied being important to the service provider; consumers having knowledge of service differences offered; unnecessary number of licenses required before beginning operations; existence of a few firms offering essentially the same products or services and existence of a few firms offering differentiated products or services in the industry.

The study established that firms in the industry use five of Porte's Generic strategies of competition. This include working hard to achieve the lowest production and distribution costs; concentrating on creating highly differentiated products or services coming out as a class leader; focusing on serving a target segment by creating highly differentiated products or services; charging a high premium price than competitors

and focusing on serving a target segment by pricing lower. Other competitive strategies that were found to be in use include provision of superior value by leading in serving customers with reliable, good quality products or services cheaply and easily; provision of superior value by segmenting their markets and tailoring their products or services to match exactly the needs of the targeted customers; provision of superior value by offering a continuous stream of leading- edge products or services; working hard to achieve the lowest production and distribution costs as well as concentrating on creating highly differentiated products or services; directing their resources to the profitable growth of a single product line, in a single market, with a single dominant technology; doing substantial modification of existing products that can be marketed to current customers; resorting to leasing rather than purchasing equipment when profits decline and forming strategic alliances to contribute their skills and expertise to co-operative projects.

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LIST OF ABBREVIATIONS

CCN	-	City Council of Nairobi
ITDG	-	Intermediary Technology Development Group
JICA	-	Japan International Cooperation Agency
NEMA	-	National Environment Management Authority
TQM	-	Total Quality Management
UN	-	United Nations
UNEP	-	United Nations Environment Programme

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

All business firms are open systems. They impact and are impacted on by external conditions. Therefore, if a firm is to succeed, in a way that will assure continued corporate success, positioning of a firm through competitive strategies and capability planning is very important. Strategy is about winning. It is a unifying theme that gives coherence and direction to the actions and decisions of an individual or organization. Strategy is a link between the organization and the environment. Organizations are environment serving. Unless they define what services are being offered and the environment understands what they offer then organizations are easily misunderstood. Strategy is not purely a matter of intuition and experience. Strategy guides organizations to superior performance through establishing competitive advantage (Ansoff and McDonnell, 1990).

A strategy is a company's game plan. Strategy is the large scale, future oriented plans for interacting with the competitive environment to achieve company objectives. Although that plan does not precisely detail all future deployments (of people, finances and material), it does provide a framework for managerial decisions. (Pearce and Robinson, 2007) observe that strategy reflects a company's awareness of how, when, and where it should compete, against whom it should compete and for what purposes it should compete.

Strategic analysis and choice continue to form the phase of the strategic management process in which business managers examine and choose a business strategy that allows their business to maintain or create a sustainable competitive advantage. Their starting point is to evaluate and determine which competitive advantages provide the basis for distinguishing the firm in the customer's mind from other reasonable alternatives. Businesses with a dominant product or service line must also choose among alternate grand strategies to guide the firm's activities beyond its core business.

1.1.1 Competitive Strategies

Competitive strategy means deliberately choosing different set of activities to deliver a unique mix of value which a firm can use to best compete in the market. The marketing concept states that to be successful, a company must provide greater customer value and satisfaction than its competitors. They also must gain strategic advantage by positioning their offerings strongly against competitor's offerings in the minds of consumers (Kotler and Armstrong, 2006).

Four generic competitive strategies were developed by Porter (1980), three winning strategies and one losing one. The three winning strategies include, Overall cost leadership; here the company works hard to achieve the lowest production and distribution costs. Low costs let it price lower than its competitors and win a large market share. Differentiation; here the company concentrates on creating a highly differentiated product line and marketing program so that it comes across as the class leader in the industry. Most customers would prefer to own this brand if its price is not too high. Focus; here the company focuses its effort on serving a few market segments well rather than going after the whole market. Companies that pursue a clear strategy will likely perform well. The firm that carries out that strategy best will make most profits. But firms that do not pursue a clear strategy – middle –of- the –roaders do the worst.

1.1.2 Solid Waste Transportation and Disposal in Kenya

Solid waste can be defined as solid waste which includes all domestic refuse and non-hazardous wastes such as commercial and institutional wastes, street sweepings and construction debris. In some countries the solid waste management system also includes human wastes such as night-soil, ashes from incinerators, septic tank sludge and sludge from sewerage treatment plants. If these wastes manifest hazardous characteristics they should be treated as hazardous wastes (UN,1992).

In recent years the volume of waste has been increasing at an alarming rate, posing a formidable challenge to governments. The complexities and enormity of the challenges become evident when considering other waste types to be managed and these include industrial and solid waste, municipal wastewater, industrial wastewater, storm water and hazardous waste. Often, different government agencies are mandated to manage different waste sectors. This fragmented approach to waste management, coupled with a lack of clear definition and delineation of the different waste types, makes an assessment of current waste management practices in most countries difficult (UNEP,2005).

The city of Nairobi has over the years had a tremendous physical expansion from a geographical area of 3.84km2 in 1900 to 684km2 at present Kibwage (2002). Nairobi is experiencing a huge and relatively increase in population due to both rural-urban migration and natural development. At the moment the city has a population estimated to be about 4.5 million growing at a rate of 4 to 5 percent per annum ITDG (2002). With this kind of population growth, the solid waste generation is also concurrently growing and stands at 24,000 tons per day. Management of solid waste is a general problem in Kenya. Currently the capacity of City Council of Nairobi to deliver its public and statutory responsibilities to the citizens of Nairobi is severely limited.

Musa (1997) observed that in some areas the Council has virtually ceased to deliver its services mainly because of very inadequate billing systems for solid waste management services, dustbin charge has been abandoned. Poor collection, collection rates for all revenue sources are low due to citizens' unwillingness to pay because of poor service levels, poor collection systems, and debt collection through the courts is difficult because of the cumbersome judicial system and deficient laws. Poor financial management and discipline as a result of the absence of effective financial planning has made it difficult for the waste management sector to get its rightful budget. Costs of waste services are generally low and still not paid for while in the absence of this service, nobody misses to see and comment.

Waste Management is the responsibility of the Local Authorities under both the Local Government Act, Cap.265 and the Public Health Act, Cap.242 Section 116 which makes it the duty of Local Authorities to take reasonable and Practicable measures to maintain their areas of jurisdiction at all times in a clean and sanitary condition. The Environmental Management and Coordination Act, 2006 also provides for the development of standards for waste and provides formulation of regulations for the management of waste by Local Authorities and other partners. The City Council of Nairobi effectively managed the waste generated within its boundary until 1992 when the system of waste management deteriorated promoting private sector and community groups to start operating (JICA,1998).

1.1.3 Small Mushrooming firms

These are small business firms in which management of the firm is independent. Most often the managers are also the owners. Capital is supplied and ownership is held by an individual or a small group. The firm's primary area of operations is local, the owners and workers are in one home community. The business is small compared to the largest firm in the field. The number of employees is small depending on the geographical location of the business. The firm's are involved in solid waste transportation and disposal which is categorized as commercial/industrial and residential refuse. Residential solid waste transportation and disposal consists of collection of solid waste from households mainly located in the up market areas of the city of Nairobi that is to say areas like Muthaiga, Karen, Loresho, Kyuna and Kitisuru. The main receptacle used is polythene bags. Commercial solid waste transportation and disposal involves collection of solid waste from companies, organizations and institutions that are not involved in production of goods while Industrial solid waste transportation and disposal involves collection of solid waste from companies that are involved in production of goods. The receptacles used are polythene bags, skips, drums and plastic dustbins. The city has only one dump site located at Dandora and this is perceived to have reached full capacity. This has led to the emergence of illegal dumpsites along road sides, backyards of residential houses and commercial premises. Despite privatization of solid waste transportation and disposal, areas occupied by the poor have not been served (UNEP, 2007).

1.2 Statement of the problem

Competitive strategy refers to how a company competes in a particular business. Competitive strategy is concerned with how a company gain a competitive advantage through a distinctive way of competing. Competitive strategies must be based on a core idea about how the firm can best compete in the market place. Long term strategy should derive from a firm's attempt to seek a competitive advantage based on one of the three generic strategies which are striving for overall low cost leadership in the industry, Striving to create and market unique products for varied customer groups through differentiation and striving to have special appeal to one or more groups of customer or industrial buyers, focusing on their cost or differentiation. Businesses become successful because they posses some advantage relative to their competitors (Porter,1979).

Thompson and Strickland (1996) defines the following sources of competitive advantage; having the best made product in the market, delivering superior customer service, achieving lower costs than rivals, being in a more convenient geographical location, proprietary technology, having a feature and styling with more buyer appeal, shorter lead times in developing and testing new products, having a well known brand name and good quality and providing customer more value for their money than competitors.

The growth of urban population in Nairobi has resulted in a corresponding growth of urban management problems. These problems are persistent where maintenance of established infrastructure and services are a major concern. The local government finds enormous difficulties in providing proper access to public environment services and goods such as good quality of air and water, parks, green spaces and safe waste disposal. This has made the city of Nairobi to degenerate from "a city in the Sun" into "a city in garbage" which has led to the emerging of private solid waste transportation and disposal companies (Shewan,2000). Initially in the late 1980's only one private solid waste transportation and disposal firm existed in Nairobi but now there have emerged quite a number of them. This has made it necessary to find out what competitive strategies these small mushrooming firms are using in order to be able to survive in this industry.

A number of studies done by Kitola (2005), Obado (2005), Ogolla (2005), Ndubai (2004), and Lengewa (2003), none of the studies has covered the competitive strategies used by small mushrooming firms in the Solid Waste Transportation and Disposal industry in Nairobi, Kenya. Therefore the proposed study intends to fit the gap by determining the competitive strategies used by these firms in this industry. Specifically the study intends to address the questions: What are the challenges of competition faced by firms in the Solid Waste Transportation industry in Nairobi, Kenya? What are the competitive strategies used by firms in the Solid Waste Transportation and Disposal industry in Nairobi, Kenya?

Studies in the solid waste management industry have been done before but none has been done which is similar to the study of competitive strategies used by this firms. The closest of these studies was carried out by Peters (1998) where he studied community based waste management for environmental management and income generation in low income areas. Another study was done by Kibwage (2002) where he studied the role of community composting groups in Nairobi which saw the low income residents adopt other strategies to improve and maintain sanitation in their neighbourhoods.

1.3 Objectives

The objectives of the study will be as follows;

i. To determine challenges of competition faced by firms in the Solid Waste Transportation and Disposal industry in Kenya.

ii. To determine the competitive strategies used by firms in the Solid Waste Transportation and Disposal in Nairobi.

1.4 Importance of the Study

The study will contribute immensely towards understanding the importance of firms using competitive strategies in order for them to have a competitive advantage and ensure future sustainability and profitability in the industry.

It will be used by academicians as a point of reference for further academic research in the field of Strategic Management and a better understanding of the significance of competitive strategies in an industry.

It will be used by the interested managers of firms in the Solid Waste Transportation and disposal industry to learn about the competitive strategies being used by competition and on how to improve on their own competitive strategies so as to have continued competitive advantage over the others.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Today's dynamic markets and technologies have called into question the sustainability of competitive advantage. Under pressure to improve productivity, quality and speed, managers have embraced tools such as TQM, benchmarking, reengineering, dramatic operational improvements have resulted, but rarely have these gains translated into sustainable profitability. Gradually the tools have taken the place of strategy. As managers push to improve on all fronts, they move further away from viable competitive positions (Bateman and Zeithaml, 1990). Porter (1996) argues that operational effectiveness, although necessary to superior performance, is not sufficient, because its techniques are easy to imitate. In contrast, the essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match. Business managers examine and choose a business strategy that allows their business to maintain or create a sustainable competitive advantage. Their starting point is to evaluate and determine which competitive advantages provide the basis for distinguishing the firm in the customer's mind from other reasonable alternatives. Businesses become successful because they posses some advantage relative to their competitors.

2.2 Concept of Strategy

Strategy is a unifying or integrating pattern of decisions. It is a common thread. Strategy defines organization purpose which includes goals, objectives and priorities. It deals with organizational competitive advantage, positioning of organization in the environment. Strategy defines obligations of the organization to its stakeholders and also defines the business of the organization in terms of product or the market scope. Strategy is the direction and scope of an organization over the long term, which achieves advantage for the organization of resources within a changing environment and to fulfil stakeholder expectations (Johnson and Scholes, 2002).

Mintzberg (1973) defines strategy as a plan, ploy, pattern, position and perspective. As a plan strategy specifies a consciously intended course of action, defines in advance of the actions it governs, develops deliberately or purposefully and may be general or specific. Strategy as a ploy is a specific manoeuvre intended to outwit a competitor for example expansion. The idea is to outsmart and shed off competitor threat. Strategy as a pattern is a pattern that emerges from a stream of actions. It is developed in the absence of intentions and without pre-conception.

It is visualised only after the events it governs. Strategy as a position is a means of locating an organization in the environment. It indicates how an organization will develop a sustainable competitive advantage. Strategy as a perspective gives an organization an identity and a perspective. It reveals the way an organization perceives the outside world. It may be an abstraction which only exists in the mind of some interested party for example the chief executive officer.

Different persons conceive or see situations in different ways. Similarly people tend to view strategy in different ways; strategy as design, strategy as experience and strategy as ideas. These different perspectives have been seen as strategy lenses (Johnson and Scholes, 2002). Strategy as design is seen as a forward plan. It comes before events it governs. Strategy is the result of systematic, rational analysis and choice. It is the result of positioning a company over time. Information from external and internal analysis is used here and strategy results from deliberate managerial effort. Strategy as experience is about the long term direction of an organization. This long term may not be decided or shaped at one point in time. It develops in an adaptive fashion. New strategy develops from existing strategy. Companies rarely make sharp changes in strategy. Strategy develops from organizational experience. There is corporate culture influence and no company can function effectively if it undergoes frequent and drastic changes in strategy. Strategy as ideas views strategy as an emergence of order and innovation from a variety of ideas that exist in and around companies. This may be a response in a highly discontinuous environment, paradigm shifts or discontinuous corporate changes.

2.3 Competition and its challenges

An industry can be defined as a group/collection of firms offering products or services that are close substitutes for one another (Pearce and Robinson, 1997; Kotler, 1998; Lipsey, 1987; Porter, 1980). Individual industries may differ from each other according to the degree of competition among various buyers and sellers in each market (Lipsey, 1987). Kotler (1998) states that there are four forms of competition among firms: offering similar products and services to the same customer at similar prices; industry competition among firms making the same product or class of products; form competition among firms manufacturing products that supply the same service; and generic competition among all the firms competing for the same consumers' disposable income.

Thompson and Strickland (2003) point out that one important component and competitive analysis involves delving into the industry's competitive process to discover what the main sources of competitive pressure are and how strong each competitive force is. This analytical step is essential because managers cannot devise a successful strategy without in-depth understanding of the industry's competitive character. Hax and Majluf (1996) assert that in order to select the desired competitive position of a business, it is necessary to begin with assessment of the industry to which it belongs. To accomplish this task, managers must understand the fundamental factors that determine the firm's long-term profitability prospects because this indicator embodies an overall measure of industry attractiveness.

The essence of strategy formulation is coping with competition. In the fight for market share, competition is not manifested only in the other players rather competition in an industry is rooted in its underlying economics and competitive forces existing that go well beyond the established combatants in a particular industry. Customers, suppliers, potential entrants, and substitute products are all competitors that may be more or less prominent or active depending on the industry (Pearce and Robinson, 2007). The collective strength of these forces determines the ultimate profit potential of an industry.

Competition in an industry comes with its challenges which include a reduction in market share. Competition in an industry is rooted in its underlying economics and competitive forces exist that go well beyond the established combatants in a particular industry. Porter (1979) observes that new entrants to an industry bring new capacity, desire to gain market share and substantial resources. They work hard to capture various customers which lead to a reduction in the market share of the dominant firm in the industry as a result of losing the customers to the competitors.

Increase in marketing costs which include costs incurred as a result of the company coming up with product differentiation or branding, advertising, sales promotions, customer service which would help the customers to perceive differences among products as a result of availability of close substitutes from the competitor and a way of ensuring customer loyalty and repeat sales. The organization needs to persuade current customers to purchase more of its products or capture new customers. This necessitates an aggressive marketing strategy which means increasing marketing communications, implementing sales promotion programs, lowering prices, or taking other actions intended to create more business (Kotler , 1994).

A reduction in prices of products, low returns and low profitability as a result of increased bargaining power of buyers who force down the prices demanding higher quality or more service and play competitors off against each other. An industry with competitors providing similar services to customers forces the price of the services to be provided at a lower rate as the customers have a variety of suppliers to choose from which in the long run reduces the returns and profitability of the firm. Even a company with a strong position in an industry unthreatened by potential entrants will earn low returns if it faces a superior or lower-cost substitute product.

Increased costs on staff remuneration and work related benefits as the company will strive to retain their best employees so that they are not lost to the competitor who promises better working terms and conditions in the industry. The firms will try as much as possible to match or even outdo each other in compensations packages they offer to their employees so that they retain their best employees and also retain their secrets of the business so that they are not leaked out as a result of an employee moving to a competitor firm. Increased cost on raw materials which is brought about by increased bargaining power of the suppliers as a result of the demand being higher than the supply. With an increase in the number of players in an industry with no correspondence increase in the suppliers of raw materials, this leads to the cost of the raw materials being high as there will always be a scramble for the raw materials by the buyers which gives the suppliers the power to manipulate the cost as they deem suitable for them which increase the cost to the buyer.

Increased globalization of firms. Three aspects of global business make global planning necessary. Differences among the environmental forces in different countries, greater distances and the interrelationships of global operations. Growth in size and complexity of global firms has made it virtually impossible without a coordinated plan of action detailing what is expected of whom during a given period. The common practice of management by exception is impossible without plan (Doz and Prahalad, 1984).The increase in global competition. Because of the rapid increase in global competition, firms must constantly adjust to changing conditions or lose markets to competitors. The increase in global competition also spurs managements to search for methods of increasing efficiency and economy (Doz and Prahalad, 1984).

The rapid development of technology has shortened the product life cycles. It is necessary to ensure the replacement of products that are moving into maturity stage, with fewer sales and declining profits (Harveland and Prahalad, 1983). Companies in the industry have to keep up with advances in technology brought about by new entrants into the industry so as to stay in the business otherwise the products and the delivery of the services using old technology may be rendered obsolete and very uneconomical for the firms using them which may lead them to losses. Compromised quality of the products or services which is brought about by imitations by competitors who end up producing counterfeits and confusing customers to believe that they are getting quality for their money. In cases where the customers confuse the products of the competitors and the quality is compromised, this may end up ruining the reputation and image of the innocent company in the industry.

2.4 Porter's Five-Force Model of industry competition

In any industry whether service or manufacturing, Porter (1980), observes that the rules of competition are embodied in five competitive forces: the entry of new competitors, the threat of substitutes, the bargaining power of buyers, the bargaining power of suppliers, and rivalry among the existing competitors. The collective strength of these five competitive forces together with other context specific forces (government, logistics, and information technology) as identified by Aosa (1997) and McFarlan (1984).

In developing the model, Porter (1980) observes that the essence of formulating competitive strategy is relating a company to its environment. He notes that although the relevant environment is very broad, encompassing social as well as economic forces, the key aspect of the firm's environment is the industry or industries in which it competes. According to him, industry structure has a strong influence in determining the competitive rules of the game as well as the strategies potentially available to the firm. He holds the belief that the strength of competitive forces in an industry determines the degree to which the inflow of investment occurs and drives the return to the free market level, and thus the ability of firms to sustain above average returns.

The threat of entry into an industry depends on the barriers to entry present, coupled with the reaction from existing competitors that the entrant can expect. If barriers are high and/or the new comer can expect sharp retaliation from entrenched competitors, the threat of entry is low and vice versa. The major sources of barriers to entry include economies of scale; product differentiation; capital requirements; switching cost; access to distribution channels; cost disadvantages independent of scale; and government policy. Conditions that signal the likelihood of strong retaliation to entry and hence deter it include among others a history of vigorous retaliation; established firms with substantial resources to fight back; established firms with great commitment to the industry and highly illiquid assets employed in it; and slow industry growth which limits the ability of the industry to absorb a new firm without depressing the sales and financial performance of established firms (Hitt et al, 2008; Keegan and Schlegelmilch, 2001).

Intensity of Rivalry among existing competitors: This takes the familiar form of jockeying for position using tactics like price competition, advertising battles, product introductions, and increased customer service or warranties. Rivalry occurs because one or more competitors either feels the pressure or sees the opportunity to improve position. Rivalry in some industries is characterised by such phrases as "warlike", "bitter", "cutthroat", whereas in other industries it is termed "polite" or "gentlemanly". Intense rivalry is the result of a number of interacting structural factors namely; numerous or equally balanced competitors, slow industry growth, high fixed or storage costs, lack of differentiation or switching costs, capacity augmented in large increments, diverse competitors, high strategic stakes, and high exit barriers among others (Hoskisson, 2008; Donnelly, 2004; Reibstein and Gunther, 2004; Davies and Lam, 2001).

Pressure from substitute products: All firms in an industry are competing in a broader sense with industries producing substitute products. Substitutes limit the potential returns of an industry by placing a ceiling on the prices firms in the industry can profitably charge. The more attractive the price performance alternatives offered by substitutes, the firmer the lid on industry profits and vice versa. Identifying substitute products is a matter of searching for products that can perform the same function as the product of the industry. Substitute products that can deserve the most attention are those that are subject to trends improving their price performance trade off with the industry's product, or are produced by industries earning high profits Porter, (1980); (Salinas, 2007) and (Rea and Kerzner, 1997).

Bargaining power of buyers: Buyers compete with the industry by forcing down prices, bargaining for higher quality or more services, and playing competitors against each other all at the expense of industry profitability. The power of each industry's important buyer groups depends on a number of characteristics of its market situation and on the relative importance of its purchases from the industry compared with its overall business. A buyer group is powerful if the following conditions hold true, otherwise it is not: it is concentrated or purchases large volumes relative to seller sales; the product it purchases from the industry represent a significant fraction of the buyer's cots or purchase; the product it purchases from the industry are standard or undifferentiated; it faces few switching costs; it earns low profits; buyers pose a credible threat of backward integration; the industry represent a significant fraction of the buyer's costs or purchase; the product it purchases from the industry are standard or undifferentiated; it faces few switching costs; it earns low profits; the industry's product is unimportant to the quality of the buyer's products/services; and the buyer has full information among others (Hargroves and Smith, 2005; Campbell et al, 2002; Hoskisson, 2008; Hill and Jones, 2007).

Bargaining power of suppliers: Suppliers can exert bargaining power over participants in an industry by threatening to raise prices or reduce the quality of purchased goods and services. Powerful suppliers can thereby squeeze profitability out of an industry unable to recover cost increases in its own prices. The conditions making suppliers powerful if the following conditions apply, otherwise it is not: it is dominated by a few companies and is more concentrated than the industry it sells to; it is not obliged to contend with other substitute products for sale to the industry; the industry is not an important customer of the supplier group; the suppliers' product is an important input to the buyer's business; the supplier group's products are differentiated or it has built up switching costs; and the supplier group poses a credible threat of forward integration among others (Ginter et al, 2002; Grant, 2002; Sloman, 2005; Lehmann and Winer, 1988).

2.5 Porter's Generic strategies for competition

Competitive strategy refers to how a company competes in a particular business. Competitive strategy means deliberately choosing different set of activities to deliver a unique mix of value. Competitive strategy is concerned with how a company can gain a competitive advantage through a distinctive way of competing. Porter (1980) came up with generic competitive strategies also known as ways in which a firm can employ in competing with others in an industry. According to this generic strategies, a firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can posses; low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry; cost leadership, differentiation and focus. The focus strategy has two variants, cost focus and differentiation focus (Yoshino and Rangan, 1995.

In cost leadership, a firm sets out to become the low cost producer in its industry. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average. Differentiation strategy is where a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price (Keegan and Schlegelmilch, 2001).

The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. The focus strategy has two variants: in cost focus a firm seeks a cost advantage in its target segment, while in differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behaviour in some segments, while differentiation focus exploits the special needs of buyers in certain segments (Swamidass, 2000; Schnaars, 1998; Bradley, 2005).

2.6 Other competitive strategies

International management consultants Michael Treacy and Fred Wiersema propose an alternative approach to Porters generic strategies called the Value Disciplines. They suggest that companies gain leadership positions by delivering superior value to their customers. They can pursue any of the three strategies. Operational excellence; the company provides superior value by leading its industry in price and convenience. It works to reduce costs and to create lean and efficient value delivery system. It serves customers who want reliable, good-quality products or services, but who want them cheaply and easily.

Customer intimacy; the company provides superior value by precisely segmenting its markets and tailoring its products or services to match exactly the needs of targeted customers. It specializes in satisfying unique customer needs through a close relationship with and intimate knowledge of the customer. It builds detailed customer databases for segmenting and targeting and empowers its marketing people to respond quickly to customer needs. Customer-intimate companies serve customers who are willing to pay a premium to get precisely what they want.

In a product leadership the company provides superior value by offering a continuous stream of leading-edge products or services. It aims to make its own and competing products obsolete. Product leaders are open to new ideas, relentlessly pursue new solutions, and work to get new products to market quickly. They serve customers who want state-of the art products and services, regardless of the costs in terms of price or convenience (Treacy and Wiersema, 1993).

Concentrated growth is the strategy of the firm that directs its resources to the profitable growth of a single product, in a single market, with a single dominant technology. The main rationale for this approach, sometimes called a market penetration or concentration strategy, is that the firm thoroughly develops and exploits its expertise in a delimited competitive arena. Concentrated growth strategies lead to enhanced performance.

According to (Kotler and Keller, 2005), the ability to assess market needs, knowledge of buyer behaviour, customer price sensitivity and effectiveness of promotion are characteristics of a concentrated growth strategy. Such core capabilities are a more important determinant of competitive market success than are the environmental forces faced by the firm. The high success rates of new products also are tied to avoiding situations that require undeveloped skills, such as serving new customers and markets, acquiring new technology, building new channels, developing new promotional abilities, and facing new competition.

Market development consists of marketing present products, often with only cosmetic modifications, to customers in related market areas by adding channels of distribution or by changing the content of advertising or promotion (Pearce and Robinson, 1997). Firms are practising market development if they switch from advertising in trade publications to advertising in newspapers or if they add jobbers to supplement their mail-order sales efforts. Market development allows firms to practice a form of concentrated growth by identifying new uses for existing products and new demographically, psychologically, geographically defined markets. Frequently, changes in media selection, promotional appeals and distribution are used to initiate this approach.

Product development involves the substantial modification of existing products or the creation of new but related products that can be marketed to current customers through established channels. The product development strategy often is adopted either to prolong the life cycle of current products or take advantage of a favourite reputation or brand name. The idea is to attract satisfied customers to new products as a result of their positive experience with the firm's initial offering (Johnson and Scholes, 2002). Product development strategy is based on the penetration of existing markets by incorporating product modifications into existing items or by developing new products with a clear connection to the existing product line.

Innovation is a grand strategy that seeks to reap the premium margins associated with creation and customer acceptance of a new product or service. It is the process of creating new and better solutions to customers' problems. Hurly and Hutt (1998) talk of innovation as a process that focuses the effects of both market orientation and learning on performance. Innovation can be seen as the process of the organization to more closely align it with the market requirements either as a response to environmental dynamics or as a pre-emptive action to influence the environment. Thus innovation acts as a process both to create and to defend competitive position from imitation or erosion. Organizational innovation has been consistently defined as the adoption of an idea or behaviour that is new to the organization (Hage, 1980; Zummato and O'Connor, 1992). The innovation can either be a new product, a new service, a new technology, or a new administrative practice. This strategy differs from product development strategy of extending an existing product's life cycle.

Horizontal integration is a strategy based on growth through the acquisition of one or more similar firms operating at the same stage of the production-marketing chain. Such acquisitions eliminate competitors and provide the acquiring firm with access to new markets. Vertical integration is where by a firm acquires firms that supply it with inputs such as raw materials or are customers for its outputs such as warehouses for finished products. It is backward vertical integration when the acquired firm operates at an earlier stage of the production-marketing process and it is forward vertical integration if the acquisition of a firm is nearer to the ultimate consumer. The main reason for backward integration is the desire to increase the dependability of the supply or quality of the raw materials used as production inputs. That desire is particularly great when the number of suppliers is small and the number of competitors is large. In this case the vertically integrating firm can better control its costs and thereby improve the profit margin of the expanded production-marketing system. Forward integration is preferred if great advantages accrue to stable production A firm can increase the predictability of demand for its output through forward integration; that is through ownership of the next stage of its production-marketing chain (Thompson and Strickland, 1993).

Concentric diversification involves acquiring of businesses that are related to the acquiring firm in terms of technology, markets or products. The selected new businesses posses a high degree of compatibility with the firm's current businesses. The ideal concentric diversification occurs when the combined company profits increase the strengths and opportunities and decrease the weaknesses and exposure to risk. The acquiring firm searches for new businesses whose products, markets, distribution channels, technologies and resource requirements are similar to but not identical with its own, whose acquisition results in synergies but not complete interdependence (Pearce and Robinson, 2007).

Conglomerate diversification is where a firm particularly a large one, plans to acquire a business because it represents the most promising investment opportunity available. The principle concern of the acquiring firm is the profit pattern of the venture. Unlike concentric diversification, conglomerate diversification gives little concern to creating product-market synergy with existing business (Porter and Fuller, 1986). The principle difference between the two types of diversification is that concentric diversification emphasizes some commonality in markets, products, or technology, whereas conglomerate diversification is based principally on profit considerations.

Turnaround is a strategy of cost reduction and asset reduction by a company to survive and recover from declining profits. A firm can find itself with declining profits. Among these reasons are economic recessions, production inefficiencies and innovative breakthroughs by competitors. It is begun through one of two forms of retrenchment, employed singly or in combination. Cost reduction examples include decreasing the workforce through employee attrition, leasing rather than purchasing equipment, extending the life of machinery, eliminating elaborate promotional activities, laying off employees, dropping items from a production line and discontinuing low-margin customers (Devlin and Blaeackley, 1988). Asset reduction examples include the sale of land, buildings and equipment not essential to the basic activity of the firm and the elimination of "perks" such as the company airplane and executives' cars.

Joint venture is where companies create a co-owned business that operates for their mutual benefit (Harrigan, 1985). Occasionally two or more firms lack a necessary component for success in a particular competitive environment. Managers are wary of joint ventures. Joint ventures present new opportunities with risks that can be shared. On the other hand joint ventures often limit the discretion, control and profit potential of partners while demanding managerial attention and other resources that might be directed toward the firm's mainstream activities. Increasing globalization in many industries may require greater consideration of the joint venture approach if historically national firms are to remain viable.

A strategic alliance has been defined as relationship of anticipated durability established between two independent firms involving the sharing of pooling of resources to create a corporate or interest for undertaking a business activity or activities of strategic importance to one or more partners for their mutual economic advantage (Ul-Haq et al, 2003). Strategic alliances are partnerships that exist for a defined period during which partners contribute their skills and expertise to a cooperative project. The companies involved do not take an equity position in one another. For example one partner provides manufacturing capabilities while a second partner provides marketing expertise. many times such alliances are undertaken because the partners want to develop in-house capabilities to supplant the partner when the contractual arrangement between them reaches termination date (Lei and Slocum, 1993, 1992) . Such relationships are tricky because in a sense the partners are attempting to "steal" each other's know-how.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Qualitative research is designed to tell the researcher how (process) and why (meaning) things happen as they do. Qualitative research includes an array of interpretive techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency of certain more or less naturally occurring phenomena in the social world (Cooper and Schindler, 2006).

3.2 Research Design

The study was conducted in the form of a census. A census was considered appropriate because of the nature of the data that was to be solicited. In adopting this design, the study sought to describe the challenges of competition faced by firms in the industry and the competitive strategies used by the firms in the Solid Waste Transportation and Disposal industry in Kenya. This research design has been successfully used by researchers in similar past studies (Kitola, 2005; Obada, 2005; Ogolla, 2005). This study was also ideal as it was carried out at one point in time.

3.3 Target Population

The Population of study consisted of all small Solid Waste Transportation and Disposal firms in Nairobi. According to the industry regulator, the National Environment Management Authority (NEMA) and the City Council of Nairobi (CCN) there are 8 private waste transportation and disposal companies in Nairobi which are registered by the regulator as solid waste transportation and disposal companies. There are other groups that carry on solid waste transportation and disposal services such as community/youth groups but none of them is registered by the industry regulator as a result, the study was limited to those companies registered by the industry regulator.

3.4 Data Collection

The study used primary data which was collected using a semi-structured questionnaire comprising of both closed and open-ended questions. The questionnaire (Appendix 1) was designed for this purpose. The questionnaire was divided into three parts; Part A containing semi- structured questions aimed at obtaining general information on the organization, Part B and C consisting of Likert type questions for gathering data on challenges of competition faced by the players in the industry and competitive strategies used by the players in the industry. The respondents were the Managing Director/General Manager and Sales and Marketing Manager of each firm. The researcher used descriptive statements in a 5-point Likert scale on which they were rated by scoring the extent to which they perceived a particular statement to be descriptive of the challenges of competition faced and the competitive strategy used. The drop and pick later method and personal interviews with the managers where possible were used.

3.5 Data Analysis

Due to the cross-sectional and descriptive nature of data that was collected, the study used descriptive statistical tools of analysis. To find out the challenges of competition faced and competitive strategies used by the firms, cluster analysis was used. This entailed organizing variables and their relationships in measuring the extent to which they are related in describing a particular challenge of competition and competitive strategy. Variables describing a particular challenge faced and a competitive strategy used were grouped into clusters and used to measure the strength of the challenge and competitive strategy. This was done by way of mean scores of each of the variables describing the challenge of competition and the competitive strategy. It was also possible to establish the most prevalent challenges faced as a result of competition and the most prevalent competitive strategies employed as a result of these challenges. Analysed data has been presented in tables to summarize the findings.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the findings of the study that were revealed upon collection and analyzing the data. The study sought to achieve two objectives. First, to determine challenges of competition faced by firms in the solid waste transportation and disposal industry in Nairobi Kenya; and second to determine the competitive strategies used by firms in the solid waste transportation and disposal industry in Nairobi Kenya. To achieve these objectives, a total of eight firms were selected and the targeted respondents asked a set of questions in a structured questionnaire about the challenges of competition faced by the firms and the competitive strategies used by the firms in the industry. The variables of the study which were used in the questionnaire were adopted from Porter's Five Force Model, Porter's Generic Strategies for Competition and Other Competitive Strategies, which formed the conceptual framework for the study. All the eight questionnaires that were administered were filled and returned, hence 100% response rate. In analysing the data that was collected, the variables that define the challenges of completion and the competitive strategies used were clustered together, their respective means and standard deviations calculated after which the mean of these means obtained to determine the extent to which the a certain challenge or competitive strategy is important in defining the industry. A challenge or a competitive strategy with a mean of 2.5 and above would be considered to be strong enough to have impact on the competition in the industry. The extent of the variation to which the respondents viewed each of the cluster factors as contributing to competition in the industry will be indicated by the respective standard deviations. The higher the standard deviation, the higher the variance and vice versa.

4.2 Profile of Respondent Companies

Companies that operate in an industry are never the same with respect to some characteristics. It was the intention of the study to first establish the nature of the companies that were targeted by looking at their mode of incorporation, ownership, market coverage and services offered.

These aspects were considered to lay ground for the nature of competitive behaviour in the industry. The companies that participated in the study were Bins (Nairobi0 Services Ltd, Bio Bins Ltd, Eco Trash, Garbage Dot Com Ltd, Ideal Bins Ltd, Smart City Cleaners, Urban Waste Management and Zoa Taka Ltd. These companies offer solid waste transportation and disposal services except for a few who provide other additional services. Bins (Nairobi) Services Ltd provides Cleaning, Sanitary disposal and Landscape maintenance services. Garbage Dot Com Ltd provides Cleaning and Landscape maintenance services while Smart City Cleaners provides Cleaning services.

It was established that the companies were incorporated through a number of ways. Of all the eight companies studied, two were sole proprietorship. The rest were limited companies. The research findings are p[resented in Table 1.

Table 1: Mode of Incorporation

Type of Company	Frequency	Percent
Limited company	6	75.0
Sole Proprietorship	2	25.0
Total	8	100.0

Source: Research Data

With respect to ownership, respondents were asked to state whether their companies were locally owned, foreign owned or both locally and foreign owned. It was established that of the eight companies that were studies 8(100%) were locally owned. The findings are summarised in Table 2.

Table 2: Ownership

Ownership	Frequency	Percent
Locally owned	8	100.0
	8	100.0

Source: Research Data

On aspect of market coverage, respondents were asked to state the geographical market coverage of the companies' services. This aspect was considered to have bearing on the various companies' market sizes and the challenges of competition faced and the competitive strategies used. According to research findings (75%) of the firms offer their services within Nairobi and its environs; (12.5%) offer their services within major towns in Kenya while the remaining (12.5%) offer services countrywide in both rural and urban areas. The findings are presented in Table 3 below.

Table 3: Market Coverage

Geographical Coverage	Frequency	Percent
Within Nairobi and environs	6	75.0
Within major towns	1	12.5
Countrywide (rural 7& urban)	1	12.5
Total	8	100.0

Source: Research Data

The companies that were covered in the study operate in the study operate in an industry in which a number of services could be offered. However, the overriding service is Solid Waste Transportation and Disposal. Respondents were asked to list the services offered by their firms and the following were listed; Cleaning, Sanitary disposal and Landscape maintenance.

4.3 Challenges of Competition Analysis

Kotler (1998) states that there are four forms of competition among firms: offering similar products and services to the same customer at similar prices; industry competition among firms making the same products or class of products; form competition among firms manufacturing products that supply the same service; and generic competition among all the firms competing for the same customers' disposable income.

It is on this basis that this study sought to establish the competitive strategies used by firms and the challenges of competition faced by firms in the solid waste transportation and disposal industry. The study was guided by Porter's Five Forces Model, Porter's Generic Strategies of Competition and other competitive strategies. The challenges of competition investigated were based on the Five Forces which included Entry barriers, Threat of new entrants, Threat of substitute products, bargaining power of buyers, bargaining power of suppliers and rivalry among existing firms. Others included government control.

It was the intention of the study to establish whether a challenge of competition was a major determinant of competitive behaviour of the players in the industry. Various challenges were presented to respondents and they were asked to rank each of them according to the extent to which it is perceived as a challenge of competition in the industry. The findings are summarised and presented in Table 4 below. The magnitude of the mean score of each of the challenge of competition indicates the extent to which it acts as a competitive force in the industry.

Table 4: Challenges of Competition

	Variable/Factor	N	Mean Score	Standard Deviation
1	Growth is too fast.	8	2.9	3.6
2	Scarcity to inputs.	8	1.8	1.9
3	Pressure from substitute products or services.	8	3.6	5.9

4	More concentrated consumers than service providers.	8	1.3	1.7
5	Movement of Employees from one firm to another.	8	1.6	1.9
6	Consumers of services being price sensitive.	8	4.4	10.3
7	The consumers having knowledge of product or service differences offered.	8	2.6	4.0
8	The consumer's propensity to substitute one service firm for another is high.	8	2.3	3.4
9	Consumers of services purchasing in large volumes.	8	2.1	2.1
10	Use tactics like price competition, advertising, product introductions and increased customer service or warranties.	8	3.4	6.0
11	More concentrated suppliers of inputs than service firms.	8	1.8	1.9
12	Availability of a variety of input substitutes.	8	1.5	1.7
13	Inputs supplied being important to the service provider's business.	8	2.8	4.2
14	Unnecessary number of licenses required before beginning operations.	8	2.6	3.3
15	Strict regulations enforced by NEMA and City Council of Nairobi.	8	3.4	5.7
16	Freedom of entry and exit from the industry.	8	3.5	7.4
17	No legal prohibitions on entry or exit.	8	1.9	2.5
18	Existence of a few firms offering essentially the same products or services.	8	2.5	3.3
19	Existence of a few firms offering differentiated products or services.	8	2.5	2.6
20	Firms offering similar products or services.	8	4.0	7.0

21	Firms offering similar prices to customers.	8	3.4	4.6

Mean of Mean Scores = $\sum X/n = 55.9/21 = 2.7$

Source: Research Data **N – Number of Respondents**

From Table 4 above, it can be observed that 13(61.9%) of the challenges of competition were found to exist in the solid waste transportation and disposal industry. The challenges include in descending order of strength, consumers of services being price sensitive (mean score 4.4), firms offering similar products or services in the industry (4.0), existence of pressure from substitute products or services in the industry (3.6), existence of freedom of entry and exit from the industry (3.5), use of tactics like price competition, advertising, product introductions and increased customer service or warranties (3.4), strict regulations enforced by NEMA and the City Council of Nairobi (3.4), firms offering similar prices to customers (3.4) growth being too fast in the industry (2.9), inputs supplied being important to the service providers in the industry (2.8), the consumers having knowledge of product or service differences offered (2.6), unnecessary number of licenses required before beginning operations in the industry (2.6), existence of a few firms offering essentially the same products or services in the industry (2.5) and existence of firms offering differentiated products or services in the industry (2.5).

The above findings imply that there are a number of challenges of competition that the firms in the industry face. Consumers of services in this industry are price sensitive leading the companies to offer similar prices. Before contracting for services the customers make a comparison of the prices from one firm to another and go for the lowest charging firms. The firms in the industry offer similar products or services, hence facing a lot of pressure from substitute products/services making it easier for customers to move from one firm to another if they feel that they are not being given value for their money. There is freedom of entry and exit from the industry. Since there are no legal restrictions or huge capital outlays involved in investing in the industry this makes it easy for the firms to walk in and out when the business is not doing well.

Easy availability of similar products or services and substitute products or services, most of the firms use tactics like price competition, advertising, product introductions and increased customer service warranties so as to be able to retain customers and convert them into loyal customers.

Strict regulations enforced by NEMA and the City Council of Nairobi is seen by the studied firms as being unfairly enforced as there are many service providers in the industry who are not registered by the industry regulators hence covering a market share which would have been covered by the genuine registered firms that follow the laid down regulations of the industry. Growth in this industry is considered to be too fast considering the growth in urban population which has led to the City Council of Nairobi not being able to provide prompt and efficient solid waste transportation and disposal services to the city residents which finally led to the formation of private companies. Inputs supplied such as polythene bags, metal sheets for prefabrication of skips, motor vehicles for transportation and only one legalised dumpsite are very important to the firms which makes the suppliers of this products to have a high bargaining power as the firms cannot carry on operations without them. Consumers have knowledge of products or services offered by various firms. This is evidenced by various firms branding themselves so as to ensure that customers differentiate them from each other hence things like different corporate colours, logos and taglines are used. Firms feel that there is unnecessary number of licences required before beginning operations which makes firms that follow regulations to be at a disadvantage as compared to those that don't. Firms are required to incur huge costs for licences encouraging those interested to invest in the industry not to follow the rules.

4.4 Competitive Strategies Analysis

The research findings in section 4.3 above brought to light the challenges of competition that are faced by firms in this industry. However different challenges take on prominence in different directions in shaping competition in each industry.

4.4.1 Porter's Generic Strategies of Competition Analysis

It was the intention of the study to establish whether these strategies were used by firms in the industry in order to have a competitive advantage over others in the industry. Various competitive strategies were presented to respondents and they were asked to rank each one of them according to the extent to which they are used or employed by firms in the industry. The study findings are summarised and presented in Table 5 below.

The magnitude of the mean score of each of the generic strategy indicates the extent to which a generic strategy is used by the firms in the industry.

Table 5: Porter's Generic Strategies of Competition

	Variable/Factor	N	Mean Score	Standard Deviation
1	Working hard to achieve the lowest production and distribution costs.	8	3.5	4.9
2	Pricing lower than competitors in the industry.	8	1.5	1.8
3	Concentrating on creating highly differentiated products or services and come out as a class leader.	8	3.1	4.5
4	Charging premium price than competitors.	8	2.4	2.5
5	Focusing on serving a target segment by pricing lower.	8	2.1	3.4
6	Focusing on serving a target segment by creating highly differentiated products or services.	8	2.9	3.5

Mean of Mean Scores = $\sum X/n = 15.5/6 = 2.6$

Source : Research Data **N-Number of Respondents**

From Table 5 above it can be observed that 5(83%) of Porter's Generic Strategies of Competition were found to exist in the solid waste transportation and disposal industry. Porter's generic strategies used include in descending order of strength, working hard to achieve the lowest production and distribution costs (mean score 3.5); concentrating on creating highly differentiated products or services and come out as a class leader (3.1); focusing on serving a target segment by creating highly differentiated products or services (2.9); charging premium price than the competitors (2.4) and focusing on serving a target segment by pricing lower (2.1).

The above findings imply that there are a number of Porter's Generic Strategies of Competition being employed by firms in the industry. Firms in the industry work hard to achieve the lowest production and distribution costs which lead them to price lower due to the customer's sensitivity on pricing. Few firms concentrate on creating highly differentiated products or services and come out as a class leader which enables them to charge a premium price than competitors. Firms in the industry focus on serving a target segment by creating highly differentiated products or services which enable the customers to differentiate their services from those of the competitors. Firms in the industry focus on serving a target segment by pricing lower especially to the low income areas of the population.

4.4.2 Other Competitive Strategies Analysis

It was the intention of this study to establish whether other competitive strategies were used by players in the industry. Various competitive strategies were presented to the respondents and they were asked to rank each one of them according to the extent to which they are used in the industry. The study findings are summarised and presented in Table 6 below. The magnitude of the mean score of each competitive strategy indicates the extent to which the competitive strategy is used by firms in the industry.

Table 6: Other Competitive Strategies

	Variable/Factor	N	Mean Score	Standard Deviation
1	Working hard to achieve the lowest production and distribution costs as well as concentrating on	8	2.4	3.2

	creating highly differentiated products or services.			
2	Providing superior value by leading in serving customers with reliable, good-quality products or services cheaply and easily.	8	3.5	5.8
3	Providing superior value by segmenting their markets and tailoring their products or services to match exactly the needs of the targeted customers.	8	3.0	4.5
4	Providing superior value by offering a continuous stream of leading-edge products or services.	8	2.6	3.0
5	Directing their resources to the profitable growth of a single product line, in a single market, with a single dominant technology.	8	2.1	2.7
6	Marketing present products to customers in related market areas by changing the context of advertising or promotion.	8	1.6	2.7
7	Doing substantial modification of existing products or the creation of new but related products that can be marketed to current customers.	8	2.1	2.7
8	Seeking to reap premium margins associated with creation and customer acceptance of a new product or service.	8	1.8	1.9
9	Acquiring firms that şupply them with inputs.	8	1.1	1.5
10	Acquiring one or more similar firms operating at the same stage of production-marketing chain.	8	1.1	1.5
11	Acquiring businesses that posses a high degree of compatibility with the firm's current business.	8	1.1	1.5
12	Acquiring businesses that promise investment opportunity.	8	1.8	1.6
13	Resorting to leasing rather than purchasing equipment when profits decline.	8	2.1	2.9

14	Creating co-owned businesses with others that operate for their mutual benefit.	8	1.8	2.6
15	Forming strategic alliances to contribute their skills and expertise to co-operative projects.	8	2.0	2.9

Mean of Mean Scores = $\sum X/n = 30.1/15 = 2.0$

Source: Research Data **N-Number of Respondents**

From Table 6, the findings of the study show that of the fifteen (15) determinants of the competitive strategies which were presented to the respondents, eight (8) of them received a nod from the respondents that they are actually used by firms in the industry to a significant extent. Leading among those that determine the competitive strategies used include provision of superior value by leading in serving customers with reliable, good quality products or services cheaply and easily (mean score 3.5); provision of superior value by segmenting their markets and tailoring their products or services to match exactly the needs of the targeted customers (3.0); provision of superior value by offering a continuous stream of leading -edge products or services (2.6); working hard to achieve the lowest production and distribution costs as well as concentrating on creating highly differentiated products or services (2.4); directing their resources to the profitable growth of a single product line in a single market with a single dominant technology (2.1); doing substantial modification of existing products or the creation of a new but related products that can be marketed to current customers (2.1); resorting to leasing rather than purchasing equipment when profits decline (2.1) and forming strategic alliances to contribute their skills and expertise to cooperative projects (2.0).

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The Solid Waste Transportation and Disposal industry faces thirteen challenges of competition that determine the competitive strategies used by this firms to gain competitive advantage. These challenges of competition – customer price sensitivity; offers of similar products or services; pressure from substitute products or services; freedom of entry in and exit from the industry; use of tactics like price competition, advertising, product introductions and increased customer service or warranties; strict regulations enforced by industry regulators; offers of similar prices; fast growth; importance of inputs to the firms' operations; customers having knowledge of product or service differences offered; unnecessary number of licenses required before beginning operations; a few firms offering essentially the same products or services and a few firms offering differentiated products or services. The collective strength of these challenges of competition from the stand point of industry players determines the competitive strategies that are used by the firms in the industry.

From the findings it is clear that the most commonly used competitive strategies in the industry were, firms working hard to achieve the lowest production and distribution costs which then lead them to focusing on serving a target segment by pricing lower or firms concentrating on creating highly differentiated products or services and comes out as a class leader which leads then to charging a premium price than competitors. Other strategies that were found to be used by firms in the industry include provision of superior value by leading in serving customers with reliable, good quality products or services cheaply and easily; provision of superior value by segmenting markets and tailoring their products or services to match exactly the needs of the targeted customers; provision of superior value by offering a continuous stream of leading edge products or services; working hard to achieve the lowest production and distribution costs as well as concentrating on creating highly differentiated products or services; directing their resources to the profitable growth of a single product line in a single market with a single dominant technology; doing substantial modification of existing products or creation of new but related products that can be marketed to current customers; resorting to leasing rather than purchasing equipment when profits decline and forming strategic alliances to contribute their skills and expertise to co-operative projects.

5.2 Conclusion

Though the competitive strategies used by firms in the industry can be determined by various challenges of competition faced in relative and not absolute terms, the study was able to determine, from the standpoint of firms already in the industry, the competitive strategies used by firms in the industry as a result of the various challenges of competition faced by this firms. Challenges of competition to a great extent determine the competitive strategy/strategies that a firm uses in a particular industry which subsequently makes a firm in an industry have a competitive advantage over the other competitors in an industry.

Companies that are able to determine the challenges of competition they face in an industry and hence employ competitive strategies that help them overcome these challenges will make informed strategic moves. Fortunately the industry is still growing and the potential to benefit from economies of scale and learning curve effects is very promising. The industry is such un uniformly regulated one the government's role in determining its growth puts both the existing and potential entrants in unequal play field given the government's role in the industry. Selective application of industry regulations.

5.3 Recommendations

The findings of the study established that two of the strongest challenges of competition in the industry which were unnecessary number of licenses required before beginning operations and strict regulations enforced by the industry regulators were working towards making the industry not have a level playing field as they were being applied selectively. It is therefore recommended that the industry regulators enforce the regulations that are to be adhered to by all firms in the industry uniformly without fear or favour. This would pave way for more sophisticated and technologically advanced investments in the industry.

5.4 Suggestions for Further Research

Applying Porter`s generic strategies of competition and other competitive strategies, this study has provided an understanding of the challenges of competition which are faced by firms in this industry and the competitive strategies used by these firms to fight the challenges of competition in the industry. Further research is needed to explore the impact of competitive strategies used on the market share of the firms in the industry.

5.5 Limitations

The interpretations of the findings of this study should be done with the understanding that the study concentrated on the firms that offer solid waste transportation and disposal services. However, the companies that participated in the study are offering such a service to differing degrees. So it was not possible for the study to get a balanced view of what the situation in the industry is like because of the subjectivity of the views of some respondents.

Time available to do the study was limited. Respondents were not accorded enough time to conceptualize the concept under study. Filling the questionnaires in a hurry might have not guaranteed informed and well thought out objective answers to the questions by the respondents.

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APPENDICES

Appendix 1: Questionnaire

Part A: Company Profile

1. Name of the company---

2. Year of incorporation---

3. Type of company/mode of incorporation

    a. Sole Proprietorship [ ]

    b. Partnership [ ]

    c. Limited Company [ ]

4. Ownership of the company

    a. Locally owned [ ]

    b. Foreign owned [ ]

    c. Both locally and foreign owned

        i. Local-----------%

        ii. Foreign--------%

    d. Other (Specify)---

5. Services provided--

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6. Market coverage of the company's services

    a. Within Nairobi and its environs [ ]

    b. Within major towns in Kenya [ ]

    c. Country wide (both rural and urban areas [ ]

Part B: Challenges of competition

To what extent do you encounter each of the following challenges of competition? Use a 5 point scale where:

1= Not at all; **2**= To a little extent; **3**= To a moderate extent; **4**= To a great extent **5**= To a very great extent

	Statement	**1**	**2**	**3**	**4**	**5**
1	Growth is too fast.					
2	Scarcity to inputs.					
3	Pressure from substitute products or services.					
4	More concentrated consumers than service providers.					
5	Movement of Employees from one firm to another.					
6	Consumers of services being price sensitive.					
7	The consumers having knowledge of product or service differences offered.					
8	The consumer's propensity to substitute one service firm for another is high.					
9	Consumers of services purchasing in large volumes.					
10	Use tactics like price competition, advertising, product introductions and increased customer service or warranties.					
11	More concentrated suppliers of inputs than service firms.					
12	Availability of a variety of input substitutes.					
13	Inputs supplied being important to the service provider's business.					

14	Unnecessary number of licenses required before beginning operations.					
15	Strict regulations enforced by NEMA and City Council of Nairobi.					
16	Freedom of entry and exit from the industry.					
17	No legal prohibitions on entry or exit.					
18	Existence of a few firms offering essentially the same products or services.					
19	Existence of a few firms offering differentiated products or services.					
20	Firms offering similar products or services.					
21	Firms offering similar prices to customers.					

Part C: Competitive Strategies

To what extent does your firm use each of the following strategies to compete in the Solid Waste Transportation and Disposal industry? Use a 5 point scale where:

1= Not at all; 2= To a little extent; 3= To a moderate extent; 4= To a great extent; 5= To a very great extent

	Statement	1	2	3	4	5
1	Working hard to achieve the lowest production and distribution costs.					
2	Pricing lower than competitors in the industry.					
3	Concentrating on creating highly differentiated products or services and comes out as a class leader.					
4	Charging a premium price than competitors.					
5	Focusing on serving a target segment by pricing lower.					
6	Focusing on serving a target segment by creating highly differentiated products or services.					
7	Working hard to achieve the lowest production and distribution costs as well as concentrating on creating highly differentiated products or services.					
8	Providing superior value by leading in serving customers with reliable, good-quality products or services cheaply and easily.					
9	Providing superior value by segmenting their markets and tailoring their products or services to match exactly the needs of the targeted customers.					
10	Providing superior value by offering a continuous stream of leading-edge products or services.					
11	Directing their resources to the profitable growth of					

	a single product line, in a single market, with a single dominant technology.					
12	Marketing present products to customers in related market areas by changing the context of advertising or promotion.					
13	Doing substantial modification of existing products or the creation of new but related products that can be marketed to current customers.					
14	Seeking to reap premium margins associated with creation and customer acceptance of a new product or service.					
15	Acquiring firms that supply them with inputs.					
16	Acquiring one or more similar firms operating at the same stage of production-marketing chain.					
17	Acquiring businesses that posses a high degree of compatibility with the firm's current business.					
18	Acquiring businesses that promise investment opportunity.					
19	Resorting to leasing rather than purchasing equipment when profits decline.					
20	Creating co-owned businesses with others that operate for their mutual benefit.					
21	Forming strategic alliances to contribute their skills and expertise to co-operative projects.					

Thank you for your co-operation

Appendix 2: List of Firms

1. Bins (Nairobi) Services Ltd.
2. Bio Bins Ltd.
3. Eco Trash
4. Garbage Dot Com Ltd.
5. Ideal Bins Ltd.
6. Smart City Cleaners
7. Urban Waste Management
8. Zoa Taka Ltd.

Source: National Environment Management Authority Kenya