

**“THE CONCEPT OF COMPETITIVE BUSINESS
STRATEGY AS APPLIED BY EXHIBITION STALLS IN
NAIROBI’S CENTRAL BUSINESS DISTRICT”**

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DECLARATION

I declare that this is my original work and to the best of my knowledge, it has not been presented for examination to any other university

Signature:.....



CHARLES OTURI

Date :.....

13-8-2007

This project work has been submitted for examination with my approval as the supervisor

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13/8/2007

DEDICATION

This project work is dedicated to my parents, Mr. and Mrs. Walter Openji Awino of Asembo Kanyigoro, Kawino Village for their support and encouragement in my academic work.

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ABBREVIATIONS USED

1. SMEs- small and medium enterprises
2. CBD - Central Business District

ABSTRACT

Small and medium enterprises play a significant role in the growth and development of most developing countries including Kenya. Indeed, the Kenya Government is putting various measures aimed at promoting entrepreneurship as a basis for promoting SMEs which are found in all sectors of the economy.

Exhibition stall businesses in Kenya fall within the SME sector. These businesses were a creation of the economic liberalization measures that the governments embarked on in the 1990s. These measures include the creation of a liberal private sector and the rationalization of staff strengths in most government departments. One major result was that a number of those retrenched opted to start businesses with the exhibition stalls that are now popular in Nairobi. This business concept has now spread to other major towns including Mombasa, Kisumu, Eldoret and Nakuru.

This study examined some of the business strategies which the business stalls use to survive given the high level of competition and the small scale of operations as well as numerous operational problems facing SMEs. The findings indicate that some of the most commonly applied strategies include various forms of initiatives which include providing goods at affordable prices, maintaining costs at the lowest level and ensuring high standards of customer service in order to improve patronage. To a large extent these measures have contributed to growth and spread of the exhibition stall businesses in Kenya. As a result of this, some of the established shops have closed down to create room for more stalls. This is a sign that the strategies are yielding positive business results.

CHAPTER ONE

INTRODUCTION

1.1 Background

Micro and small scale enterprises play a significant role in economic development. Over the years, Kenya has put in place various policy papers to underscore this role. These include the 1974-1979 Development Plan, the 1984-1988 Development Plan, Sessional Paper No. 8 of 1986, and the Sixth Development plan. The sector is largely recognized for creating job opportunities, promoting national productivity, expanding national trade by providing materials for other industries and supplying goods and services at reasonable prices.

With the introduction of economic liberalisation in Kenya, firms in almost all sectors of the economy have been facing competition. Liberalisation primarily involves a movement towards less control of factor markets, financial markets and commodity markets. Liberalization has led to stiff competition in many sectors of the economy and this has made firms change their business strategies in order to survive.

Firms are environment dependent and changes in the environment shape the opportunities and challenges facing them. This understanding is important in defining a firm's objectives and in developing competitive strategy that will ultimately result in competitive advantage. By the end of 1994, most sectors of the economy had opened up

to market forces after the domestic market was liberalised. These changes in the internal business environment had both positive and negative implications on the existing organizations.

Further changes in the economy resulted from the infamous structural adjustment programs that involved among other issues the civil service restructuring programmes and liberalization of the economy. These developments led to staff retrenchment and rationalisation in both the private and public sectors. In an effort to find alternative means of livelihood, most of those retrenched opted to invest in micro and small scale enterprises.

Since then, small scale enterprises operating in business clusters have faced various market challenges. Davidson *et al* (1984) argue that competition remains one of the major challenges facing small scale enterprises which are basically retail outlets. Kotler (1999) defines retailing as including all the activities involved in selling goods and services to the final consumer. Davidson *et al* (1984) further argue that the nature of retail business is highly competitive. This is compounded by various customer expectations. Other things being equal, consumers need to spend the least time possible to get to the retail stores, days and hours of operation need to be convenient to the shopper, store atmosphere need to be appropriate, variety of merchandize is of essence and above all, security in the entire retail store should be enhanced.

Reform process led to stiff competition in key sectors of the economy. Competition became intense after liberalization as firms struggled for the created opportunities (GOK, 1992). This competition has meant that business players have to formulate competitive strategies that would differentiate them from the rest of the industry. In essence, only firms that are capable of formulating and implementing effective competitive strategies are able to survive by remaining profitable while achieving an appropriate level of growth.

As a result of changes in the external environment mentioned above, small scale enterprises operating in Nairobi have witnessed tremendous changes that have affected the level of competition. Emergence of business clusters and the introduction of exhibition halls in Nairobi have heightened the state of competition. Churchill (1991) states that clustering is “assigning objects to groups in order to have as much similarity within groups as possible”. Business clustering, therefore, involves grouping business ventures within a specific and defined geographic location. He further stated that an exhibition hall is a public display (of works, manufactured articles, natural products ...) and it is also a place where the display is made. Enterprises in business clusters have been forced to adapt various strategies in order to survive the competition.

Strategy is the management’s game plan for the business. Businesses of all sizes practice some form of strategic management. Competitive strategy is the part of business strategy that deals with the management’s plan for competing successfully – how to build sustainable competitive advantage, how to outmanoeuvre rivals, how to defend against

competitive pressures and how to strengthen a firm's market position (Thompson and Stickland, 1998). They stressed that strategic management is applied for purposes of moulding, directing and relating an organization effectively to its environment. Cauwenberg and Cool (1982) considered strategic management as the most critical element of the management of organizations because it explains success and survival to a large extent.

1.2 Role of small scale enterprises in development

The role of small scale enterprises cannot be underestimated, owing to the peculiar nature of most economies of the underdeveloped and developing countries. Their role has been highlighted in Sessional paper No. 1 of 1986 and 6th National Development Plan (1989-1993) as the primary means of strengthening Kenya's economy (GOK, 1992).

Small scale enterprises have also been recognized as providing a platform to indigenous Kenyans on which they can participate in economic development (GOK, 1992). They provide a unique opportunity for poverty eradication in the country. A worrying trend in the country has been the high level of unemployment. The government recognizes this serious socio-economic problem. Small scale enterprises are, therefore, recognized for their potential in alleviating this problem.

GOK (1994) further recognizes the role of small scale enterprises in creating backward and forward linkages among socially, economically and geographically diverse sections

of the economy. Their linkages are particularly important considering that Kenya has a vision of being industrialized by the year 2030. In this respect, small scale enterprises provide an opportunity for development and growth.

However, a worrying trend is the increasingly limited link between small scale enterprises and the large scale counterparts. There exists what is normally referred to as the "missing middle". The government proposes to industrialize by moving through two phases – with the first phase entailing promotion and development of small scale enterprises. Small scale enterprises are expected to grow and gradually graduate into medium sized enterprises then to large scale enterprises (GOK 1997). It is evident that without the growth of small scale enterprise, the government's economic policy cannot be achieved.

1.3 The concept of business clusters

Recent literature on enterprise clusters suggest that the grouping of enterprises into sectoral and geographic clusters is likely to give rise to a certain collective efficiency that can enhance competitiveness and foster industrialization (McCormick, 1998). Porter (1990) uses the term cluster to designate a group of firms engaged in similar or related activities within a national economy. Although Porter believes that the relationships within an industry cluster benefit from being located near one another, he does not consider geographic proximity to be a defining characteristic of clusters.

According to Schmitz (1992), a cluster is characterized by geographic and several agglomeration of enterprises. This study adopts the second definition because geographic proximity appears to be particularly important in developing countries where poor infrastructure, weak information systems as well as cultures that place high value on face-to-face communication are the norm. In his analysis, Schmitz concludes that enterprise clustering can affect industrialization by making it easier for the process of specialization and differentiation to take place.

Clusters can also be understood by examining their different patterns of specialization and co-operation. Pedersen (1997), from a preliminary analysis of African clusters, identifies four general types: the diversified industrial cluster, the sub-contractor cluster, the market town or distribution cluster and the specialized petty commodity cluster. This breakdown has obvious roots in the African reality and as Pedersen's conclusion shows, it is a useful tool for tailoring policy to a particular setting.

When firms undertake related activities in close geographic proximity, both the immediate environment and the firms themselves are likely to change (McCormick 1998). The environment begins to adapt to the presence of firms by attracting customers, traders, workers with related skills, individuals and firms waiting to offer services and still more enterprises anxious to benefit from the markets being created.

McCormick (1998) further states that, at its basic level, clustering encourages information sharing and opportunities for learning new technologies and designs. One

firm may specialize in production process while others turn from production to trade in inputs or final products; still others may develop links with traders who visit the cluster. Thus, clustering appears to have the potential to enable African countries overcome the barriers to industrial development. This is through increasing market access, fostering communication and information sharing, increasing efficiency and contributing to development of supportive institutions. In this way, clustering provides gains not easily available to dispersed enterprises.

Schmitz (1997) maintains that local external economies are necessary for the development of a stronger cluster. However, he further argues that consciously pursued joint action must also be present for industrial cluster to flourish. The emphasis on "Joint Action" aspects of collective efficiency underscores the importance of inter-firm linkages and networks.

1.4 Statement of the Problem

Following the opening up of the local business market by the Kenyan government, Nairobi has witnessed a fundamental change in the competitive environment. This increased competition came at a time when the economy was performing dismally. A casual observation indicates that some big stores were closing down and turning their shop floors into exhibition halls.

Small scale enterprises are basically retail outlets. Their business activity revolves around selling goods and services to the final consumer. Many studies have been carried out in the past on the general area of small scale enterprises. These studies have focused on, among other things, problems facing small scale enterprises, financial services, risk and growth, impact assessment and collective efficiency (McCormick, 1995).

More recent studies carried out in the area of competitive strategy including that of Omuyitsi (2003) have focused on competitive strategies in medium and large enterprises that are well established, leaving the area of small scale enterprise less explored in terms of competitive strategy.

The small scale enterprises are faced with various market challenges emanating from intensified competition. Emergence of business clusters and the subsequent introduction of exhibition stalls have heightened the state of competition. It has become necessary for firms to develop competitive strategies to enable them to achieve competitive advantage.

This study will focus on the following dimensions of the problem:

- Why has there been a trend towards establishment of exhibition stalls in the recent past?
- What then are these strategies that make the stalls survive the cutthroat competition?
- Are there differences in the strategies adapted by various exhibition stalls?

1.5 Objectives of the Study

1. To identify the factors influencing the growth of exhibition stalls in Nairobi.
2. To determine the competitive business strategies used by small scale enterprises to compete effectively among themselves as well as with large established corporations.
3. To establish the competitive advantage/edge of exhibition stalls in Nairobi

1.6 Importance of the Study

The results of this study are expected to be useful to the following groups:

- **Small scale traders**

People involved in small scale enterprises either as owners or employees who require effective management approach and better customer care skills.

- **The Government**

The study will highlight the role played by small scale enterprises in national development. It will also point out areas of operational bottlenecks which will enable the government to include various support programs at policy formulation level.

- **Banks and Financial institutions**

The study will provide vital information about the viability of small scale business enterprises. These will enable them to determine the amount of loans and credit facilities required by various business enterprises.

- **Aspiring Entrepreneurs**

The study will give them important insights on potential opportunities available in the market and subsequent strategies for survival.

- **Academicians**

Academically, the study will contribute to the existing knowledge in the area of strategic management in general and competitive strategy in particular.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This research paper will deal predominantly with Porter's generic strategies and aspects of relationship marketing as a competitive strategy. It will also focus on major challenges facing small scale enterprises and subsequently examines competitive strategies adapted by small scale enterprises in an effort to compete effectively. The role of small scale enterprises in national development will be highlighted with some emphasis on retailing as a basis for small scale enterprise operations.

Webster's international dictionary defines an enterprise as a plan or design for a venture: an undertaking that is difficult complicated or has a strong element of risk. On the other hand, Canon (1991) defines an enterprise as the characteristic of people, groups and organizations, which produce a disposition to self realization through achievement. He further contends that it encompasses the self reliance to innovate, accept risk and act independently.

A small business is one that is actively managed by its owners, highly personalized, largely local in its area of operation and largely dependent on internal sources of capital to finance its growth (Banmback, 1988). The size of an enterprise may be defined in terms of the number of employees, the turnover or the capital invested in the business.

Using employees as the basis of definition, Mulhern (1995) considers a micro enterprise as one which employs 0 – 9 employees, small enterprise 10-99 employees, medium enterprise, 100-499 employees and large enterprise as that with more than 499 employees. The government of Kenya defines a small business as one employing upto 50 employees (GOK, 1988).

Small scale enterprises have been a subject of discussion for a long time in many forums all over the world. Small scale enterprises have been viewed as the last survival option after all other options have failed (Omuyitsi, 2003). Owners of these businesses have been viewed as failures in society.

Some people view small scale enterprises as a supplementary source of income. However, these attitudes are fast changing. Realization that small scale enterprises play a vital role in national development has greatly contributed to this change. Entrepreneurship as a subject has been incorporated into the syllabus of many business programmes and it is now being offered in most of the training institutions. Some people are even quitting formal employment to take up the operation of small enterprises. This calls for the formalization of how things are done including formation and implementation of viable competitive strategies.

2.2 The concept of competitive strategy

Strategy is basically concerned with the way an organization develops and handles its relationship with the environment. Strategy relates a firm to its environment. Strategy is thus management's game plan for the business (Thompson and Stickland, 1998). Mintzberg (1987) defines strategy as a plan, ploy, pattern, position and perspective.

As a plan, it specifies intended course of action, as a ploy it points to specific maneuvers, as a pattern, it merges into a stream of actions, as a position it locates an organization to its environment and as a perspective, it gives an organization identity.

Pearce and Robinson (2000) agree with Thompson and Strickland's definition of strategy as the management game plan, but they further argue that by strategy, managers mean future oriented plans for interacting with the competitive environment. Ansoff (1988) on the other hand defines competitive strategy as the distinctive approach, which a firm uses or intends to use to succeed in the market. He further states that formulation of competitive strategies include consideration of four factors, namely: the firm's strength and weaknesses, industries' opportunities and threats, personal values of key promoters and broader societal expectations. Competitive strategies comprise of both offensive and defensive actions. Research has shown that in the face of competition, firms adopt various competitive strategies in order to survive in the market.

Porter (1998) published his findings in a book titled "Competitive Strategy": Techniques for analyzing industries and competitors. Porter indicated that the essence of formulating competitive strategy is to relate a company to its environment. He further argues that there are three generic strategies that firms can employ. These are cost leadership strategies, differentiation strategies and focus strategies. Competitive strategies adopted by a firm should result in competitive advantage. Competitive advantage arising fundamentally out of a firm is the ability to create for buyers value that exceeds the firm's cost of creating it.

Competition in any given industry is based on the three generic strategies. Generally, firms are in competition with each other if they sell goods and services to the same groups of customers or try to employ factors sourced from the same group of suppliers (Murage, 2001). Exhibition business is comprised of small scale enterprises that operate in various stalls selling goods and services to the same group of customers. They also source their merchandize from the same group of suppliers. The clustered nature of enterprises within exhibition halls makes competition even stiffer.

Porter (1998) states that the goal of a competitive strategy for a business unit is to find a position in the industry where a company can best defend itself against the competitive forces or can influence them in its favour. He further states that knowledge of an underlying source of competitive pressure highlights the critical strengths and weaknesses of a company, animates its positioning in the industry, clarifies areas where

strategic changes are required and points to areas where the industry trends hold greater significance.

Value chain displays activities and margin. Each activity employs purchased inputs, human resources and some of the technology a firm needs to perform its functions. In examining the significance of the value chain Porter (1998), states that value activities are the discrete building blocks of competitive advantage. He further states that the way in which each value activity is performed determines its contribution to buyer needs and hence, differentiation. Value chain is therefore, a useful way of describing and analyzing important relationships between organization resources, competencies and strategies. A critical examination of competitors' value chain exposes which generic strategy is being used hence: one is able to determine their competitive advantage.

2.3 Porter's generic strategies

Porter (1998) calls his strategies generic because they are not firm or industry depended. They can be applied to a firm in any industry. These generic strategies are basically three, namely: cost leadership strategy, differentiation strategy and focus strategy. These are as shown in the table 2.1 overleaf.

Table 2.1 Porter's generic strategies

Target scope	Advantage	
	Low cost	Product Uniqueness
Broad (Industry Wide)	Cost leadership strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (Low Cost)	Focus Strategy (Differentiation)

Source: (<http://www.quickmba.com/strategy/generic.shtml>.20th March, 2007).

Cost leadership strategy

A cost leadership strategy is one in which a firm strives to have the lowest cost in the industry and offers its products and services to a broad market at the lowest prices. Porter (1998) states that the characteristics of cost leadership strategy include low level of differentiation, aim for average customer, and use of knowledge gained from the past experience and the addition of new products only after the market demands them. Thompson and Stickland (1998) agree with Porter's view on cost leadership strategies and state that this strategy calls for being the low cost producer in an industry for a given level of quality.

Firms acquire cost advantages by improving processes, efficiencies, accessing lower cost materials, making optimal outsourcing, vertical integration decisions or avoiding some costs altogether. If competing firms are unable to lower their costs by a similar amount, a firm will manage to sustain competitive advantage based on cost leadership.

Firms sell their products at average industry prices to earn a profit that is higher than that of its rivals or below the average industry prices to gain market share. As an industry matures and prices decline, firms that can produce more cheaply will remain profitable for a longer period of time (<http://www.quickmba.com/strategy/generic.shtm>.20th March 2007).

Cost leadership strategy has advantages. Firms that succeed in cost leadership strategy usually have adequate capital, skills, experience and efficient distribution channels. The cost advantage protects a firm from new entrants and hence, reduces competition. However, the risk of cost leadership is that competitors may leap-frog the technology and production capabilities thereby eliminating the competitive advantage acquired from cost reduction.

Differentiation strategy

A differentiation strategy is one in which a firm offers products or services with unique features that customers value (Ndubai, 2003). The value added by the uniqueness commands a premium price. According to Coulter (2002), the key characteristics of

differentiation strategy is perceived quality, whether real or not. This may be through superior product design, technology, customer service or other dimensions.

Differentiation strategy calls for development of a product or service that offer, unique attributes to the customers. The firm hopes to cover the extra costs of the premium price commanded by the product or service uniqueness. If suppliers increase their prices, the firm may be able to pass along the costs to its customers who cannot find substitute products easily (<http://www.quickmba.com/strategy/generic.shtm>.20th March 2007).

The advantage of differentiation strategy is that the perceived quality insulates a company against threats from any of the five forces that determine the state of competition in an industry. Again, firms using differentiation strategy have some internal strength including high research and development capabilities, strong sales team and corporate reputation for quality and innovation. Brand loyalty protects a firm from the threat of substitute products. Coulter(2003) contends that differentiation is often the secret to extending the life cycle of a business and making it more expensive to enter and follow.

The risks associated with differentiation strategy include imitation by competitors and changing customer tastes and preferences. Consequently, the shelf life of differentiation strategy is getting shorter and shorter.

Focus strategy

Focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than the competitors. Therefore, focus strategy can be of cost leadership or differentiation aimed at a narrow market segment.

Porter (1998) states that the advantages of focus strategy include having power over buyers since the firm may be the only source of supply. Buyers do not have a strong bargaining power, giving a firm competitive advantage. Customer loyalty also protects a firm from threat of new entrants and of substitute products. The firm adopting focus strategy can easily stay closer to its customers and effectively monitor their needs.

However, the risk associated with focus strategy include being at the mercy of powerful suppliers since the firm is only able to buy in small quantities. Small volumes also mean higher production costs. These firms do not enjoy lower cost advantages arising from economies of scale. Changes in customer tastes and preferences may lead to disappearance of the market segment. It may also be fairly easy for a broad market cost leader to adopt its products in order to compete directly with firms pursuing focus strategy (<http://www.quickmba.com/strategy/generic.shtml>.20th March 2007).

Porter (1998) argues that the generic strategies are not compatible to one another. A firm that attempts to achieve an advantage on all fronts may achieve no advantage at all. For example, if a firm differentiates itself by supplying very high quality products or

services, it risks undermining that quality if it seeks to become a cost leader. Therefore, Porter considers that to be successful over a long term, a firm must select one and only one of the three generic strategies. Otherwise, with more than one strategy, a firm risks being “struck- in- the- middle” and may not achieve competitive advantage. Those firms that succeed with multiple generic strategies do so by creating separate business units for each strategy.

2.4 Relationship Marketing

Relationship marketing is an organization’s effort to develop a long term, cost effective link with individual customers for mutual benefit (Berkowitz, Kevin, Hartley and Rudelns, 1994). It is a revolutionary extension of market segmentation. Three elements are needed to implement relationship marketing: building a database to store information about customers, using innovative media to communicate with customers and monitoring long term relationships with customers. Relationship marketing starts with the customer by understanding their needs, wants and how to satisfy their specific requirements and preferences.

According to Payne (1998), relationship marketing provides sustainable competitive advantage in a number of ways; building barriers to entry, increasing switching costs, and locking customers into essential information and database. Berkowitz et al (1994) state that relationship marketing has been made possible by breakthrough in information

technology that enables electronic data collection, online communication, e-commerce and database management.

Advantages of relationships marketing include promoting customer loyalty hence, safeguarding against threat of entrants. Firms are able to deliver superior customer value by personalizing the interaction between the company and the customer. It also enables firms to achieve effective coordination of complex capabilities with the company and around customers. However, relationship marketing becomes difficult with changes in customer service personnel especially where employee turnover is high.

2.5 Challenges facing small scale enterprises

Nelson and Mwaura (1997) in their study of business strategies applied by medium sized enterprises in Kenya found out that respondents suffered a serious deficiency in marketing and customer related skills. Some firms were forced by competition to divest or invest in other product lines where competition was less severe.

Poor quality business support programs by both the government and non- governmental organizations has led to duplication of activities and over concentration on one aspect of business support activities to the detriment of others. This has been due to lack of coordination among agencies and the entrepreneurs.

Lack of credit facilities remains the most noteworthy challenge to small scale enterprises. This problem has received the most attention in terms of research and development assistance. However, researchers in the past studies have noted that respondents tend to attribute all their problems on lack of credit facilities. This has led to over concentration on credit assistance to the detriment of other important non- financial support services.

Kibera (1996) noted that most people who enter small scale business lack the necessary prerequisite professional skills needed to run their business. For such business, the chances of developing into successful enterprise remain minimal. In order to eliminate this challenge, entrepreneurship and related courses should be incorporated into the teaching syllabus from primary school level.

There is need to link the financial services to skill development by providing extension services especially on areas of marketing and technology. Entrepreneurs should have tailor made training packages, have access to information on business opportunities, customer trends and general market trends (GOK, 2006).

Poor infrastructure has been for a long time a big challenge to the development and operation of small scale enterprise (Omuyitsi, 2003). This is a great hindrance especially when considering prospect for linkages between rural and urban enterprises. Movement of products from urban areas to rural areas is exceptionally costly owing to poor state of roads, sparse banking facilities in the rural areas, high cost of telecommunication services instability in the political environment, the ever changing economic policies and business

regulations (this includes bureaucratic procedures in obtaining trading license, high tax rates and stamp duty, corrupt nature of the city council employees and the Kenya police force).

Another major constraint facing small scale businesses is their inability to keep records. Hailes (1983) has argued that good record keeping by a business is not only wise but also a requirement by many laws. Various agencies including financial institutions that need records may raise legal and financial questions. These questions can be accurately answered when written records of business proceedings are kept.

Hailes further states that by recording the daily transactions a business, the owner can learn from past mistakes and avoid errors in the future. A record of all transactions in a business permits evaluation, improvement and a good chance of business development. It forms a point of reference to the existing entity be it a small scale business or a large organization.

A Baseline Survey conducted in 1999 indicated that the most severe constraints facing micro and small scale enterprises are as indicated in table 2.2 overleaf:

Table 2.2 Constraints facing small scale enterprises in Kenya

Constraints	Extent of problem (%)
1. Market competition	61.5
2. Lack of credit facilities	56.3
3. Poor roads/transport	34.4
4. Shortage of raw materials	50.6
5. Interference from authorities	80.8
6. Poor security	77.7
7. Lack of skilled labour	49.5
8. Power/Electricity problems	100
9. Poor access to water	40.8

Source: CBS/ K-REP. National Enterprise Baseline Survey

2.6 Competitive strategies amongst small scale enterprises

Reid (1993) notes that Porter's framework applied to large firms. To be able to transfer this framework from large enterprises to small firms, one has to be aware of the two crucial modifications. Small businesses often display the behaviour of large firms in early life cycle activity. Thereafter, increasing effort is devoted to establishing by discovery or creation of a competitive niche with minimal efforts directed at defending and blocking. Large corporations are much more in mature phase of development. A second

modification requires Porter's framework to take the market segment rather than the market as a whole.

In small scale enterprises, strategic targets are usually market segments but very often this is through small niche exploitation. Reid (1993) further argues that when the owners /managers of small scale enterprises talks about "market", they usually mean a segment of the much larger generic market. On the other hand, when managers of a large corporation talks about market, they often mean the whole market.

Porter's generic strategies involve cost leadership, differentiation and focus. Cost leadership strategy and differentiation strategy are not feasible for a small enterprise because they aim at the industry as a whole (Reid, 1993). As Reid puts it more appropriately, to small scale enterprises, the focus strategy involves combining elements of cost leadership and product differentiation directed at a specific market segment. Therefore, a focus strategy, aimed at a specific market segment seems most likely to offer small businesses a competitive advantage.

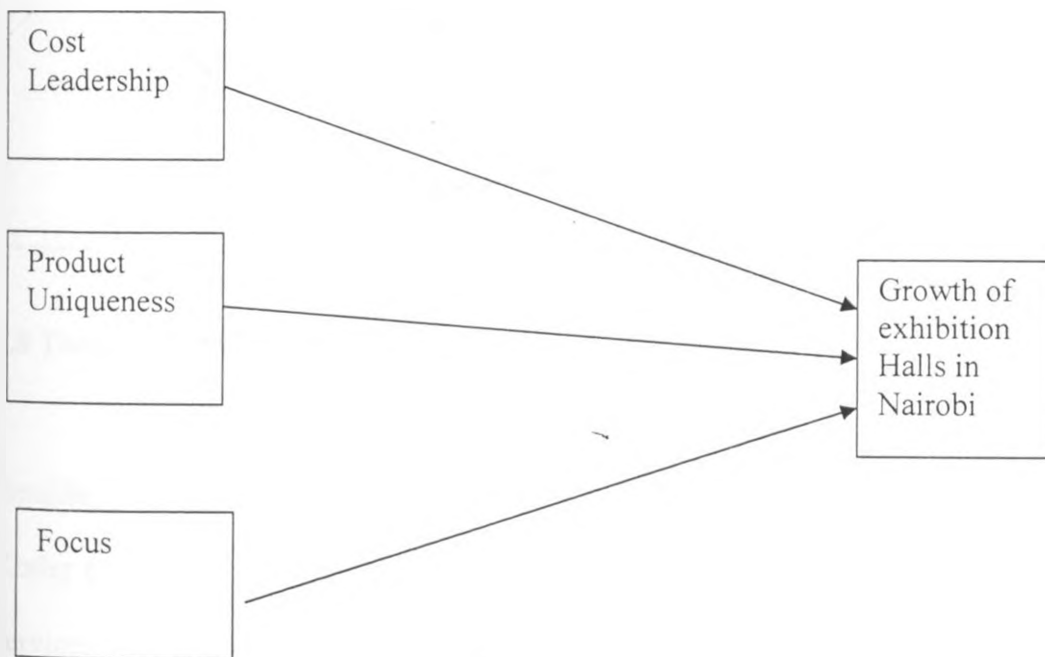
In his findings, Rothschild (1994) notes that given the competitive pressure under which all small firms are operated, there is always pressure to control costs. An important discovery cutting across several of these categories of competitive focus is the role of experience. A small scale enterprise has a steep leaning curve after inception; such experience is readily translated into competitive advantage.

2.7 Theoretical Framework

The dependent variable of growth of exhibition stall businesses in Nairobi is influenced by three independent variables-Low business cost (financial/management), Product Uniqueness (Product/marketing) and Focus (marketing).

The three independent variables are also interrelated. Low business costs enable the exhibition stalls to be competitive. In this way, they can easily concentrate on selling only products which are in demand and which they can easily market. In order to ensure that their costs remain low and they easily reach their target customers, the exhibition halls are located in specific locations within the city for ease of marketing the desired products.

The following is a schematic diagram for the theoretical framework.



Independent Variables

Dependent Variable

A logical framework for the variables is illustrated below:

Variable	Verifiable Indicators	Means of Verification
Cost Leadership	<ul style="list-style-type: none"> • Sources of products • Cost reduction strategies 	<ul style="list-style-type: none"> • Label of origin • Price tags • Discounts given • Incentives offered
Product Uniqueness	<ul style="list-style-type: none"> • Product quality • Product variety 	<ul style="list-style-type: none"> • Product labels • Type of client • Product appearance • Stock levels
Focus	<ul style="list-style-type: none"> • Business location • Type of cliental • Product origin • Price 	<ul style="list-style-type: none"> • Business street • Luxuries provided • Type of client • Product labels • Product packaging • Interior decor

2.8 Trends in retailing

Retailing is the business activity of selling goods and services to the final consumer. Kotler (1999) defines retailing as including all activities involved in selling goods or services to the final customer for personal non- business use. A retailer is therefore, any

business establishment that directs its marketing efforts towards the final consumer for purposes of selling goods and services.

Retailing has profound effect on society. Davidson *et al* (1984) noted that retailing is undergoing numerous changes in response to environmental trends. As a result, innovative merchandizing strategies and operational methods are constantly being developed to meet these competitive challenges. This explains why competitive strategies have to be developed for small scale enterprises that basically deal with retailing.

Throughout the history of retail trade, there appears to be an alternating movement in the dominant methods of conducting operations. One swing is towards specialization of the functions performed on the merchandize handled by an individual firm while the other is away from such specialization towards integration of related activities under one management (Lewison and Delozier, 1989). Davidson, Sweeney and Stampft (1988) share the same ideas and have stated that significant change in society, the economy and in consumer expectations have caused retail institutions to adjust in adaptation to these changes.

Davidson *et al* (1988) further state that a number of changes have contributed to retail revolution. In terms of demography, the baby boom period (1946-1964) produced young adult professionals of the 1980s, emergence of single parent families, dual career incomes while the wave of immigration altered demographic characteristics. Economically, from

the industrial age of post- world war period to post industrial age, the world economy has undergone significant changes which have become the basis of the retailers' uncertainty.

In terms of the competition from the clear cut retail markets of 1940s and 1950s a new form of retail operating styles has emerged. The arrival of "compete or vanish" managerial imperatives have signaled emergence of off- price retailing. Finally, fast moving technology has led to the creation of new products that demand different retailing methods particularly in the areas of customer service.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology and design that will be used to achieve the objective of the study as set out in the introduction. The following aspects are discussed: research design, population of the study, sampling frame, data collection methods and data analysis approach.

The chapter provides an indication of how the research sample was selected based on the population of registered exhibition stalls situated within Nairobi's central business district. Data collection methods used to collect information from the sample are discussed followed by a section on how the same data is analyzed.

3.2 Research design

This study was intended to determine the competitive strategies adapted by small scale enterprises within Nairobi and establish factors influencing their competitiveness. It also sought to find out the differences in various strategies used in different exhibition halls. To achieve this, a cross sectional study was considered most appropriate. This research design was chosen in order to provide broad and generalized information about small scale enterprises operating within exhibition stalls in Nairobi.

3.3 Population of study

The population of study consisted of small scale enterprises operating within exhibition stalls. According to the records available at City Hall licensing department, there were 102 licensed exhibition stalls within the city centre by the end of 2006. However, one of them, Sunbeam Shopping Complex, has since been pulled down, leaving only 101 operational. To obtain the sample element of the population, a two stage multi sampling methods was used. In stage one, systematic sampling was used. A fifth of the population was considered representative. Therefore, $(1/5 \times 101 = 20.2)$ approximately 20 exhibition halls were chosen for the study. To obtain the 20 exhibition halls ($K=101/20=5$) each fifth exhibition hall was sampled randomly from the sampling frame.

It has been established that exhibition halls have an average of 12 small enterprises. In the second stage, small scale enterprises were randomly selected from the sampled exhibition halls. $1/5$ of 12 gives us 2.4 and therefore, in each exhibition hall two small enterprises were chosen for the study. Therefore, a total number of 40 (2×20) small enterprises were selected for purposes of the study.

3.4 Sampling frame

The sampling frame for this study constituted a list of exhibition stalls located within Nairobi central Business District (see appendix 3). These exhibition halls were obtained

following the specification and boundary limits as given by the central business district map obtained from the Nairobi city council – planning department.

3.5 Data collection method

Primary data was collected and used for this study. The research instrument was a questionnaire with both open ended and closed ended questions. The questionnaires were administered in two ways, personal interview and drop and pick method. Personal interview was chosen because it yields the highest quality and quantity of data compared to other methods. Cooper and Schindler (1998) have stated that one of the greatest value of personal interview lies in the depth and detail of the information obtained. Drop and pick methods were used where the enterprise owners were not readily available in the stalls at the time of visit.

3.6 Data analysis

The questionnaires were edited for completeness. Data collected was both qualitative and quantitative. Descriptive statistics were used to analyze the data. Frequency tables, percentages and mean scores were also extensively used.

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents an analysis and findings of the study as set out in the research methodology. The total number of questionnaires given out was 40 out of which 30 were completed and returned. This represents a response rate of 82.5% which is considered adequate for purposes of the analysis.

The results are presented in terms of objectives of the study i.e. analysis of the competitive strategies, similarities and differences adapted by the exhibition stalls and factors influencing the competitiveness of the stalls.

4.2 Enterprise characteristics

This section analyses the key characteristics of the exhibition stalls. It is intended to establish if there are certain similarities amongst the stalls, for instance, years of operation, number of branches, level of start up capital, nature of business ownership, staff numbers and target customer groups. Frequency tables and percentages are used to present the findings.

4.2.1 Years of operation

The period of operation since the business commenced operations is important in establishing the relationship between the strategy adopted and pursued by the stalls. The differences in strategies will be identified and discussed in this analysis.

Table 4.1: Period of operation

Years of operation	Frequency	Percentage(%)
1	10	33.3
2	6	20.0
3	4	13.3
4	6	20.0
5-10	4	13.3
Over 10	0	0
Total	30	100

Source: Research Data

Clearly, none of the stalls studied has been in operation for over 10 years. This is explained by the fact that the concept of exhibition stall business is relatively new in the Kenyan business scene.

A common trend observed is the tendency for the number of businesses to decline as time goes on. Most small scale businesses in Kenya fail after the first two years due to various

factors including lack of managerial experience and inability to cope with high levels of competition.

4.2.2 Branch network

The idea behind this analysis is to establish the market coverage potential and the subsequent ability of the exhibitions to expand their activities to new areas. The findings are summarized in the table below.

Table 4.2: Stalls with branches

Years of operation	Frequency	Percentage(%)
1-4	6	23.0
Over 4 years	4	100.0

Source: Research Data

Only 10 stalls out of 30 had branches. The results show that 77% of the 10 stalls which had operated for 4 years and less did not have branches with only 23% having branches elsewhere.

All the four out of ten stalls that had operated for more than 4 years had branches. This shows that businesses which have been in existence for longer are likely to have branches as they are more established and have a large clientele base.

4.2.3 Capital investment

Capital is a major basis for business growth and is considered a constraint for most small scale businesses in Kenya especially in the early stages of formation. The table below shows patterns of capital investment.

Table 4.3 Levels of capital investment

Start up capital Ksh. "000"	Frequency	Percentage (%)	Current capital Ksh. "000"	Frequency	Percentage (%)
Below 50	13	43.3	Below 50	3	10
50-100	11	36.7	50-100	7	23.3
100-200	4	13.3	100-200	11	36.7
200-300	0	0	200-300	0	0
300-400	0	0	300-400	2	6.7
400-500	2	6.7	400-500	3	10
Over 500	0	0	Over 500	4	13.3
Total	30	100		30	100

Source: Research Data

Start up capital is as little as shs 10,000 with almost 80% spending less than 100,000 to start their business. The initial source of finance is mainly from saving and family sources. Most of the entrepreneurs who use over shs 100,000 to start their business rely on credit institutions for loans.

With time, the level of capital is increased. Only 10% of businesses that were started with a capital base of less than shs 50,000 retained this level of capital. Although only 6.7% of the stalls were started with capital over shs 300,000, the percentage of stalls with investment exceeding 300,000 later increased to 20% at the time of this study. This indicates that most of the owners continuously re-invest to improve their businesses.

4.2.4 Nature of enterprise ownership

The nature of management practiced and the strategy applied to achieve business goals largely depends on the type of business enterprise. Thus it is important to establish the nature of business ownership.

Table 4.4: Type of business ownership

Ownership	Frequency	Percentage(%)
Sole proprietorship	21	70
Partnership	9	30
Limited company	0	0
Total	30	0

Source: Research Data

The findings indicate that 70% of the exhibition stall businesses within Nairobi's Central Business district are sole proprietorships.

Most of the businesses are owned by those previously employed and who opt to start the business on their own. Only in a few cases do such people join forces with others in partnership to start their businesses. In view of the complex registration formalities required and the small scale of operations in a typical retail set-up, limited liability companies are almost non-existent as a form of business in this sector.

4.2.5: Staffing

This is related to the nature of business. The number of employees within an organization depends on the nature of business and the degree of operations.

Table 4.5: Number of employees

No. of staff	Frequency	Percentage(%)
1	16	53.3
2	11	36.7
3	0	0
4	1	3.3
Over 5	2	6.7
Total	30	100

Source: Research Data

Most of the stalls are owner managed and the majority employ less than five people. Infact,only 6.7% of the enterprises studied had over 5 employees. Thus, it can be concluded that the stalls generally have less than 5 employees.

4.2.6 Nature of competition

The following table summarizes the respondent's view on the state and nature of competition within their business environment.

Table 4.6: Views on levels of competition

Nature of competition	Frequency	Percentage(%)	Cumulative(%)
Stiff	19	63.3	63.3
Fairly stiff	11	36.7	100
Not stiff	0	0	100
Not sure	0	0	100
Total	30	100	

Source: Research Data

The above data shows that most respondents consider that stiff competition exist in the business environment where the stall businesses are operated. Close to 65% of the respondents consider that they experience stiff competition. None of them view competition as none existent.

Thus, stiff competition is one of the major challenges that the stalls owners face. The respondents pointed out that similarities amongst the products sold, availability of cheaper substitutes and the increasing number of new entrants are some of the reasons for

the stiff competition. In order to cope with the increasing level of competition and increase their chances of survival, the stall owners have devised various strategies which are discussed in the following sections.

4.2.7 Means of attracting customers

The table below shows the approaches that the stall owners use to entice customers to visit their stalls and maintain their patronage.

Table 4.7: Customer attraction techniques

Means of attraction	Frequency	Percentage	Cumulative
Credit facilities	6	20	20
Discount	10	33	53
Installment payment	5	17	70
Display	3	10	80
Advertising	1	3	83
Personal contacts	5	17	100
Totals	30	100	

Source: Research Data

The majority of the respondents prefer to allow discounts as a means of attracting customers. The discount ranges from 10%-15% of the original purchase price. Although

credit facilities and installment payment arrangements are also popular, these are limited to clients who are well known and are unlikely to default in payments.

4.2.8 Reason(s) for customer patronage

Table 4.8 shows some of the factors which often attract customers to the exhibition stalls.

Table 4.8: Ways of attracting

Reason	Positive responses	Percentage(%)
Quality of products	30	100
Customer service	30	100
Competitive prices	25	83.3
Strategic location	16	53.3
Sales promotion	2	6.7

Source: Research Data

The above table represents the perceptions of business owners as to why customers patronize their business outlets. All the respondents identified the quality of products and the nature of customer service as the main reasons why customers patronize their businesses. Competitive prices also ranked highly. This is related to the availability of discounts as described above.

The location of the business also appeals highly as this has implications on security and accessibility. Only a few of the respondents consider that sales promotion has a positive impact in attracting patrons to their stalls.

4.2.9 Business challenges faced

Table 4.9 summarizes the main challenges that the stall owners face.

Table 4.9: Major business barriers

Challenge	No. of respondents	Percentage(%)
Impolite customers	22	73
Demand for discounts	25	83
Language barriers	5	17
Product shortage	7	23
Bad debts	12	40

Source: Research Data

Impolite and difficult customers as well as the constant demand for discounts by customers constitute the greatest business challenge to the stall owners. Quite often, customers seek best prices by bargaining and this may at times lead to misunderstanding between the business owners and their customers.

4.2.10 Customer perception of prices

Price has an important role as part of the competitive strategy adopted by a business. Customers often frequent outlets where they perceive prices to be low or fair relative to that charged by competitors.

Table 4.10 presents the views of customers on the pricing system within the exhibition stall businesses.

Table 4.10: Views on the prices charged

Price	Frequency	Percentage(%)
Very high	2	6.7
High	3	10
Fair	22	73.3
Low	2	6.7
Very Low	1	3.3
Total	30	100

Source: Research Data

From the respondents' view point, 73.3% of customers consider prices fair with 10% regarding them as low. With fair prices, customers are likely to view the stalls more favourably compared to the other larger more established business outlets.

4.2.11 Returned products

The way in which returned products are treated has important implications for relationship marketing which is a major feature of the exhibition stall business. The table below indicates possible ways in which returned products are treated.

Table 4.11 Treatment of returned products

Action	Frequency	Percentage (%)
Do not accept	10	33.3
Replace	14	46.6
Repair for free	4	13.3
Refund money	2	6.7
Total	30	100

Source: Research Data

Over 60% of the respondents accept returned items which the majority then replace instead of repairing the item or refunding money. By accepting the items back, the stall owners are trying to build good customer relations which was identified in the literature review as being important to good customer service and business strategy.

4.3 Business strategies to improve competitive edge

Tables 4.3.1 to 4.3.5 present the findings on the strategies applied by business stalls to gain competitive edge in the market. These are categorized in terms of products offered, price and cost management, marketing, location, staffing and display.

4.3.1 Product strategies applied by the exhibition stalls

The nature of products sold is important in meeting the challenges of expanding the customer base and increasing the market share. Various aspects concerning the products sold are indicated in the table below.

Table 4.12: Product strategy application

Strategy	Frequency	Percentage(%)	Cumulative
Unique products	12	40	40
Quality products	10	33.3	73.3
Personal delivery	2	6.7	80
Reliable suppliers	6	20	100
Total	30	100	

Source: Research Data

Table 4.12 shows that 12 out of the 30 stalls studied (40%) offer unique products that are not sold by competitors in order to have a competitive edge. Another popular strategy is to insist on selling products of high quality which are in most cases imported.

Most of the customers personally purchase the products themselves.

4.3.2 Pricing strategies

Aspects relating to the use of pricing in attracting more customers vary from one business to another. These are summarized in the table below.

Table 4.13: Nature of product pricing

Strategy	Frequency	Percentage(%)	Cumulative %
Selling at low prices	5	17	17
Pricing below competitors	3	10	27
Pricing same as competitors	2	7	34
Giving discounts	12	40	74
Installments payments	8	26	100
Total	30	100	

Source: Research Data

As shown in the above table, various price and cost strategies are used by exhibition stalls in Nairobi. Giving discounts and allowing installment payments are the most common

methods. Nearly 66% of the respondents use these two approaches. The final price is rarely the same as that charged by competitors after the discount is factored in.

4.3.3 Marketing strategies

Most of the stalls limit their marketing efforts to activities that have direct influence on current and prospective customers. The main approaches used are indicated in the table overleaf.

Table 4.14 Aspects of marketing techniques applied

Strategy	Frequency	Percentage	Cumulative %
Sales promotion	6	20	20
Relationship marketing	6	20	40
Home deliveries	2	6.7	46.7
Customer preferences	10	33.3	80
Display price tags	6	20	100
Total	30	100	

Source: Research Data

Like other businesses, exhibition stalls also undertake marketing of their products. The form of marketing varies from one enterprise to another. As indicated by the findings in the above table, 33.3% sell and stock products which, in their view, customers prefer. This is something they learn over time by observing the tastes and preferences of the customers. However, the products must still have some uniqueness in order to appeal to customers who do not like commonly available products.

4.3.4 Location and display strategies

The location of the business and the business environment has a strong impact on customers. Various aspects of the business environment that influence business success are summarized in the table below.

Table 4.15 Business environment

Strategy	Frequency	Percentage (%)	Cumulative
Branch network	2	6.7	6.7
Security measures	3	10	16.7
Attractive layout	5	16.7	33.4
Accessible location	12	40	73.4
Cleanliness	8	26.6	100
Total	30	100	

Source: Research Data

Accessible location remains a popular strategy with 40% of the respondents favouring this approach. A clean environment attracts more customers and this strategy is complimented by an attractive layout of the products. Maintaining high security is important but it does not seem to rank highly amongst the strategies adopted.

4.3.5 Staffing and customer service

Staff play an important role in promoting business interest and in promoting customer care. The strategies used in this area are summarized in the table overleaf.

Table 4.16 Application of customer service techniques

Strategy	Frequency	Percentage	Cumulative
No employees	8	26.7	26.7
Employing trained/friendly staff	10	33.3	60
Customer financing	7	23.3	83.3
Customer satisfaction surveys	5	16.7	100
Total	30	100	

Source: Research Data

Adequacy of staff has an important role in customer service and patronage. Whereas 26.7% of the stalls do not employ additional staff, a large number (73.3%) do so and

insist on trained/educated and friendly staff. Conducting customer satisfaction surveys is not common probably due to the costs involved and the time taken which most of the outlets cannot afford.

4.3.6 Summary of strategies

The table below provided an overview of the strategies discussed above.

Table 4.17: Commonly used business strategies

Strategy	Mean
Product offered	2.78
Pricing/cost management	2.72
Display	3.21
Location	2.24
Staffing/customer care	2.72

Source: Research Data

All the above strategies are in use but the popularity and consistency in usage varies from one stall to another. The mean shows the popularity in the usage of a specific strategy. The midpoint of the means is used as a cut off point with strategies above the midpoint being more popular and those below, less popular. In this case, the midpoint of the means is 2.72. Thus, the nature and quality of products and how this is displayed, the price charged and customer care feature prominently amongst some of the most common and popular business strategies. These are basically means of attracting more customers.

Location has a low score most probably because the owners often set up businesses wherever space is available and similar businesses are located. Thus, they have limited choices within a given area where the stalls are found.

4.4 Application of generic strategies

To find out the extent to which the businesses used Porter's generic strategies, the respondents were requested to indicate the degree to which various aspects of the strategies are important in their businesses. Using a scale from 1 (extremely important) to 5 (not important) the following results were obtained.

Table 4.18: Cost leadership strategy

Strategy	Mean
Cost Cutting	2.23
Staff reduction	3.43

Source: Research Data

Table 4.19 Differentiation strategy

Strategy	Mean
Customer service	2.07
Exclusive quality	3.44
Location	2.30
Advertising	1.80
Trained staff	2.20

Source: Research Data

Table 4.20: Focus strategy

Strategy	Mean
Market Segmentation	2.90
Product Focus	3.13

Source: Research Data

Table 4:18 shows the results for cost leadership. Staff reduction had a mean of 3.43 which is above the mid-point of 2.5. This indicates it is a popular cost reduction strategy especially when business is low. This is confirmed by the previous findings that most of the businesses have less than five employees. Cost reduction is also achieved in the form of shared facilities like water and lighting. These facilities are mostly provided by the premise owners. Therefore, the stall owners do not have much choice in terms of costs incurred. Thus, this aspect ranks lower in importance compared to areas like staff reduction where the owners have direct control.

Table 4:19 shows the results of the differentiation strategies which provide unique aspects of the business distinguishing each one from the other. The midpoint score for the five categories was 2.36. Only product quality exceeded this level which shows that most businesses insist on selling only high quality products in order to be exclusive and attract more customers. The businesses do minimal advertising due to cost implication. Therefore this aspect is not commonly used to distinguish one business from another. This explains the low mean relative to the mid-point.

Table 4:20 provides the results of focus strategy with a mid-point of 3.02 for the two categories. The focus on the type of product sold had a mean of 3.13 which was above the mid-point. This implies that it is relatively more important and is likely to be a preferred form of strategy compared to the type of market which is basically the same for all the businesses.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The main aim of the research was to identify the competitive strategies used by exhibition stalls situated within Nairobi's Central Business District. In addition, the research focused on the factors influencing the competitiveness of the exhibition stalls. This chapter provides a summary of the findings identified in Chapter Four as well as the limitations of the study and suggestions for further research.

5.2 Summary of the findings

Business characteristics

It was noted that there are general similarities amongst the stalls. This includes aspects like target customers groups, product offered, the competitive strategies adopted and the factors that influence the competitiveness of the businesses.

Most of the stalls are run and managed by the owners with less than five employees in most cases. The majority have been operational for less than five years. This is consistent with the observations made in the literature review that the rate of collapse of small and medium enterprises is high especially during the early years.

Competition remains a major threat to the survival of the businesses with new ones coming up almost on a weekly basis. This forces most of the stalls to offer discounts in order to remain competitive.

Like the larger businesses, small and medium enterprises also consider competitive business strategies as important for their long term survival. All the businesses aim at achieving profitability, growth and development in the long run. Thus, businesses which are in a position to come up with strategies which provide them with an advantage compared to competitors are likely to achieve returns which are well above the industry average. This trend is likely to provide an excellent basis for market leadership.

The study revealed that the following aspects significantly influence the competitiveness of the exhibition stalls:

- The nature of customer service
- The price and quality of the products offered
- The location of the business
- The security available in the surrounding areas
- The variety of products offered
- The experience and business skills of the owner

Business strategies

In order to ensure a high level of competitiveness, the owners apply some business strategies. The study revealed the following strategies as being the most common amongst the business stalls:

Customer attraction strategies

The tendency is for the stall owners to supply a large variety of products which meet customer needs. Thus, the businesses do not specialize on one product. It is common for products to be supplied to offices and homes of regular customers. This is a form of relationship marketing which ensures a high standard of customer service.

It is important to ensure that those dealing with customers understand their needs. Arising from this, some stalls opt to employ experienced assistants who have worked in similar businesses. Cleanliness of the enterprises is also emphasized. Well designed layout is a major way to attract customers. There is a tendency for the stalls to collectively employ people who provide cleaning services on a daily basis.

Most of the stalls are located close to the city centre next to the major roads like Moi Avenue and Tom Mboya streets. These locations are also close to offices and business premises as well as bus stops. This arrangement appeals to most customers who value security and do not wish to risk shopping along streets situated far from the city centre.

The location has important implications on accessibility by target customers. The main target is working professionals within the central business district boundary and its environs. These are mainly people in the low to medium salary range. The idea is to focus on and offer products which appeal to this group in order to promote sales. One way of doing this is to ensure that the quality of goods on sale is of high standard that meet client requirements while, at the same time, ensuring that the products remain affordable.

Customers are allowed to return defective items which are then replaced. In this way the stall owners maintain good relationships with their clients as well as their loyalty. This is important in promoting future business interest and for marketing purposes.

Cost management and pricing

In view of financial limitations and the small scale of operations, most of the stalls practice cost cutting strategies. They have limited number of employees and carry out minimal advertising and promotion. A number of stalls are located within a specific room in order to share costs like security, power and water. Most of the savings are ploughed back into the business in order to build a capital base for future expansion.

Customers are allowed to bargain but this is subject to a reserve price beyond which further price reduction is not allowed. In most cases, there are no price tags. This makes it possible for bargaining to take place. In some cases customers are offered discounts so as

to attract them to the stalls in future. These efforts supplement the customer service activities described above.

5.3 Limitations of the study

The major limitation of the study was the limited sample. Because of time and financial constraints, only a limited number of units were studied. Further, the response rate was not full with only 30 out of 40 in the sample responding.

Secondly, some of the stall owners communicated in limited English and they had difficulties in responding to the questions. This necessitated translating some questions to Kiswahili, a fact which may have compromised the accuracy of the answers given.

5.4 Suggestions for policy and practice

The study highlighted vital aspects concerning the development of exhibition stall businesses in Nairobi's Central Business District. It is evident that most of the strategies are aimed at ensuring that the businesses increase their attractiveness by increasing sales in order to survive.

Business failure is a major reason for the failure of small and medium enterprises in Kenya. It is therefore important that the strategies applied are relevant and useful in ensuring the survival of the businesses. The need to work together, network and support

each other can ensure that the existing strategies applied lead to better results. Aspects such as jointly sourcing for products, sharing common services and forming small credit societies are some of the business aspects which should be emphasized. In this way the benefits will be realized in terms of lower costs which will ultimately improve the competitiveness of the businesses.

Considering the important role that these enterprises play, there is need to ensure that they receive support so that they survive. For instance, duties and taxes on goods sold by such traders may be charged at concessionary rates. Training on business skills may be considered by the government while banks should consider giving the business owners loans at concessionary rates. A central location for such businesses as that planned for hawkers would solve some of the security and location problem.

5.5 Recommendation for further research

It will be useful to study the challenges that the exhibition stalls face in their attempt to apply the competitive strategies identified above. For instance, issues such as availability of business space within the central business district largely affect their location.

Such a study may provide solutions to some of the problems which the businesses experience in their attempts to grow into larger enterprises in line with the wishes of their owners.

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APPENDIX 1

LETTER OF INTRODUCTION

Charles Oturi
P.O.Box 12795
00100
Nairobi
20-5-2007

Dear Respondent,

RE: RESEARCH PROJECT

As part of the requirement for the Postgraduate Diploma in Project Planning and management of the University of Nairobi, the undersigned who is a student in the Faculty of External Studies, is required to submit a project research paper. He intends to undertake a study on exhibition halls within the Nairobi's Central Business District.

This questionnaire is designed to gather information on the competitive strategies adapted by exhibition halls in Nairobi. It is divided into three parts comprising sections A, B and C. Please answer all questions in each section

Your response will be treated in strict confidence and under no circumstance will your name be mentioned in the report.

Your cooperation will be highly appreciated.

Yours Faithfully

CHARLES OTURI

APPENDIX 2

QUESTIONNAIRE

SECTION A

1. Name of the business outlet and location

.....

2. How many years have you been operating the exhibition business?

.....

3. How much capital did you use to start the business?

4. How many employees do you have?

5. How would you describe the ownership of your business?

Sole proprietorship

Family business

Partnership

Public company

Others (Please specify)

.....
.....
.....

9. Do you have any branches? Yes

No

If yes, give the actual number and their location(s).....
.....

10. Please indicate some of the most important resources that you need to run your business

Financial resources

Physical resources

Others (Please specify)

.....
.....
.....

11. What challenges have you faced in trying to acquire the above resources?

.....
.....
.....

12. What influences the decision to stock the products you sell?

Customers

Suppliers

Owner

Competitors

Others

(Please

specify).....

.....
.....

13. In your view, how do your target customers view the price you charge?

Very high

High

Fair

Low

Very low

14. Which are some of your most common business costs?

.....
.....

15. How would you rate the state of competition in the exhibition stall business?

Stiff

Fairly stiff

Not stiff

16. What are your reasons for the answer to question 15?

.....
.....
.....

SECTION B

1. Which incentive(s) do you commonly use to attract customers to your stall?

Credit facilities Discounts Installment payment

Others (Please specify)

.....
.....
.....
.....

2. What in your view is the major attraction of customers to your stall?

Quality of items

Good customer service

Competitive prices

Strategic location

Advertising

Others (Please specify)

.....
.....

.....
.....

3. Please indicate some of the problems you experience in meeting the needs of your customers

.....
.....
.....
.....

4. Do you allow customers to return defective products?

Yes

No

If yes, how do you handle the returned product?

Replace it

Repair for free

Repair for free

5. Listed overleaf are statements concerning various aspects of business? For each statement, please use the scale below and tick the box which best describes the method you frequently use.

- 1. Used to a great extent
- 2. Used to some extent
- 3. Moderately used
- 4. Rarely used
- 5. Not used at all

6. Using the scale below, indicate the extent to which the following aspects are important to your business:

- 1. Extremely important
- 2. Very important
- 3. Modorately important
- 4. Not important

1 2 3 4

Cost leadership

- 1. Cost cutting
- 2. Cheap product sources

Differentiation

- 1. Customer service
- 2. Advertising
- 3. New product lines
- 4. Location
- 5. Experienced/trained staff
- 6. Wide product range

Focus

- 1. Imported goods
- 2. Local goods
- 3. Expensive goods
- 4. Cheap goods
- 5. New products
- 6. Second hand products
- 7. Fast moving products
- 8. High income clients
- 9. Moderate income clients
- 10. Low income clients

	1	2	3	4

7. Using the following scale please indicate the extent to which the following have contributed to the growth of your business

- 1. To a large extent
- 2. To some extent
- 3. A little extent
- 4. Not at all

1 2 3 4

	1	2	3	4
Business location				
Offering discounts				
Access to credit facilities				
Business skills of the staff				
Age of the staff				
Experience of the staff				
Customer sensitivity				
Marketing				
Variety of products				
Security within the business premises				
Quality of products sold				
Display of prices				

Others (Please specify)

.....

8. What are some of the major problems you experience in running your business?

.....

9. Any additional information which you may wish to add

.....

Thank you for completing the questionnaire.

APPENDIX 3
EXHIBITION STALLS IN NAIROBI'S CENTRAL DISTRICT

1. UPTOWN SHOPPING PLACE
2. KIGALI EXHIBITION CENTRE
3. USHINDI EXPO
4. EXPO CAMERA CENTRE
5. QUEENS COLLECTION EXHIBITION
6. THE PLAZA BUYING POINT
7. H.M EXHIBITION CENTRE
8. CAPITAL EXHIBITION
9. EUREKA GENERAL EXHIBITION
10. GRAND ARCADE EXHIBITION
11. ARKLAND EXHIBITION CENTRE
12. SHOPPING PLAZA
13. LEADERS SHOPPING COMPLEX
14. JOINT MART EXHIBITION
15. AFRICAN HOUSE EXHIBITION
16. SUNBEAM EXHIBITION
17. SIMS SHOPPING PARADISE
18. ELEGANT EXHIBITION
19. EAST GATE EXHIBITION CENTRE
20. NOOR EXHIBITION CENTRE
21. BEAVER BUSINESS CENTRE
22. MAGO GENERAL EXHIBITION
23. MARKET CENTRE EXHIBITION
24. MARIDADI FABRICS EXHIBITION
25. RED APPLE EXHIBITION
26. SUPERIOR CENTRE
27. ALL INCLUSIVE SHOPPING MALL
28. THE SHOPPING MALL

29. NAIROBI STALLS
30. ROSINNAH EXHIBITION CENTRE
31. TERRY EXHIBITION
32. DELIGHT BUSINESS CENTRE
33. COMMODITY ENTERPRISES
34. BAZAAR SHOPPING CENTRE
35. DUBAI SHOPPING CENTRE
36. BARAKA EXHIBITION
37. P.FASHIONS EXHIBITION
38. MUCERT EXHIBITION CENTRE
39. OMAR EXHIBITION CENTRE
40. NEW CARING III SHOPPING MALL
41. KIKE TEXTILES MUTARABARA MALL
42. JOYLAND EXHIBITION
43. EXHIBITION SEKEA SALES
44. EXHIBITION JOPO SHOPPING POINT
45. PERIDA CENTRE
46. ST.BAKHITA STALLS
47. TSAVO ROAD TRADE CENTRE
48. HABARI BAZAAR EXHIBITION
49. SUNNING HILL EXHIBITION
50. AL-NOOR EXHIBITION
51. MBIEITECH EXHIBITION
52. LATEMA ROAD EXHIBITION
53. KHUZEEMA MOHSIN MAMUJEE EXHIBITION
54. MAMUJEE FREE MARKET
55. DRTWOOD MARKET
56. GENERAL EXHIBITION
57. SOKO CENTRE
58. NIJIMATT SALES EXHIBITION
59. LUTHULI TRADING COMPLEX

60. EDMA EXHIBITION
61. NKIMWA SALES EXHIBITION
62. SPECIAL BARGAIN
63. DRYWOOD MARKET CENTRE
64. MAMUJEE FREE MARKET EXHIBITION
65. MECCA SHOPPING CENTRE
66. STAR WORLD MARKET
67. TORSON EXHIBITION SALE
68. CONCEPTS SHOPPING MALL
69. AL-NOOR EXHIBITION III
70. KASSICO TRADE CENTRE
71. SUPERIOR ARCADE CENTRE
72. ALL TIME SHOPPING COMPLEX
73. BEAUTY SHOPPING MALL
74. NEW KANSAA II SHOPPING COMPLEX
75. CENTRAL STALLS EXHIBITION
76. NEW NYAMA SHOPPING COMPLEX
77. SUNBEAM SHOPPING COMPLEX(Since pulled down)
78. PHIOKAM EXHIBITION CENTRE
79. PHIOKAM EXHIBITION CENTRE
80. ALFULELA EXHIBITION 2001
81. BILAL EXHIBITION CENTRE
82. MOONSIDE EXHIBITION
83. MOONLIGHT EXHIBITION
84. SUMMIT EXHIBITION
85. CITY STALLS EXHIBITION CENTRE
86. FASHION STALLS
87. MADUKHA EXHIBITION
88. MISHAL EXHIBITION
89. NEW ACCRA HOUSE EXHIBITION
90. WORLD BUSINESS CENTRE

91. MAGO GENERAL EXHIBITION
92. GILLAT MARKET CENTRE
93. SUNSHINE EXHIBITION
94. RED APPLE EXHIBITION
95. SUPERIOR CENTRE SHOPPING CENTRE
96. ELEVEN EXHIBITION CENTRE
97. THEOFILAS EXHIBITION CENTRE
98. TECHNO TRADE PAVILLION
99. BIGGEST BARGAIN EXHIBITION
100. FAULU KWA SOKO EXHIBITION
101. SHELLY SHOPPING COMPLES
102. JECCA CENTRE