

**STRATEGIC RESPONSES BY TUSKYS SUPERMARKET TO
CHANGING COMPETITIVE ENVIRONMENT**

BY

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**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT
OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION**

SCHOOL OF BUSINESS

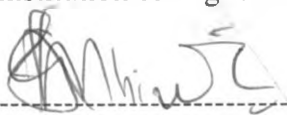
UNIVERSITY OF NAIROBI

OCTOBER 2010

DECLARATION

This management research project is my original work that has not been presented to any other University or Institution of Higher Learning for examination.

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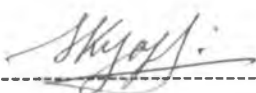
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ACKNOWLEDGEMENT

I would like to express my sincere gratitude to my supervisor Dr. John Yabs, Lecturer University of Nairobi MBA programme, School of Business for accepting to supervise this research project.

I am grateful to my family for giving me the invaluable support to concentrate on this research project.

Lastly I thank the Almighty God for being so faithful by enabling me to undertake this research project successfully despite of the fact that it was too involving in terms of time and resources.

DEDICATION

This study is dedicated to my loving husband Kennedy Wafukho for his unwavering support, patience and prayers during the entire period of my study. It is also dedicated to my children, Lavonne and Eddie for their encouragement in the entire period of study.

Finally I pay glowing gratitude and tribute to my dear mother Gladys Mbiuki, my dear brothers and sisters, Josephine, Lucy, Hon.Kareke, Ken, Peter, Late Nicholas, Jasper, and my niece Millicent for your great encouragement during the entire period of study.

Thank you and God bless you abundantly.

ABSTRACT

Today's organizations engaging in businesses have to contend with the dynamics of a changing competitive environment. Competition is one of the environmental influences to a business. It exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to perceived and actual changes in the competitive environment. Strategic decisions are ones that are aimed at differentiating an organization from its competitors in a way that is sustainable in the future. In a given business environment an appropriate and competent strategic capability is a key basis for such an effective strategic response (Ansoff, 1979 and Hambrick, 1982).

The research is a case study on Tuskys Supermarket, a retail chain in the Kenyan market. The ever-changing market presents continuing challenges to retailers. First and foremost, retailers must recognize the strong implications of a buyers' market (Lewison, 1994). Customers are being offered a wide choice of shopping experiences, but no one operation can capture them. Therefore, it is incumbent upon management to define their target market and direct their energies toward solving that specific market's problems.

The aim of this study was to establish the strategic responses that Tuskys Supermarket had adopted in the face of the current competitive environment and the success of the strategies adopted by the supermarket due to the competitive environment. The study was carried out through a case study design of Tuskys Supermarket where primary data was collected using an interview guide. Personal interviews were done with Tuskys Supermarket Operation's Manager and Nairobi Branch Managers using an interview guide. Content analysis technique was used to analyze the data. The study found out that there were several environmental factors that affect the operations of the business but the most significant factor was competition. The firm had reacted to competition and to the environmental changes in general using strategic responses that had been very successful. The study recommends managers to be on the lookout for any possible factors that would have an implication on the operation of the company and respond appropriately. So far the strategic responses had been successful but more needs to be done to ensure that Tuskys supermarket becomes the market leader in the Kenya's retail industry by having a sustainable long term competitive advantage.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

A business does not function in a vacuum. It has to act and react to what happens outside the factory and office walls. These factors that happen outside the business are known as external factors or influences. These will affect the main internal functions of the business and possibly the objectives of the business and its strategies.

Forces in the environment might influence an organization and the success or failure of strategies. The impact of these forces tends to surface in the more immediate environment through changes in the competitive forces on organizations. An important aspect of this for most organizations will be competition within their industry or sector. Hence; organizations have to adequately and promptly respond to changes in the environment for the organization to be successful. This is because organizations are dependent on the environment for resources and also depends on the environment to discharge their outputs. Ansoff (1999) brought out the need to evaluate the turbulence in the environment and to match the strategies to the level of turbulence in the environment.

From a strategic management perspective it is useful for managers in any organization to understand the competitive forces acting on and between organizations in the same industry and the way in which individual organizations might choose to compete. Inherent within the notion of strategy is the issue of competitiveness. In business, this is about gaining advantage over competitors. Porter's (1980) five forces framework identifies the sources of competition in an industry. This includes the threat of entry, the threats of substitutes, competitive rivalry and the power of buyers and suppliers. The five forces framework can be used to gain insights into the forces at work in the industry environment of a strategic business unit which need particular attention in the development of strategy. It's important to achieve the correct positioning of the organisation, for example in terms of the extent to which it meets clearly identified market needs. The strategic management process allows an organization to take advantage of key environmental opportunities to minimize the impact of external threats, to capitalize upon internal strengths and overcome weakness.

1.1.1 Concept of Strategy

Strategy which is a fundamental management tool in any organization is a multi dimensional concept that various authors have defined in different ways. It is the match between an organization's resources and skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish (Thompson S, 1993). Strategy is the direction and scope of an organisation over the long term: which achieves advantage for the organisation through its configuration of resources within a changing environment, to meet the needs of markets and to fulfil stakeholder expectations (Johnson and Scholes, 1999).

Since strategic decisions influence the way organizations respond to their environment, it is very important for a firm to make strategic decisions and define strategy in terms of its function to the environment. The purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Pearce and Robinson, 2007). Ansoff (1999) views strategy in terms of market and product choices. According to his view, strategy is the "common thread" among an organization's activities and the market.

Strategies may require major resource changes for an organisation. Example, decisions to expand geographically has significant implications in terms of the need to build and support a new customer base. The concerns in this strategy are therefore about how advantage over competitors can be achieved; what new opportunities can be identified or created in markets, which products or services should be developed in which markets; and the extent to which these meet customer needs in such a way as to achieve the objectives of the organisation- perhaps long term profitability or market share growth. The strategic management process allows an organization to take advantage of key environmental opportunities to minimize the impact of external threats, to capitalize upon internal strengths and overcome weakness. A large number of research studies have concluded that organization's that have adopted strategic management are likely to be more profitable and successful than those that do not (Fred, 1996). Porter (1996) has defined strategy as a creation of a unique and vulnerable position of tradeoffs in competing, involving a set of activities that neatly fit together, that are simply consistent, reinforce each other and ensure optimization of effort.

1.1.2 Competitive Environment

Strategic responses of all business firms exist in an open system. They impact and are impacted by external conditions largely beyond their control. Therefore, if a firm is to succeed in positioning itself in future competitive situations, its strategic managers must look beyond the limits of the firm's own operations. The hypotheses that the firm is an environment serving organization meaning that there are needs that rise in the business environment and that the firms respond to these needs by producing services that are needed by the customers (Peters and Waterman, 1982). A company cannot ignore what the competitors are doing or how competitors will react to a strategic change by the company (Grant, 1998). According to the resource-based theory, the competitive advantage of a firm draws on its internal resources and competences (Mahoney and Pandian, 1992). In this paradigm, a company can be considered as a bundle of resources that makes it unique if the resources are valuable, rare, hard to imitate, and difficult to substitute (Barney, 1991). For firms operating in a highly competitive environment a distinctive strategic orientation is needed, requiring the exploitation of critical resources in order to gain competitive advantage. The strategic responses of domestic firms will focus on those competences that are difficult to imitate or substitute.

Organizational strategies' refer to situations where companies seek to actively fit their strategies to the existing environment; the environment is perceived as being given, while the strategy can be adapted. Alternatively, 'environmental strategies' aim at manipulating the environment in such a way that fit between strategy and the environment is established, that is strategy is largely fixed while the environment is mutable. Such a change can either be achieved if firms relocate themselves into a more favorable environment or if the environment is actively manipulated in favor of the firm's strategy.

1.1.3 Supermarkets in Kenya

Growth of supermarket in Kenya the last decade has seen the number of supermarkets growing from less than 5 in early 1990's to over 400 today. In 1993-2003, the growth was about 18- 20% (Weatherspoon and Readon, 2007). The growth is largely driven by growing middle class and a changing life style, Urbanisation, Growing economy (average growth rate over 5% (2004- 2007) and Market liberalization. The locally owned supermarket dominant players in Kenya include

Nakumatt, which is presently the largest supermarket chain in Kenya. Turnover reported at Kshs.19.5 Billion (US\$300M) (2007). Whilst Nakumatt and Tuskys are playing a leading role in Kenya's burgeoning retail market, Uchumi Supermarkets, has had a history of financial problems though it has returned to profitability. Skymart, which operated a supermarket chain in Nairobi and Mombasa, recently made a retreat after trading for less than a year. Metcash, the wholesale group operating under the Metro Cash and Carry and Lucky 7 supermarket franchise banner, was also forced to make an exit in 2005. The format alienated many Kenyan consumers because Metcash refused to move away from selling in bulk ([http:// www.bdaily.africa.com](http://www.bdaily.africa.com)). Other supermarkets are Ukwala Supermarket, Naivasha Self Service which has many branches spread in Major cities and towns.

1.1.4 Tuskys Supermarket

Tuskys supermarket is a family owned business that has expanded in the recent past, and is increasing competition within the market. It targets the middle and low-income consumers. Tuskys supermarket, the second largest retailer in the country in terms of branches, operates supermarkets and has been able to seal any gaps left by Nakumatt. Due to popular demand and the lack of land available in the capital for large sized stores, Tuskys has been forced to relocate some of its stores in Nairobi and the retailer is currently expanding its network into suburban districts such as Thika, Athiriver and Rongai and Kisumu.

The Retail chain Tuskys Supermarkets has announced plans to venture outside Kenya that is in Rwanda and Uganda, as well as increase the number of outlets in the country, upping the stakes in the growing retail business. It has developed a smartcard based loyalty system that is currently in use in all the stores. Tuskys seems to have hit on a winning strategy targeting the largely big populace of the middle class present in towns around Nairobi. It is increasing their presence in Kenya and continuing to be the dominant market player especially in the Kenyan market as they are already known for their friendly prices rather than the perception Nakumatt has. The supermarket has indeed proved to be a resilient and responsive brand and consequently the chain store has experienced rapid growth leading to a portfolio of 23 outlets Countrywide (Nairobi 11, Nakuru 3, Mombasa 2, Ongata Rongai, Athi River, Thika, Eldoret, Kisii and Kisumu). The supermarket recently opened its grand store T- Mall on Langata Road/Mbagathi Junction in

Nairobi. Only businesses that respond to customer needs and meet customer satisfaction can maintain a competitive edge in modern day economic scenarios.

1.2 Statement of the Problem

Organizations have to adequately and promptly respond to changes in the environment for the organization to be successful. This is because organizations are dependent on the environment for resources and also depends on the environment to discharge their outputs. Ansoff (1999) brought out the need to evaluate the turbulence in the environment and to match the strategies to the level of turbulence in the environment. High performing firms create strategies which are used to manage strategic repositioning in times of changes in their environment (Covin and Slevin, 1989). From a strategic management perspective it is useful for managers in any organization to understand the competitive forces acting on and between organizations in the same industry or sector since this will determine the attractiveness of that industry and the way in which individual organizations might choose to compete.

Growth of supermarket in Kenya the last decade has seen the number of supermarkets growing from less than 5 in early 1990's to over 400 today. In 1993-2003, the growth was about 18- 20% (Weatherspoon and Readon, 2007). The growth is largely driven by growing middle class and a changing life style, urbanization, growing economy (average growth rate over 5% (2004- 2007) and market liberalization. Nakumatt and Tuskys are playing a leading role in Kenya's burgeoning retail market. Recently Nakumatt holdings bought out Woolmatt Supermarket's four branches in the city centre, the biggest raid ever by local retail chain on a competitor. The move was geared at enhancing their presence in the CBD (Central Business District.). Uchumi Supermarkets, has had a history of financial problems thou it has recently returned to profitability. Apart from Uchumi, which closed and re-opened, other retailers have been forced to make a silent exit from Kenya like Skymart and Metro cash and carry supermarket. Lastly we have Ukwala Supermarket which has many branches spread in major cities and towns. Tuskys supermarket, the second largest retailer in the country, operates supermarkets and has been able to seal any gaps left by Nakumatt. Due to its popular demand and the lack of land available in the capital for large sized stores, Tuskys has been forced to relocate some of its stores in Nairobi and the retailer is currently expanded its network into suburban districts such as Thika, Athiriver, T- Mall, Rongai

and Kisumu .The supermarket has indeed proved to be a resilient and responsive brand and consequently the chain store has experienced rapid growth leading to a portfolio of 23 outlets Countrywide (Nairobi 11, Nakuru 3, Mombasa 2, Ongata Rongai, Athi River, Thika, Eldoret, Kisii and Kisumu).

In Kenya a number of studies have been carried out to document responses by various organizations to changing competitive environment .Co-operative Bank (Mwarania, 2002), Kenya Reinsurance Corporation (Kathuku, 2004), KBC (Migunde, 2003), BAT (K) (Mwanthi, 2003),Commercial Banks (Ohoga, 2004).These studies have revealed that different organization respond to changes in environment in different ways because of their contextual differences. For instance, Ngeera (2003), while studying the pharmaceutical Industry observed that when firms are faced with competition they develop strategies to help them achieve competitive advantage. He pointed out that only firms capable of developing and implementing competitive strategy will achieve profitable and growth. He found that most retail pharmacy used cost leadership strategy while a good customer service was used to attract and retain customers.

However; no known study has been done to explore the strategic responses by Tuskys Supermarket to changing competitive environment. Due to contextual differences in the above organizations their responses to changes in the competitive environment may be different from those adopted by Tuskys supermarket. Only businesses that respond to customer needs and meet customer satisfaction can maintain a competitive edge in modern day economic scenarios. The retail supermarkets industry in Kenya is facing competitive environmental challenges and this had prompted the supermarkets to adapt to the changes in their macro environment. How did Tuskys supermarket respond to these challenges?

1.3 Objectives of the study

The objective of this study was to establish the strategic responses that Tuskys Supermarket had adopted in the face of the current competitive environment and the success of the strategies adopted by the supermarket due to changing competitive environment.

1.4 Importance of the study

The findings of this study would benefit the top management of Tuskys Supermarket as they would be able to use the findings and the recommendations forwarded to be able to develop better strategic responses and to cope with changes in the competitive environment.

The management of Tuskys Supermarket would also stand the benefit as they would be able to articulate the strategic gaps existing in their company and to develop strategies to help them improve.

Current and new entrants in the industry would find the findings useful in improving their services, maintaining customer loyalty and their customer base.

Policy makers in Government would make decisions on the basis of the research findings.

The study would add knowledge which can be used by Scholars, academicians and researchers as the study would form a reference point in examining strategic management and give guideline for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Strategy

Strategy which is a fundamental management tool in any organization is a multi dimensional concept that various authors have defined in different ways. It is the match between an organization's resources and skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish (Thompson S, 1993). Strategy is the direction and scope of an organisation over the long term: which achieves advantage for the organisation through its configuration of resources within a changing environment, to meet the needs of markets and to fulfil stakeholder expectations (Johnson and Scholes, 1999).

Pearce and Robinson (2007) defines strategy as the company's "game plan" which results in future oriented plans interacting with the competitive environment to achieve the company's objectives. Since strategic decisions influence the way organizations respond to their environment, it is very important for a firm to make strategic decisions and define strategy in terms of it function to the environment. A strategy can be seen as the matching of the resources and the activities of an organization to the environment in which it operates. This is known as the search for strategic fit (Porter, 1980). Strategic fit is developing strategy by identifying opportunities in the business environment and adapting resources and competences so as to take advantage of these.

According to Jauch and Glueck (1984), strategy is a unified and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization. Mintzberg and Quinn (1979) also had a hand in strategy definition whereby he perceives strategy as a pattern or a plan that integrates organization's major goals, policies and action into a cohesive whole. Porter (1996) has defined strategy as a creation of a unique and vulnerable position of tradeoffs in competing, involving a set of activities that neatly fit together, that are simply consistent, reinforce each other and ensure optimization of effort.

A strategy can be seen as the matching of the resources and the activities of an organization to the environment in which it operates. This is known as the search for strategic fit (Porter,

1980). Strategic fit is developing strategy by identifying opportunities in the business environment and adapting resources and competences so as to take advantage of these. Strategies may require major resource changes for an organisation. Examples, decisions to expand geographically have significant implications in terms of the need to build and support a new customer base. Strategies, then, need to be considered not only in terms of the extent to which the existing resources capability of the organisation is situated to opportunities, but also in terms of the extent to which resources can be obtained and controlled to develop a strategy for the future.

It's important to achieve the correct positioning of the organisation, for example in terms of the extent to which it meets clearly identified market needs. Strategy can also be seen as building on or stretching an organisation's resources and competences to create opportunities or to capitalise on them (Hamel and Prahalad, 1994). Strategy development by stretch is the leverage of the resources and competences of an organisation to provide competitive advantage and yield new opportunities. Strategy is the determination of the basic long-term goals and objectives of an enterprise, and the adoption of course of action and the allocation of resources necessary for carrying out these goals (Chandler, 1962).

Business strategy is concerned with the match between the internal capabilities of the company and its external environment (Kay, 1999). Strategies may require major resource changes for an organisation. Example, decisions to expand geographically has significant implications in terms of the need to build and support a new customer base. Strategies, then, need to be considered not only in terms of the extent to which the existing resources capability of the organisation is situated to opportunities, but also in terms of the extent to which resources can be obtained and controlled to develop a strategy for the future. Strategies exist at a number of levels in an organisation. This is relevant when considering influences on strategies adopted by organisations. Corporate level strategy is concerned with the overall purpose and scope of an organisation and how value will be added to different parts of the organisation. Business unit strategy is about how to compete successfully in particular markets. (W.K Hail, 1978).

The concerns in this strategy are therefore about how advantage over competitors can be achieved; what new opportunities can be identified or created in markets, which products or services should be developed in which markets; and the extent to which these meet customer needs in such a way as to achieve the objectives of the organisation- perhaps long term profitability or market share growth. The strategic management process allows an organization to take advantage of key environmental opportunities to minimize the impact of external threats, to capitalize upon internal strengths and overcome weakness. A large number of research studies have concluded that organization's that have adopted strategic management are likely to be more profitable and successful than those that do not (Fred, 1996). High performing firms create strategies which are used to manage strategic repositioning in times of changes in their environment as advanced by Covin and Slevin (1989).

2.1.1 Strategic Capability

Capabilities refer to the firm's ability to utilize its resources effectively. An example of a capability is the ability to bring a product to market faster than competitors. Such capabilities are embedded in the routines of the organization and are not easily documented as procedures and thus are difficult for competitors to replicate. The firm's resources and capabilities together form its distinctive competencies. These competencies enable innovation, efficiency, quality, and customer responsiveness, all of which can be leveraged to create a cost advantage or a differentiation advantage. Every business in order to survive and thrive in a competitive business environment needs to possess a certain level of strategic capability. The type of strategic capability that the company needs at a specific time is determined by the legitimizing forces and the threats/opportunities in the future business environment (Ansoff, 1984).

Threats and opportunities also evolve in the external environment of the business and they impact the business organization in both positive and negative ways. The sources of threats and opportunities for the businesses vary tremendously. The threats and opportunities can originate from customers, suppliers, competitors, government, and many other sources. The frequent changes in the threats and opportunities create environmental uncertainties that business managers may have difficulty adjusting because they lack the capability to successfully identify new opportunities, detect and interpret problem areas and issues, and implement strategic

responses. In a given business environment an appropriate and competent strategic capability is a key basis for such an effective strategic response (Ansoff, 1979 and Hambrick, 1982).

The fundamental premise in this argument is that firms should respond to legitimizing forces, opportunities, and threats in the international business environment to build the appropriate strategic capability that in turn creates the strategies necessary for the firm to survive and prosper as implied by the contingency theory (Lawrence and Lorsh, 1967). Ansoff (1979) made some of the earlier contributions to the concept of strategic capability where he analyzed it in terms of general management capability and competence, logistical competence, strategic capacity and discussed their dynamics. (Prahalad and Hamel, 1990; Hamel and Prahalad, 1994) emphasized the need of core competencies and managing them like portfolios of products and assets. (Prahalad and Hamel, 1990) defined core competencies as “the collective learning in the organization”. Stalk, Evan, and Shulman (1992) consider core capability applicable to the whole value chain but core competence limited to functional areas within the firm.

Prahalad and Hamel (1990) claim core competencies can be identified in terms of access to market, customer benefits, difficulty in imitation, and think that a list of 20 to 30 capabilities is too extensive and core competencies should be limited to five or six. However in Prahalad and Hamel (1994), extended the list of capabilities to 40 or 50 and the core competencies to fifteen. Moreover they provide useful distinctions among meta-competencies, core competencies, and constituent skills and realize that in order to make the concept of capability operational the company needs to inventory the capabilities in the firm to the level of each individual’s personal skills.

2.1.2 Strategic Resources

A resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation. Strategic resources can be changed from one form to another fast. Cash and cash equivalents and the ability to raise capital through equity or debt are the most important strategic resource for a business. Traditionally defined resources such as machines, factories, human resources, and intellectual capital (Johnson, Scholes, and Whittington, 2005) are unlikely to be able to change fast and can

be acquired on the market if the money is available. Therefore they should not be considered strategic resources leading to competitive advantage. According to the resource-based view, in order to develop a competitive advantage the firm must have resources and capabilities that are superior to those of its competitors. Without this superiority, the competitors simply could replicate what the firm was doing and any advantage quickly would disappear. Resources are the firm-specific assets useful for creating a cost or differentiation advantage and that few competitors can acquire easily.

2.1.3 Strategic Competence

The strategic competence of a business can be analyzed in terms of two categories. The first category is individual competence such as the skills, knowledge, experiences, and aspirations of the strategic managers, key management, scientific, and technical personnel as well as other internal stakeholders (Ansoff, 1979). The second category is the organizational competence such as formal management systems, structure, and scientific and technical competence, and organizational culture, organization's logistical competence in respect to the various functions such as marketing and finance, and technologies (Ansoff, 1979).

2.2 Strategic Responses

All business firms exist in an open system. They impact and are impacted by external conditions largely beyond their control. Therefore, if a firm is to succeed in positioning itself in future competitive situations, its strategic managers must look beyond the limits of the firm's own operations. The hypotheses that the firm is an environment serving organization meaning that there are needs that rise in the business environment and that the firms respond to these needs by producing services that are needed by the customers Peters and Waterman (1982). Management ideas such as "customer is the king" and "the customer is always right" are all based on this philosophy. A company's strategy is based upon matching its resources and capabilities to the requirements of the external environment (Rott, 2000). Although SWOT analysis has weaknesses, as suggested by Grant (1998) who stated that it is not always easy to define what the strengths and weaknesses are, SWOT will be used to analyze the fit between the internal environment and its environment.

The strategic responses of firms will focus on those competences that are difficult to imitate or substitute. Consistent with the resource-based view, Mintzberg (1973) considers strategy as a pattern stream of decisions which allocate resources to reach consistency between a firm's strategy and its environment. However, in case of inconsistency, strategic choice theory (Child, 1972) suggests two distinct categories of strategic action to resolve this misfit.

Organizational strategies refer to situations where companies seek to actively fit their strategies to the existing environment; the environment is perceived as being given, while the strategy can be adapted. A Company cannot ignore what the competitors are doing or how competitors will react to a strategic change by the company (Grant, 1998). According to the resource-based theory, the competitive advantage of a firm draws on its internal resources and competences (Mahoney and Pandian, 1992). In this paradigm, a company can be considered as a bundle of resources that makes it unique if the resources are valuable, rare, hard to imitate, and difficult to substitute (Barney, 1991). For firms operating in a highly competitive environment a distinctive strategic orientation is needed, requiring the exploitation of critical resources in order to gain competitive advantage. The strategic responses of domestic firms will focus on those competences that are difficult to imitate or substitute.

Consistent with the resource-based view, Mintzberg (1973) considers strategy as a pattern stream of decisions which allocate resources to reach consistency between a firm's strategy and its environment. However, in case of inconsistency, strategic choice theory (Child, 1972) suggests two distinct categories of strategic action to resolve this misfit. 'Organizational strategies' refer to situations where companies seek to actively fit their strategies to the existing environment: the environment is perceived as being given, while the strategy can be adapted. Alternatively, 'environmental strategies' aim at manipulating the environment in such a way that fit between strategy and the environment is established, that is strategy is largely fixed while the environment is mutable. Such a change can either be achieved if firms relocate themselves into a more favorable environment or if the environment is actively manipulated in favor of the firm's strategy.

We build on Porter's typology (1980, 1985) of cost leadership, differentiation, and niche strategy both because this typology has been extensively tested and verified in various country and industry settings and because meta-analysis on generic competitive strategy yields a similar, though more comprehensive, set of generic strategies (Campbell-Hunt, 2000). Product differentiation strategies strive to create unique products that are not easily be matched by other competitors and thereby alleviate cost pressure on the firm (Porter, 1985). Companies develop resources and competences that are difficult for their rivals to imitate.

The concept of strategic groups was introduced into industrial organization theory to account for differences in profitability in firms competing in the same industry (Hunt 1972; Newman 1978). Because group membership is based on strategic behavior and organizational capabilities, the concept was soon adopted by the fields of strategy and business policy (Porter, 1980). Strategic groups are defined as sets of firms that compete in an industry on the basis of similar combinations of scope and resource commitments (Cool and Schendel 1988). Because decisions made by firms within a group may not be imitable by firms outside the group without incurring substantial cost, mobility barriers inhibit the free movement of firms from one group to another (Caves and Porter 1977). The presence of mobility barriers makes the strategic group structure of most industries relatively stable and identifiable.

2.3 Competitor Analysis

In formulating business strategy, managers must consider the strategies of the firm's competitors. Competitor analysis has two primary activities, obtaining information about important competitors, and using that information to predict competitor behavior. The goal of competitor analysis is to understand with which competitors to compete, competitors' strategies and planned actions, how competitors might react to a firm's actions, how to influence competitor behavior to the firm's own advantage. Competitors should be analyzed systematically; using organized competitor intelligence-gathering to compile a wide array of information so that well informed strategy decisions can be made. Michael Porter (1980) presented a framework for analyzing competitors. This framework was based on four key aspects of a competitor: Competitor's strategy, Competitor's objectives, Competitor's assumptions and Competitor's capabilities.

Finally, since the competitive environment is dynamic, the competitor's ability to react swiftly to change should be evaluated. Some firms have heavy momentum and may continue for many years in the same direction before adapting. Others are able to mobilize and adapt very quickly. Factors that slow a company down include low cash reserves, large investments in fixed assets, and an organizational structure that hinders quick action. Information from an analysis of the competitor's objectives, assumptions, strategy, and capabilities can be compiled into a response profile of possible moves that might be made by the competitor. This profile includes both potential offensive and defensive moves. The specific moves and their expected strength can be estimated using information gleaned from the analysis. The result of the competitor analysis should be an improved ability to predict the competitor's behavior and even to influence that behavior to the firm's advantage.

2.4 Sustainable Competitive Advantages

A competitive advantage can result either from implementing a value-creating strategy not simultaneously being employed by current or prospective competitors or through superior execution of the same strategy as competitors (Bharadwaj, Varadarajan, and Fahy, 1993). The competitive advantage is sustained when other firms are unable to duplicate the benefits of this strategy (Barney, 1991). Alderson (1965) was one of the first to recognize that firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer. Later, Hamel and Prahalad (1989) and Dickson (1992) discussed the need for firms to learn how to create new advantages that will keep them one step ahead of competitors. Alderson was considered "ahead of his time" with respect to the suggestion that firms search for ways to differentiate themselves from competitors. Over a decade later, Hall (1980) and Henderson (1983) solidified the need for firms to possess unique advantages in relation to competitors if they are to survive.

Porter (1985) discussed the basic types of competitive strategies firms can possess (low-cost or differentiation) to achieve sustainable competitive advantages. Cost Leadership strategy involves the organization aiming to be the lowest cost producer within their industry. The organization aims to drive cost down through all the elements of the production of the product from sourcing, to labour costs. The cost leader usually aims at a broad market, so sufficient sales can cover

costs. Some organization may aim to drive costs down but will not pass on these cost savings to their customers aiming for increased profits clearly because their brand can command a premium rate. Differentiation strategy is what organizations strive for. Having a competitive advantage which allows the company and its products ranges to stand out is crucial for their success. With a differentiation strategy the organization aims to focus its effort on particular segments and charge for the added differentiated value. New concepts which allow for differentiation can be patented; however patents have a certain life span and organization always face the danger that their idea that gives the competitive advantage will be copied in one form or another.

In niche strategies, the organization focuses its effort on one particular segment and becomes well known for providing products/services within the segment. They form a competitive advantage for this niche market and either succeeds by being a low cost producer or differentiator within that particular segment. With both of these strategies the organization can also focus by offering particular segments a differentiated product/service or a low cost product/service. The key is that the product or service is focused on a particular segment. Barney (1991) ,a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy. A sustainable competitive advantage is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy.

2.4.1 Sources of Sustainable Competitive Advantages

Day and Wensley (1988) focused on two categorical sources involved in creating a competitive advantage, superior skills and superior resources. Other authors have elaborated on the specific skills and resources that can contribute to a sustainable competitive advantage. Barney (1991) states that not all firm resources hold the potential of sustainable competitive advantages; instead, they must possess four attributes: rareness, value, inability to be imitated, and inability to be substituted. Similarly, Hunt and Morgan (1995) propose that "potential resources can be most usefully categorized as financial, physical, legal, human, organizational, informational, and relational".

Prahalad and Hamel (1990) suggest that firms combine their resources and skills into core competencies, loosely defined as that which a firm does distinctively well in relation to competitors. Therefore, firms may succeed in establishing a sustainable competitive advantage by combining skills and resources in unique and enduring ways. By combining resources in this manner, firms can focus on collectively learning how to coordinate all employees' efforts in order to facilitate growth of specific core competencies. Prahalad and Hamel (1990) suggest that firms should combine their resources and skills into core competencies, loosely defined as that which a firm does distinctively well in relation to competitors.

2.4.2 The relationship of Sustainable Competitive Advantage to other Strategic Concepts

Kohli and Jaworski (1990) see market orientation as the implementation of the marketing concept by activities such as generating information (analyzing changing customer needs and wants), disseminating information (sharing information with all departments in an organization), and actually responding to customers' needs. Other definitions of market orientation revolve around competitor-centered versus customer-centered firms. Day (1994), for example, views market orientation as a balance between being customer-centered and being competitor-centered, and that information technology can be used to help the firm to learn to act on available information faster than the competition.

Narver and Slater (1990) share a similar perspective of market orientation. They view market orientation as an organizational culture that contains three behavioral components: a customer orientation (understanding the target market), competitor orientation (understanding the strengths, weaknesses, capabilities, and strategies of key competitors, and interfunctional coordination, which means using resources of all departments in a firm in order to create value for target customers. An example of this latter component is provided by Ghoshal and Westney (1991), who find that a corporate culture of willingness to share information with all departments (interfunctional coordination) facilitates the learning process.

Fiol and Lyles (1985) agree that a corporate culture in which all departments are flexible and are willing to accept change increases the probability that learning will occur. And the ability to

learn (acquiring, disseminating, and interpreting new knowledge) is essential in a market-oriented firm. Market orientation, then, presumes an outward focus on customers and competitors. For example, through a customer orientation, firms can gain knowledge and customer insights in order to generate superior innovations (Varadarajan and Jayachandran 1999). Also, through interfunctional coordination, teams may be formed and empowered to respond to specific customer requests and solve complicated problems that span across functional areas (Tansik, 1990). Because a market orientation employs intangible resources such as organizational and informational resources, it can serve as a source of sustainable competitive advantage (Hunt and Morgan 1995).

Woodruff (1997) suggests a customer value hierarchy in which firms should strive to match their core competencies with customers' desired value from the product or service. Slater (1997) aids Woodruff's call by suggesting a new theory of the firm that is customer-value based. Under this theory, the reason that the firm exists is to satisfy the customer; the focus on providing customers with value forces firms to learn about their customers, rather than simply from their customers. With respect to performance differences, this theory suggests that those firms that provide superior customer value will be rewarded with superior performance as well as a sustainable competitive advantage.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. This section is an overall scheme, plan or structure conceived to aid the researcher in answering the raised research question. In this stage, most decisions about how research was executed and how respondents were approached, as well as when, where and how the research was completed. Therefore in this section the research identifies the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections were included; research design, data collection instruments, data collection procedures and finally data analysis.

3.1 Research Design

This was a case study design. A case study is an in-depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003). A case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. Young (1960) and Kothari (1960). the primary purpose of a case study is to determine factors and relationships among the factors that will result in the behavior under study. Since this study was to identify the strategic responses that Tuskys Supermarket adopted in the face of the current competitive environment, a case study design was deemed the best design to fulfill the objectives of the study.

3.2 Data Collection

Primary data was collected from the Tuskys supermarket Head office Operations Manager and the Nairobi Tuskys Branch Managers through personal interviews. Primary data collection method is the best source of information method. Primary data collected from Head Office Operations manager and the Nairobi Branch Managers was original data, basic data and unbiased information. The method used to collect the data was personal interviews; interview guide with open ended questions was used. An interview guide is a set of questions that the interviewer asks when interviewing (Mugenda and Mugenda, 2003). It makes it possible to obtain data required to meet specific objectives of the study. The personal interview permitted face-to-face contact with the respondents and provided an opportunity to explore topics in depth and allowed

the interviewer to explain or help clarify questions which increased useful responses. The researcher sought to utilize the respondents since they were more versed with Tuskys Supermarket strategic issues for it is them that formulated the strategy.

3.3 Data Analysis

Data collected which was qualitative in nature was analyzed using conceptual content analysis which is the best suited method of analysis, objectively identifying specific characteristics of messages and using the same approach to relate trends. Mugenda and Mugenda (2003) .the main purpose of content analysis is the study of existing information in order to determine factors that explain a specific phenomenon.

The purpose of qualitative inquiry was to produce findings. The data collection process was not an end in itself. The culminating activities of qualitative inquiry are analysis, interpretation, and presentation of findings. Qualitative techniques are extremely useful when a subject was too complex be answered by a simple yes or no hypothesis. These types of designs are much easier to plan and carry out, useful when budgetary decisions have to be taken into account.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the findings of the study and the analysis of the data collected from the interview guide administered to the Tuskys supermarket Operations Manager and branch Managers of Nairobi Branches. According to the data found, Tuskys operations manager and the Nairobi branch managers projected in the previous chapter to be interviewed were interviewed which made a response rate of 85%. The commendable response rate was achieved after the researcher made frantic effort at booking appointment with the interviewees despite of their tight schedules and making phone calls to remind them of the interview.

4.2 Competitor Analysis

On the question of the particular market niche that Tuskys supermarkets focused on, the interviewees said that Tuskys supermarket was a family owned business that targeted the middle and low-income consumers because of their sheer numbers and frequent visits while on Tuskys supermarket competitors in the market niche (arena), the interviewees mentioned that the supermarket main competitors in the retail industry included Nakumatt Holdings, Ukwala Supermarket, Uchumi supermarket and Naivas supermarket.

On how Tuskys supermarket compared to its competitors considering factors such as current market share, product/services mix, price, delivery, quality, value-added services, sales and distribution channels, technology, ease of doing business, the interviewees indicated that the geographic location of good sized stores of Tuskys supermarket in small towns that were not being served by competitors allowed the supermarket to establish itself as the sole retailer in those areas, this key strategic choice of location was completely different from what competitors had done. In addition the interviewees mentioned that the supermarket had large sized stores with all products under one roof and with superior ample parking space superior to those of competitors. In addition, the interviewees indicated that the supermarket offered friendly prices for wide variety of products at the lowest possible price which were more competitive than those of competitors.

4.3 Strategic Responses to External Environment

On the question of the major external trends that were affecting Tuskys supermarket arena considering factors like economic, political, social/cultural, demographic, technological, geographic, and environmental. On economic factor, the interviewees indicated that, Kenya's growing economy had driven the growth of Supermarkets in Kenya .In addition; they indicated that the retail market in Kenya was restricted by price sensitivity. Even though the Kenyan economy was growing rapidly, the interviewees mentioned that the retail development was restricted by the fact that around 50% of Kenyans still live on less than 1 USD per day. This meant that a large proportion of the Kenyan population still used the traditional channels as they still buy their goods from kiosks. Despite these restrictions, the interviewees indicated that Tuskys supermarket was taking the opportunity to tap into any potential that the local market held for them. On political factors the interviewees, indicated that the retail development had benefited from the fact that in recent years, the Kenyan government had made considerable headway in terms of making the business environment in Kenya more attractive for investors, whilst ease of credit had significantly improved the business environment for investors, other factors such as an improved infrastructure, reduced corruption and political stability have all fuelled growth across in the retail sector in Kenya.

On Social/Cultural factors, the interviewees indicated that the middle class was growing and its shopping habits were changing, the customers had changed what they needed, how they needed it and where they needed to shop and that was what Tuskys supermarket was trying to match. In addition the interviewees indicated that customers had moved towards 'one-stop' shopping, which was due to a variety of social changes. The interviewees indicated that Tuskys had, therefore, increased the amount of branches with a wide selection of products; from food, clothing, electronics and furniture. On technological factors, the interviewees indicated that technology was a major macro-environmental variable which had influenced the development of Tuskys supermarket. The interviewees mentioned that the new technology benefited both customers and the company: customer satisfaction arose because goods were readily available; services could become more personalized and shopping more convenient. The interviewees mentioned that the launch of the loyalty smartcard and the adoption of Electronic Point of Sale (EPoS), Electronic Funds Transfer Systems and electronic scanners had greatly improved the

efficiency of distribution and stocking activities, with needs being communicated almost in real time to the supplier.

On the question of the strategies that Tuskys supermarket had used to adapt to threats in the external environment in general the interviewees indicated that the supermarket had adapted cost leadership strategy where it offered its products and services to a broad market at the lowest prices. The supermarket controlled its operating costs so well that it was able to price their products competitively and was able to generate high profit margins, which built trust among the customers. The interviewees indicated that the strategy lied in purchasing the goods at lower prices and selling the goods to customer at much lower prices, cutting the price as far as possible and increasing the profit by increasing the number of sales. In addition the interviewees mentioned the concentration strategy where the supermarket continually found more consumer goods to sell at its stores which could take money from competitors thus having a significant competitive advantage. In addition the interviewees mentioned that the supermarket was expanding in the suburbs through opening of new stores in untapped retail markets where the target market lived, hence offering greater accessibility to services and making their presence domestically. In addition, the interviewees indicated that Tuskys was expanding the retail selling space in already existing stores per square foot to accommodate non-food products like electronics, clothes ,furniture and the implementation of retail standards that includes safety, cleanliness, structured training, and a vibrant shopping environment, improved operations, hence Tuskys had become undisputed brand in retail sector. The interviewees indicated that those strategies had attributed to the growth of Tuskys Supermarket despite of the competitive environment.

4.4 Strategic Responses Success

On how successful the strategies that Tuskys supermarket had used to react to competition and how they measured their effectiveness, the interviewees indicated that the supermarket's proactive strategic nature had helped it to conform to the ever changing lifestyles and trends of the environment. The expansion on number of stores of Tuskys in untapped markets and expanding per square foot of the retail selling space in already existing stores had attributed to the growth of the supermarket despite of the competitive environment. Variety of products,

customer relations, value, quality, are all offered to the customers, all under one roof because of per square foot expansion of the retail selling space in already existing stores. While tapping into potential markets was a big step, building brand image and brand recognition while dealing with competitive environment had also been important. As its reputation grew, so did its business. It measured success in terms of growth in sales and dominance over competitors.

4.5 Sustainable Competitive Advantage

The interviewee indicated that Tuskys supermarket core competencies (process, product, others) were offering: quality products at low price, fresh produce for everyday and occasion, variety of products and outstanding customer service. On the areas that Tuskys supermarket was strong or stronger than the competitors: marketing, technology, organization, people and capital, the interviewees indicated that the supermarket offered superior customer service to its customer. The interviewees mentioned that the supermarket first responsibility was for their customers' .They said that without the customers, there would have been no reason for being. They mentioned that they strived to appeal to a broad spectrum of consumers by meeting their needs better than their competitors .In addition the interviewees mentioned that Tuskys supermarkets concept of value to the customers' included a wide selection of quality merchandise and competitively priced products stressing value and service. They planned to constantly maintain the supermarkets facilities as modern, attractive, clean, and orderly stores that are pleasing and exciting places for customers to shop.

The interviewees also mentioned that the supermarkets ultimate responsibility was to their shareholders. The supermarkets goal was to earn an optimum return on invested capital through steady profit growth and prudent, aggressive asset management .The interviewees also mentioned that the supermarket management had a deep, personal responsibility to its employee's .As an equal opportunity employer the supermarket seeked to create and maintain an environment where every employee was provided the opportunity to develop his or her maximum potential. Employees were rewarded commensurate with their contribution to the success of the supermarket. The supermarket was committed to honesty and integrity in all relationships with its suppliers of goods and services. The interviewees mentioned that they were

demanding but fair, the supermarket evaluated its suppliers on the basis of quality, price and service.

On how Tuskys supermarkets utilized its resources and capabilities to create a competitive advantage that ultimately resulted in superior value creation, the interviewees indicated that the supermarket sold wide variety of merchandise from foodstuff, to clothing, to furniture, electronics which had improved their customer shopping experience. Tuskys had been able to win against competition by offering a greater shopping experience to its target market in the suburbs. The interviewees mentioned that the supermarket had leveraged its volume buying power with its suppliers. It negotiated the best prices from its vendors and expected commitments of quality merchandise. On how Tuskys supermarkets differentiated itself from its competitors, the interviewees indicated that there was medium to high competitive rivalry due to the high number of supermarkets in the market, the supermarket differentiated itself from competitors through price. Power of consumers was high, as ultimately they had the final say in what they purchased. Consumers looked to price along with relative quality and decided which products to buy accordingly.

On the question regarding the growth of Tuskys supermarket for the last 5 years and Tuskys supermarket market share and the strategic factors that had contributed to the growth. The interviewees indicated that Tuskys supermarket had proved to be resilient and responsive brand and consequently the chain store had experienced rapid growth leading to a portfolio of 23 outlets in Kenya. Interviewees mentioned that Tuskys supermarket had spread its wings across the region to Uganda. The supermarket had entered the Ugandan market with the acquisition of two stores. Tuskys supermarket commanded a market share of 20 %. Interviewees mentioned that the strategic factors that had contributed to the growth of the supermarket was selling merchandise at the lowest prices comparable to others in the industry which had led to a strong retail brand image through its ability to continuously offer excellent value for money. Being a one-stop-shop, the supermarket offered convenience shopping for busy individuals and families because middle class families and low-income earners were Tuskys supermarket primary targets.

CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the summary of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were in quest of addressing the research question or achieving the research objective of this study which was to establish the strategic responses that Tuskys Supermarket had adopted in the face of the current competitive environment and the success of the strategies adopted by the supermarket due to the competitive environment.

5.2 Discussions

A major determinant of any company's success is the extent to which it could relate its functionally to the external environment. Finding its place in competitive situation requires the company to realistically evaluate its own strengths and weaknesses as its competitor. Finding a differential that makes it stand out from the competition in one way or more would make Tuskys much more attractive than its competitors. The study collates with the literature on the importance of strategy in understanding the competitive forces acting on and between organizations in the same industry and the way which individual organization might choose to compete, where the study found that Tuskys supermarket management achieved the correct positioning in terms of the extent to which it met clearly the identified market needs. The researcher further found that the Directors, Senior Management, Departmental heads, and Branch managers concern should always be the adaption to the fast changing environmental circumstances to achieve competitive advantage; identifying what new opportunities can be identified or created in markets, which products or services should be developed in which markets; and the extent to which these meet customer needs in such a way as to achieve the objectives of the organisation- perhaps long term profitability or market share growth.

The strategic management process allows an organization to take advantage of key environmental opportunities to minimize the impact of external threats, to capitalize upon internal strengths and overcome weakness. A large number of research studies have concluded that organization's that have adopted strategic management are likely to be more profitable and successful than those that do not (Fred, 1996).

On Competitor Analysis, the particular market niche that Tuskys supermarkets focused on, the researcher found that Tuskys supermarket was a family owned business that targeted the middle and low-income consumers because of their sheer numbers and frequent visits while as advanced by (Barney,1991).On Tuskys supermarket competitors in that market niche (arena), the researcher found that the supermarkets main competitors in the retail industry include Nakumatt Holdings, Ukwala Supermarket, Uchumi supermarket and Naivas supermarket as advanced by (Grant,1998).On how Tuskys supermarket compared to its competitors considering factors such as current market share, product/services mix, price, delivery, quality, value-added services, sales and distribution channels, technology, ease of doing business, the researcher found that the geographic location of good sized stores of Tuskys supermarket in small towns that were not being served by competitors allowed the supermarket to establish itself as the sole retailer in those areas, this key strategic choice of location was completely different from what competitors had done. In addition the researcher found that the supermarket had large sized stores with all products under one roof and superior ample parking space superior to those of competitors. In addition, the researcher found that the supermarket offered friendly prices for wide variety of products at the lowest possible price which were more competitive than those of competitors .This collates with earlier findings by (Grant, 1998).

On the major external trends that were affecting Tuskys supermarket arena considering factors like economic, political, social/cultural, demographic, technological, geographic, and environmental. On economic factors, the researcher found that, Kenya's growing economy had driven the growth of Supermarkets in Kenya .In addition; the researcher found that the retail market in Kenya was restricted by price sensitivity. Even though the Kenyan economy was growing rapidly, the researcher found that the retail development was likely to be restricted by the fact that around 50% of Kenyans still live on less than 1USD per day. This meant that a large proportion of the Kenyan population still use the traditional channels as they still buy their goods from kiosks. Despite these restrictions, the researcher found that Tuskys supermarket was taking the opportunity to tap into any potential that the local market holds for them. On political factors the researcher found, that the retail development had benefited from the fact that in recent years, the Kenyan government had made considerable headway in terms of making the business

environment in Kenya more attractive for investors, whilst ease of credit has significantly improved the business environment for investors, other factors such as an improved infrastructure, reduced corruption and political stability have all fuelled growth across in the retail sector in Kenya.

On Social/Cultural factors, the researcher found that the middle class was growing and its shopping habits were changing, the customer was changing what he needed, how he needed it and where he needed to shop and that was what Tuskys supermarket was trying to match. In addition the researcher found that customers had moved towards 'one-stop' shopping, which was due to a variety of social changes. The researcher found that Tuskys had, therefore, increased the amount of branches with a wide selection of products; from food, clothing, electronics and furniture. On technological factors, the researcher found that technology was a major macro-environmental variable which had influenced the development of Tuskys supermarket. The researcher found that the new technologies benefited both customers and the company: customer satisfaction arose because goods were readily available; services could become more personalized and shopping more convenient. The researcher found that the launch of the loyalty smart card and the adoption of Electronic Point of Sale (EPoS), Electronic Funds Transfer Systems and electronic scanners had greatly improved the efficiency of distribution and stocking activities, with needs being communicated almost in real time to the supplier as advanced by (Ansoff,1984).

On the question of the strategies that Tuskys supermarket had used to adapt to threats in the external environment in general the researcher found that the supermarket had adapted cost leadership strategy where it offered its products and services to a broad market at the lowest prices. The supermarket controlled its operating costs so well that it was able to price their products competitively and was able to generate high profit margins, which built trust among the customers. The researcher found that the strategy lied in purchasing the goods at lower prices and selling the goods to customer at much lower prices, cutting the price as far as possible and increasing the profit by increasing the number of sales as advance by (Porter,1985) In addition the researcher found that the concentration strategy where the supermarket continually found more consumer goods to sell at its stores which could take money from competitors thus having

a significant competitive advantage. In addition the researcher found that the supermarket was expanding in the suburbs through opening of new stores in untapped retail markets where the target market lived, hence offering greater accessibility to services and making their presence domestically. In addition, the researcher found that Tuskys was expanding the retail selling space in already existing stores per square foot to accommodate non-food products like electronics, clothes ,furniture and the implementation of retail standards that includes safety, cleanliness, structured training, and a vibrant shopping environment, improved operations, hence Tuskys had become undisputed brand in the retail sector. The researcher found that these strategies had attributed to the growth of Tuskys Supermarket despite of the competitive environment as advanced by Covin and Slevin (1989).

On how successful the strategies that Tuskys supermarket had used to react to competition and how they measured their effectiveness, the researcher found that the supermarket's proactive strategic nature had helped it to conform to the ever changing lifestyles and trends of the environment. The expansion on number of stores of Tuskys in untapped markets and expanding per square foot of the retail selling space in already existing stores had attributed to the growth of the supermarket despite of the competitive environment. The researcher found that variety of products, customer relations, value, quality, were all offered to the customers, all under one roof because of per square foot expansion of the retail selling space in already existing stores. While tapping into potential markets was a big step, building brand image and brand recognition while dealing with competitive environment had also been important. As its reputation grew, so did its business. It measured success in terms of growth in sales and dominance over competitors.

On Tuskys supermarket core competencies (process, product, other) the researcher found out that the supermarkets competence were offering: quality products at low price, fresh produce for everyday and occasion, variety of products and outstanding customer service as advanced by (Prahalad and Hamel, 1990). On the areas that Tuskys supermarket was strong or stronger than the competitors: marketing, technology, organization, people, capital the researcher found that the supermarket offered superior customer service to its customer. The researcher found that Tuskys supermarkets first responsibility was for their customers', without the customers, there would have been no reason for being. The researcher found that they strived to appeal to a broad

spectrum of consumers by meeting their needs better than their competitors as advanced by Peters and Waterman (1982). In addition the researcher found that Tuskys supermarkets concept of value to the customers' included a wide selection of quality merchandise and competitively priced products stressing value and service. They planned to constantly maintain the supermarkets facilities as modern, attractive, clean, and orderly stores that are pleasing and exciting places for customers to shop. The supermarkets ultimate responsibility was to their shareholders. The researcher found also mentioned that the supermarkets goal was to earn an optimum return on invested capital through steady profit growth and prudent, aggressive asset management as advanced by (Fred, 1996). The researcher also found that the supermarket management had a deep, personal responsibility to its employee's. As an equal opportunity employer the supermarket sought to create and maintain an environment where every employee was provided with the opportunity to develop his or her maximum potential. The researcher also found out that employees were rewarded commensurate with their contribution to the success of the supermarket. The supermarket was committed to honesty and integrity in all relationships with its suppliers of goods and services. The researcher also found that Tuskys Supermarket was demanding but fair the supermarket evaluated its suppliers on the basis of quality, price and service.

On how Tuskys supermarkets utilized its resources and capabilities to create a competitive advantage that ultimately resulted in superior value creation, the researcher found that the supermarket sold wide variety of merchandise from foodstuff, to clothing, to furniture, electronics which had improved their customer shopping experience. Tuskys had been able to win against competition by offering a greater shopping experience to its target market in the suburbs. The researcher found that the supermarket had leveraged its volume buying power with its suppliers. It negotiated the best prices from its vendors and expected commitments of quality merchandise. This collates with earlier findings by (Kay, 1999).

On how Tuskys supermarkets differentiated itself from its competitors, the researcher found that there was medium to high competitive rivalry due to the high number of supermarkets in the market, the supermarket differentiated itself from competitors through price. Power of consumers was high, as ultimately they had the final say in what they purchased. Consumers

looked to price along with relative quality and decided which products to buy accordingly. On Tuskys supermarket growth for the last 5 years ,market share and the strategic factors that had contributed to the growth, the researcher found that Tuskys supermarket had proved to be resilient and responsive brand and consequently the chain store had experienced rapid growth leading to a portfolio of 23 outlets in Kenya. Researcher found that Tuskys supermarket had spread its wings across the region to Uganda. The supermarket had entered the Ugandan market with the acquisition of two stores.Tuskys supermarket commanded a market share of 20 %. Researcher found that the strategic factors that had contributed to the growth of the supermarket was selling merchandise at the lowest prices comparable to others in the industry which had led to a strong retail brand image through its ability to continuously offer excellent value for money. Being a one-stop-shop, the supermarket offered convenience shopping for busy individuals and families because middle class families and low-income earners were Tuskys supermarket primary targets.

5.3 Conclusions

From the study, the researcher concludes that Tuskys supermarket management had it on a winning strategy targeting the largely big populace of the middle class .The Supermarket was increasing its presence in the Kenyan market for its friendly prices rather than the competitors. The supermarket had indeed proved to be resilient and responsive brand and consequently the chain store is experiencing rapid growth to a portfolio of 23 outlets in Kenya. Hence only the businesses that respond to customers' needs and meet customer satisfaction can maintain a competitive edge in the modern day economic scenarios.

The study also concludes that every business in order to survive and thrive in a competitive business environment needs to possess a certain level of strategic capability and its strategic managers must look beyond the limits of the firm's own operations. The study also concludes that organization's that have adapted to strategic management are likely to be more profitable and successful than those that do not. Therefore, firms may succeed in establishing a sustainable competitive advantage by combining skills and resources in unique and enduring ways. By combining resources in this manner, firms can focus on collectively learning how to coordinate all employees' efforts in order to facilitate growth of specific core competencies. Customers are

being offered a wide choice of shopping experiences, but no one operation can capture them. Therefore, it is incumbent upon management to define their target market and direct their energies toward solving that specific market's problems. Success in the next decade will depend upon the level of understanding retailers have about the new values, expectations, and needs of the customer. In conclusion, if Tuskys Supermarket continues with customer-driven culture, it should remain a responsive brand well into the next century.

5.4 Recommendations

The study is valuable to the management of Tuskys Supermarket Limited. The study shows that there are several forces in the environmental that influences the Supermarket especially cut throat competition. Tuskys supermarket managers understand the competitive forces in the industry hence the company has put up various strategies to counter the competition. The study recommends managers to be on the lookout for any possible factors that will have an implication on the operation of the company like the pace of technology and the speed of global communication which means more and faster change now than ever before and respond appropriately. So far the strategic responses have been successful but more needs to be done to ensure Tuskys supermarket becomes the market leader in the Kenya's retail industry by having a sustainable long term competitive advantage. The study further recommends that with more than 38 million inhabitants in Kenya, the country is likely to experience faster growth in the retail industry as the economy continues in an upward trend and the Tuskys Supermarket Managers, should identify or create new opportunities in the market to achieve long term profitability and market share growth.

5.6 Area for Further Research

The researcher recommends that a replicate study be done on Nakumatt Supermarket Holdings which is the market leader in the retail industry in Kenya so as to find out the Strategic responses adapted by Nakumatt Supermarket to changing competitive environment since each supermarket may have different strategic responses. This replicate study will be very important for the purposes of benchmarking.

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APPENDICIES

Appendix 1: Introduction Letter

October, 2010

The Operations Manager,

Tuskys Supermarket

Nairobi.

Dear Sir /Madam,

RE: MBA RESEARCH PROJECT

I am a student at Nairobi University pursuing a Masters of Business Administration program. Pursuant to the pre-requisite course work, I would like to conduct a research project to assess the strategic responses by Tuskys supermarket to changing competitive environment.

The focus of my research will be Tuskys supermarket and this will involve interview with Head of operations and branch managers in Nairobi Branches.

I kindly seek your authority to conduct the research at Tuskys supermarket through research interviews and use of relevant documents. I have enclosed an introductory letter from the University. Your assistance is highly valued. Thank you in advance.

Yours faithfully,

Annceta Gacheri.

Appendix 11: Interview Guide

Strategic responses by Tuskys Supermarket to changing competitive environment.

Tuskys Supermarket Operations Manager and Nairobi Branch Managers.

Competitor Analysis

1. Specify any particular market niche in which Tuskys supermarkets focus.
2. Who are the Tuskys supermarket competitors in that market niche (arena)?
3. How do you compare to your competitors? Consider factors such as current market share, product/services mix, price, delivery, quality, value-added services, sales and distribution channels, technology, ease of doing business.

Strategic Responses to External Environment

4. What major external trends are/will be affecting Tuskys supermarket arena? Consider economic, political, social/cultural, demographic, technological, geographic, and environmental.
5. What strategies has Tuskys supermarket used to adapt to threats in the external environment in general?

Strategic Responses Success

6. How successful have been the strategies that Tuskys supermarket has used to react to competition? How did you measure the effectiveness?

Sustainable Competitive Advantage.

7. What are the Tuskys supermarket core competencies (process, product, other)?

8. In which of the following areas is Tuskys supermarket strong or stronger than the competitors: marketing, technology, organization, people, capital?
9. How do Tuskys supermarkets utilize its resources and capabilities to create a competitive advantage that ultimately results in superior value creation?
10. How do Tuskys supermarkets differentiate itself from its competitors?
11. How has been the growth of Tuskys supermarket for the last 5 years? What strategic factors have contributed to the growth?