

**COMPETITIVE STRATEGIES ADOPTED BY THE NATION  
MEDIA GROUP KENYA IN RESPONSE TO CHANGES IN THE  
EXTERNAL ENVIRONMENT**

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OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF  
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## **DECLARATION**

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than The University of Nairobi for academic credit.

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Date .....

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D61/8281/2006

This research has been presented for examination with my approval as appointed supervisor.

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## **DEDICATION**

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## ABSTRACT

Competitive strategy deals with management's game plan to compete successfully, its responses to a dynamic external environment, its ability to shift with the demands of its customers and its initiatives to strengthen its market position. The media industry in Kenya is highly fragmented and competition amongst existing players is stiff. The media choices available to Kenyan consumers continue to expand at a rapid pace. The purpose of this research was to identify the changes occurring in Nation Media Group's external environment and to establish the competitive strategies if adopted in response to the changes in its external environment. The research was conducted through a case study. Both primary and secondary data were used. Interview guides were administered among NMG's senior managers to collect primary data. Being a case study, content analysis was used to analyze the data. The study findings showed that NMG is facing competitive pressures from other media houses, political and legislative changes, demographic changes, change in customer tastes and preferences, globalization, economic factors and the emergence of the digital space. In a bid to remain competitive NMG has embraced Porter's generic strategies namely cost leadership, differentiating its products and focus. The study recommends that NMG should develop other brands which can compete successfully in the market, since its main publication *The Daily Nation* has reached maturity. The study further recommends that NMG needs to explore what other capabilities and opportunities are available on the internet since this has not been fully exploited. Lastly there is need for NMG to position itself to take advantage of opportunities that may be present with the new county government structure.

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the study**

A company's competitive strategy deals exclusively with the specifics of management's game plan for competing successfully, its specific efforts to please customers, its offensive and defensive moves to counter the maneuvers of rivals, its responses to shifting market conditions, its initiative to strengthen its market position and the specific kind of competitive advantage it is trying to achieve (Thompson et al., 2012). Porter (1998) demonstrates that the essence of formulating competitive strategy is relating a company to its environment. He further notes that although the relevant environment is very broad, encompassing social as well as economic forces, the key aspect of the firm's environment in the industry or industries in which it competes. An organization therefore needs to be prepared to defend itself against industry forces. According to Pearce and Robison (1997) a host of external factors influence a firm's choice of direction and action and ultimately its organizational structure and internal processes. These factors which constitute the external environment can be divided into three categories namely the remote environment, factors in the industry environment, and factors in the operating environment.

The media industry in Kenya has grown tremendously in the past five years. The main players mainly; Nation Media Group, Royal Media Services, The Standard Media Group and Radio Africa Group have been rapidly introducing new products to the market. This has made competition very stiff. There has been considerable competitive heat for players to get their own new and improved products into the market quickly (Muganda, 2007).

The Nation Media Group is currently operating in a turbulent environment in that the external environment is changing all the time. The media industry has seen new entrants in

the market following additional licensing of new players by the Communications Commission of Kenya. Their desire to gain market share has led to stiff competition. There has been rapid change in technology and the mediums through which news is transmitted. While online technologies have transformed the media along many dimensions, one of the most important ways of understanding this is in how the news cycle has changed. In the old days news was broken on real-time channels such as radio and TV, reinforced and pushed out to a broader audience through newspapers, discussed again in chat shows, and sometimes had life added to the news with updates or responses. Today, while elements of that cycle remain, much of it has changed. Twitter has had one of biggest impacts on the news cycle, firstly by often being the first media to break news, in offering a discussion forum around mainstream media coverage, and amplifying stories that have appeared in traditional formats (Dawson, 2009). In order for NMG to remain competitive and protect its market share there is need to adopt competitive strategies that are in line with the changing external environment.

### **1.1.1 Competitive Strategies**

Porter (1980) defines competitive strategy as taking offensive or defensive actions to create a defensible position in an industry, to cope successfully with the five competitive forces and thereby yield a superior return on investment for the firm. He further states that firms have discovered many different approaches to this end, and the best strategy for a given firm is ultimately a unique construction reflecting its particular circumstances. Johnson et al. (2005) define competitive strategy as the bases on which a business unit might achieve competitive advantage in its market. Organizations achieve competitive advantage by providing their customers with what they want, better or more effectively than competitors; and in ways, which their competitors find difficult to imitate.

Porter (1996) describes competitive strategy as being different. It means deliberately choosing to perform activities differently or to perform different activities better than rivals to deliver unique mix of value. He further observes that an effective competitive strategy takes offensive or defensive action in order to create a defensible position against the five competitive forces. According to him, this broadly involves a number of possible approaches, that is positioning the firm so that its capabilities provide the best defense against the existing array of competitor forces; influencing the balance of forces through strategic moves, thereby improving the firm's relative position; or anticipating shifts in the factors underlying the forces and responding to them, thereby exploiting change by choosing a strategy appropriate to the new competitive balance before rivals recognize it.

Porter (1980) has identified three potentially successful generic strategic approaches to outperforming other firms in the industry. They include; overall cost leadership, differentiation and focus. Cost leadership requires aggressive construction of efficient-scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like research and development, service, sales force and advertising. The second generic strategy is one of differentiating the product or service offering of the firm, creating something that is perceived industry wide as being unique. Differentiation, if achieved is a viable strategy for earning above average returns in an industry because it creates a defensible position for coping with the five competitive forces, albeit in a different way than cost leadership (Porter, 1980). The focus strategy is the third generic strategy. According to Hiriyappa (2008) the focus strategy is directed towards serving the

need of a limited customer group or segment where a company focuses on serving a particular market niche that may be defined geographically, by type of customer, or by segment of the product line.

Miles and Snow (1978) have introduced four strategic postures which include defenders, prospectors, analyzers and reactors. They describe defenders as organizations which have narrow product- market domains. Top managers in this type of organization are highly expert in their organization's limited area of operation but do not tend to search outside of their domains for new opportunities. As a result of this narrow focus, these organizations seldom need to make major adjustments in their technology, structure, or methods of operation. Instead they devote primary attention to improving the efficiency of the existing operations. Prospectors are organizations that almost continuously search for market opportunities, and they regularly experiment with potential responses to emerging environmental trends. Thus, these organizations often are the creators of change and uncertainty to which their competitors must respond. However, because of their strong concern for product and market innovation, these organizations usually are not completely efficient (Miles and Snow, 1978).

According to Miles and Snow (1978) analyzers are organizations that operate in two types of product- market domains, one relatively stable, the other changing. In their stable areas, these organizations operate routinely and efficiently through use of formalized structure and processes. In their more turbulent areas, top managers watch their competitors closely for new ideas, and then they rapidly adopt those that appear to be the most promising. Miles and Snow also identify a fourth strategic type known as reactors. They point out that reactors are organizations in which top managers frequently perceive

change and uncertainty occurring in their organizational environments but are unable to respond effectively. Because this type of organization lacks a consistent strategy-structure relationship it seldom makes adjustment of any sort until forced to do so by environmental pressures (Miles and Snow, 1978)

### **1.1.2 The External Environment**

Lussier (2009) points out that an organization's external environment includes factors outside its boundaries that affect its performance. He further argues that although managers can control the internal environment, they have limited influence over what happens outside the organization, hence organizations must respond to environmental changes and continually align their internal environment with changes in the external environment which can result in changing the mission and shifting priorities and goals.

According to Hiriyappa (2008) the external environment is important to every kind of business operation. He further states that the external environment is an attempt to understand the outside boundaries that are helping to shape the organization and that the external environment can provide both facilitating and inhibiting influences on organizational performance.

According to Porter (1980) the essence of formulating strategy is relating a company to its environment. He notes that the relevant environment is very broad; encompassing social as well as economic forces, the key aspect of the firm's environment is the industry or industries in which it competes. The industry structure has a strong influence in determining the competitive rules of the game as well as the strategies potentially available to the firm. The profit pool lens can be particularly illuminating in industries undergoing rapid structural change. Such change, whether triggered by deregulation or

new technology or new competitors always results in a shift in the distribution of profits along the value chain. While rapid change can open new sources of profit, it can also close off traditional sources. For industry leaders the shift can be very dangerous, threatening their control over the profit pool (Gadiesh and Gilbert, 1998).

The changing composition of the population is a factor in the external environment that can create both opportunities and threats, for example as the baby boom generation of 1960s aged , it created a host of opportunities and threats such that as the population aged there was an upsurge in demand for consumer appliances normally bought by couples marrying for the first time while on the other hand industries oriented towards the young, such as the toy industry experienced a decline in their consumer base (Hill and Jones ,2001). Like the demographic environment, social change creates opportunities and threats. Thompson et al., (2012) observe that social forces include the societal values attitudes, cultural factors and lifestyles that impact businesses. They further point out that societal forces vary by locale and change over time. Examples include the attitudes towards gender roles and diversity in the workforce or the trend towards healthier lifestyles, which can shift spending towards exercise equipment and health clubs and away from alcoholic products and snack foods. Mintzberg and Quinn (1991) also agree that strategists have to keep aware of social developments as they are constantly changing. These include the quest for equality for minority groups, the demand of women opportunities and recognition, the changing patterns of work and leisure, the effects of urbanization upon the individual, family and neighborhood, the rise of crime, the decline of conventional morality, and the changing composition of the world's population.

The changes in the political and legal environments have a major effect on the level of opportunities and threats in the environment. According to Hill and Jones, (2001) one of the most significant trends in recent years has been the move towards deregulation which eliminates many legal restrictions and has led to the lowering of barriers to entry and led to intense competition in a number of industries. The media industry in Kenya has seen barriers of entry reduced which has led to many entrants and increased competition. The natural environment which includes ecological and environmental forces such as weather, climate, climate change and associated factors like water shortages could previously be ignored. However with the increase in sensitivity to the impact on the physical environment of all industrial activity, it becomes essential, often to comply with the law, to consider how planned expansion and even continued operation under changing standards will affect and be perceived to affect the air, water, traffic density, and quality of life generally of any area which a company would like to enter (Mintzberg and Quinn, 1991). Different authors are in agreement that technology is the fastest changing component of the external environment.

Mintzberg and Quinn (1991) state that from the point of view of a strategist technological developments are not only the fastest unfolding but the most far reaching in extending or contracting opportunities for an established company. Technological factors include the pace of technological change and technical developments that have the potential for wide ranging effects on the society, the rise of the internet, changes in communication technologies (Thompson et al., 2012). Hill and Jones (2001) point out that technology is very key for an organisation because technological change can make established products obsolete overnight and at the same time it can create a host of new product possibilities making technology changes both creative and destructive. Christensen et al. (1998) state

that as technology changes rapidly, knowledge and capabilities obsolesce more rapidly than in other industries. This implies that capabilities and knowledge gained at earlier stages in an industry's development might not be useful.

### **1.1.3 Competitive Strategies and the Environmental Challenge**

Mintzberg and Quinn (1991) state that the environment of an organization in business like that of any other organic entity, is the pattern of all the external conditions and influences that affects its life and development. The environment influences relevant to strategic decision operate in a company's industry, the total business community, its city, its country and the world. Change in the environment of business necessitates continuous monitoring of a company's definition of its business, lest it falter, blur or become obsolete, therefore since by definition the formulation of strategy is performed with the future in mind, executives who take part in the strategic planning process must be aware of these aspects of their company's future.

Managers need to draw some conclusions about the strategy adjustments will be needed to deal with the impacts of the changes in the industry conditions. It is important to analyze the dynamics of the external environment to gain better understanding of what strategy adjustments will be needed to cope with the drivers of change and the impacts they are likely to have on competitive intensity and industry profitability. Indeed without understanding the forces driving environmental change and the impact these forces will have on the company's business over the next one to three years managers are ill prepared to craft a strategy matched to emerging conditions (Thompson et al., 2012).

### **1.1.4 Overview of the Kenyan Media Industry**

The history of Kenyan media is closely tied to the political and economic interests of the colonial government and white settler communities. The nationalist movement, the mau mau war, the 1952 emergency and her majesty's government's commitment to give Kenya independence influenced colonial policy towards media. The authoritarian colonial government's dominant perception of the press was always that of an unnecessary evil that deserved close supervision and control (Mbeke and Mshindi, 2008). After independence, in 1963 the majority of broadcasts on government owned radio and televisions were imported programs from the UK and America. When Jomo Kenyatta took over as president of Kenya, he encouraged the media to broadcast Swahili programs and African music and dance. Newspapers also covered more news on Africa traditions and culture. Up to 1992 Kenya Broadcasting Corporation (KBC) also formerly known as Voice of Kenya (VOK) was the only broadcasting company that had a countrywide coverage. The scene changed and growth in the media industry was experienced with the birth of multi party politics in 1992. During this period there was more freedom of expression by the media. The daily newspaper market increased to four and alternative press also known as the gutter press emerged.

By 2000, more stations began to broadcast and further broaden the options available for Kenyans. Additional stations were Nation TV (renamed NTV), Family TV, Sayare TV, K24, KTN, STV, Metro, New Star TV, QTV, CCTV and Citizen TV. Mbeke and Mshindi (2008) point out that Kenya has sophisticated and diverse and lively media sector characterized by television, print, radio and a thriving new media such as internet and mobile phones. They classify the types of media broadly as private/ independent media, the public state broadcaster; the private local language radio; the community

radio; the independent religious stations; the alternative press; international media and new media. The TV scene is set to develop dramatically in the coming years after migration from analogue to digital broadcasting. The Communications Commission of Kenya discontinued assignment of broadcast frequencies for analogue TV broadcasting in order to prepare for digital migration.

### **1.1.5 The Nation Media Group**

Bold, authoritative and pioneering -the Nation Media Group (NMG) has dominated Kenya's public life for nearly half a century with its ground-breaking reporting and analysis that has captivated the psyche of millions in Kenya and the region. The history of the Group goes back to 1950's when His Highness the Aga Khan, then a student at Harvard University, set up the Nation to champion the interests of the black African majority in the run up to independence from colonial rule in 1963 ([www.nationmedia.com](http://www.nationmedia.com)). The choice of NMG is informed by major growth from a single local newspaper in 1950 and 1960s to the largest regional multi media company over the last 50 years and with a market share of over 60% in the print media in Kenya. In the last 5 years profits before tax grew from Kshs 1,150 million (2006) to Kshs 2,810 million (2011) – source: published accounts.

Nation Media Group started as a single local newspaper and diversified to English dailies to harness the new emerging market and remain relevant to the customers. In the late 1990s following notable stagnation of newspaper sales for some publications and increase in advertising revenue for TV and radios, the company diversified into these two markets and subsequently to internet business to position itself for what is expected to be the future arena for competition. The latest development on this front has been of

convergence of print, electronic, radio and internet as a content provider in view of the emerging technology advancement for example ability to transmit most information on the mobile.

NMG is the most successful multi-media company in East and Central Africa, serving its audiences with high quality products in print, broadcast and digital platforms and being rewarded by a large loyal following of readers, listeners and viewers that the Group has been able to successfully monetize, to a large extent. Year in year out, it has rewarded its shareholders handsomely and in the process has become an icon among the publicly traded companies in eastern Africa.

## **1.2 Research Problem**

According to Porter (1980) competitive strategy involves positioning a business to maximize the value of the capabilities that distinguish it from its competitors. The concept of competitive strategy is still a grey area as chances are low that even two companies operating under the same changes in the external environment will employ similar competitive strategies. Thompson et al. (2012) point out that managers at different companies always have a slightly different spin on how best to deal with competitive pressures and industry driving forces, what future market conditions will be like, and what strategy specifics makes the most sense for their particular company in light of the company's strengths and weaknesses, its promising market opportunities and the external threats to its future wellbeing. Porter (1980) also agrees that firms have discovered many different approaches to deal with industry changes and the best strategy for a given firm is ultimately a unique construction reflecting its particular circumstances. Therefore competitive strategy subject is a fertile area for a study in the Kenyan context. According

to Johnson and Scholes (2008) the environment is what gives organizations their means of survival and it is also the source of threats.

Media houses in Kenya are currently facing increased turbulent, fast changing, uncertain situations and increased levels of competition in the industry. Many media houses are no longer stable because the environmental forces are rapidly changing. The most common forces of change in this industry include emerging internet capabilities and applications, increased globalization, changes in technology, new products and market innovation, changes in consumer preferences, regulatory influences and government policy changes. This has therefore led to the need for media companies to adopt competitive strategies to remain competitive. The liberalization of the economy and forces of globalization coupled with developments in the business environment have made competition stiffer in the media industry. Each player in the industry faces more external competition from other players as each one of them steps efforts to garner a sizeable market share. For a long time NMG has been the only media company in Kenya, with print, broadcasting, courier, digital and magazine distribution businesses. However other media houses like Radio Africa has entered into print and expanding its broadcasting division by launching The Star Newspaper, Kiss TV and Classic TV. This has led to increased competitions for audiences and advertisers who are the main contributors of revenue for media houses.

Related studies have been done on competitive strategies. Kiptugen (2003) in a study on strategic responses to a changing environment found out that the major environmental factors that have impacted on the banking industry are economic decline, liberalization, legislative changes, level of education and technological advancements. These changes have contributed to the intense competition in the banking industry especially through the

wide availability of substitute products as well as the increase in rivalry within the industry. Ndubai (2003) in his study on competitive strategies applied in the retail sector of the pharmaceutical industry in Nairobi concluded that the state of competition amongst pharmaceutical companies in Kenya is stiff. Competitive strategies are mostly formulated in an informal manner due to the nature of their ownership which is mainly family business. Cost leadership was the major competitive strategy among retail pharmacies in Nairobi. Another retail strategy used was the choice of location. His overall conclusion was that the strategies applied were very familiar throughout the sector without any major differences between the geographical zones surveyed. Kombo (1997) in his research on strategic responses by firms facing changed environmental conditions noted that firms in the motor vehicle industry were constantly adopting strategies that fit with the environmental changes. Strategic responses included product differentiation, new technologies and market mix elements. Kager (2003) in his study on influences of functional experience on choice of competitive strategies concluded that a majority of Kenyan chief executives place more emphasis on innovative marketing rather than on research and development. This made them less competitive in the market because they are not able to produce new products necessary to meet competitive rigors in the market. Firms that innovate through research and development are more competitive than those that only apply innovative marketing.

From the studies on competitive strategies of organizations it is found that competitive strategies are key in order for organisations to compete successfully with changes in the external environment. The studies also indicate that different competitive strategies may be used by different organisations depending on their size, presence and market share. However to the best of my knowledge no study has been carried out on competitive

strategies adopted by Nation Media Group in response to changes in the external environment. It is against this background that the researcher seeks to identify the competitive strategies adopted by the Nation Media Group in response to changes in the external environment. Nation Media Group is facing competitive pressures from other media houses in the industry, threat of new entrants, competitive pressures from other industries that offer substitute products. The internet has evolved with new capabilities and applications. Most media companies in the developed countries are increasingly using online technology to communicate with their customers. A radio listener can for instance listen to the radio via the internet. All NMG papers can also be read online as they appear on print. The effect of this is that a larger audience can be reached and advertising revenue can be boosted. The study sought to answer the research question: Which competitive strategies are being adopted by The Nation Media Group in response to changes in the external environment?

### **1.3 Research Objectives**

The objectives of this study will be to:

- (i) To identify the environmental change occurring in Nation Media Group's external environment.
- (ii) To establish competitive strategies adopted by Nation Media Group in response to the changes in the external environment.

## **1.4 Value of the study**

The study will be useful to various stakeholders. Firstly the findings of this study will be useful to a vast majority of managers at all levels in Nation Media Group and other media companies in assessing their companies' competitive strategies and hence re-evaluate their competitive position. Secondly this study will help managers at Nation Media Group to understand what changes are currently taking place in the external environment. This will help them to steer the company in a different direction by crafting strategies that are an excellent fit to the company's situation and hence likely to boost the company's performance.

Thirdly this study will be relevant to shareholders who will be interested in knowing what is going on in the media industry, especially when making decisions to purchase company shares. This study will also be important to scholars interested in further research in the subject of competitive strategies adopted by organizations in response to changes in the external environment.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter represents the relevant literature review on the relevant topics under study. The study seeks to find out the competitive strategies adopted by Nation Media Group in response to changes in the external environment. The study begins by discussing the concept of strategy. It is important to understand the relevance of strategy in an organisation. There is a section looking at competitive strategies which will focus on Porter's generic strategies and other strategic responses relevant to firms. The external environment is also discussed and lastly there is a section discussing the relationship between competitive strategies and environmental changes.

### **2.2 The Concept of Strategy**

Various authors have defined strategy in different ways. Bateman and Zeithaml (1993) define strategy as a pattern of actions and resource allocations designed to achieve the goals of the organisation. They further point out that the strategy an organization implements is an attempt to match the skills and resources of the organization to the opportunities found in the external environment. Mintzberg (1994) defines strategy as a pattern in a stream of decisions and actions. He defines strategy as a ploy, pattern, position and perspective. Johnson and Scholes (2002) define strategy as a direction and scope of an organization over the longterm, which achieves advantage for the organization through its configuration of resources within the changing environment, to meet the needs of the market and to fulfill stakeholder expectations.

According to Thompson et al. (2007) strategy is management's action plan for running the business and conducting operations and that the crafting of a strategy represents

managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully , conducting operations and improving the company's financial and market performance . Porter (1980) points out that the essence of strategy formulation is coping with competition. He states that competition is an industry rooted in its underlying economies and will include customers, suppliers, potential entrants and substitute products. "Strategy can be seen as either the building of defenses against competitive forces or as the finding of positions in the industry where competitive forces are weakest (Pearce and Robinson, 1997).The heart and soul of strategy are the actions and moves in the market place that managers are taking to improve the company's financial performance, strengthen its long term competitive position and gain a competitive edge over its rivals (Thompson et al., 2007).

### **2.3 Competitive Strategies**

There are countless variations in the competitor's strategies that companies employ mainly because each company's strategic approach entails custom – designed actions to fit its own circumstances and industry environment. The custom tailored nature of each company's strategy makes the chances remote that any two companies will employ strategies that are exactly alike in every detail (Thompson et al., 2007).

An effective competitive strategy takes offensive or defensive action in order to create a defensible position against the five competitive forces. This involves positioning the firm so that its capabilities provide the best defense against the existing array of competitive forces influencing the balance of forces through strategic moves thereby improving the firm's relative position and lastly anticipating shifts in the factors underlying the forces

and responding to them, thereby exploiting change by choosing a strategy appropriate to the new competitive balance before rivals recognize it (Porter, 1980).

### **2.3.1 Porter's Generic Strategies**

Michael Porter has proposed three generic strategies that provide a good starting point for strategic thinking. These include overall cost leadership, differentiation and focus. Striving to be the industry overall low-cost providers is a powerful competitive approach in markets with many price sensitive buyers. A company achieves low cost leadership when it becomes the industry's lowest cost provider rather than just being some of perhaps several competitors with comparatively low costs (Thompson et al., 2007). According to Pearce and Robinson (1997) strategists examining their businesses value chain for low cost leadership advantages evaluate the sustainability of those advantages by benchmarking their businesses against key competitors and by considering the impact of any cost business environment.

A cost leadership strategy can sometimes revolutionize an industry in which the historical bases of competition have been otherwise and competitors are ill prepared either perpetually or economically to take the steps necessary for cost minimization (Porter 1998). In pursuing low cost leadership, managers must take care to include features and services that buyers consider essential. The value of a cost advantage depends on its sustainability, whether rivals find it easy or inexpensive to imitate the low cost methods will determine the duration of the advantage. The cost leadership strategy benefits the firm in that it is able to withstand intense price competition and buyers may appreciate the offer for low prices (Thompson and Strickland, 1998). By controlling the bottlenecks in the supply chain, companies gain the leverage to command a high share of the total

available profit. Bottlenecks may occur when proprietary technologies, specialized skills, distribution networks or raw materials are limited. If companies invest in enough capacity in controlling raw materials, components or distribution, they can influence their competitor's volume growth and cost structures. This leverage is especially great in emerging markets that experience severe bottle necks owing to their rapid growth (Williamson, 1997).

Thompson et al. (2007) point out that differentiation strategies are too diverse to be fully satisfied by a standardized product or by sellers with identical capacities. They further explain that a company attempting to succeed through differentiation must study buyers' needs and behavior carefully to learn what buyers consider important, what they think has value, and what they are willing to pay for. Company differentiation strategies fail when buyers don't value the brands uniqueness and when a company's approach to differentiation is easily copied or matched by its rivals. Thompson and Strickland (2003) argue that differentiation strategies tend to work best in market circumstances where there are many ways to differentiate the product or service many buyers perceive the differences as having value. Differentiation usually arises from one or more activities in the value chain that creates unique value or important to buyers (Pearce and Robinson, 2002). Firms can differentiate their products by altering or modifying the product features, linking different functions within the firm, introducing the product at the right time, exploiting location advantages, mixing product linking with other firms and reputation (Porter, 1980).

What sets strategies apart from low cost leadership or broad differentiation strategies is concentrated attention on a narrow piece of the total market. The target segment, or

niche, can be defined by geographic uniqueness, by specialized requirements in using the product, or by special product attributes that appeal only to niche members (Thompson and Strickland, 2007). Porter (1980) defines focus as a strategy built around serving a particular target very well and once the segment is identified, then the firm may pursue either cost or differentiation strategies. Thompson and Strickland (2007) argue that a focus strategy aimed at securing a competitive edge becomes increasingly and attractive as more of the following conditions are met. Firstly, the target market niche is big enough to be profitable and offers good growth potential. Secondly industry leaders do not see that having a presence in the niche is crucial to their own success in which case focuses can often escape battling head to head against some of the industry's biggest and strongest competitors. Thirdly, it is costly or difficult for multi-segment competitors to put capabilities in place to meet the specialized needs of buyers comprising the target market niche and at the same time satisfy the expectations of their main stream customer. Lastly the industry has many different niches and segments, thereby allowing a focuser to pick a competitively attractively niches suited to its resources strengths and capabilities. Also, with more niches, there is more room for focusers to avoid each other in competing for the same customers.

### **2.3.2 Horizontal Merger and Acquisition Strategies**

Thompson et al. (2012) have defined a merger as the combination of two or more companies into a single corporate entity, with the newly created company often taking on a new name. They also define an acquisition as a combination in which one company, the acquirer, purchases and absorbs the operations of another, the acquired. The difference between a merger and an acquisition relates more to the details of ownership,

management control and financial arrangements than to strategy and competitive advantage (Thompson et al., 2012).

Dwindling resources are leading an increasing number of not-for-profits to consider mergers as a way of reducing costs through economies of scope and reducing program duplication and raising prices because of increased market power (Wheelan and Hunger, 2008).

### **2.3.3 Vertical Integration Strategies**

Vertical growth results in vertical integration; which is the degree to which a firm operates vertically in multiple locations on an industry's value chain, from extracting raw materials to manufacturing and retailing or more specifically assuming a function previously provided by a supplier which is also referred to as backward integration. Assuming a function previously provided by a distributor is labeled forward integration (Wheelan and Hunger, 2008).

Thompson et al. (2012) point out that a company can expand its range of activities backward into sources of supply or forward toward end users. They go on to state that a firm can pursue vertical integration by starting its own operations in other stages of the vertical activity chain, by acquiring a company already performing the activities it wants to bring in-house, or by entering into a strategic alliance or joint venture. Vertical integration strategies aim at full integration which involves participating at all stages of the vertical chain or partial integration which involves building positions in selected stages of the vertical chain.

Johnson and Scholes (1999) have suggested that backward integration is the development into activities which are concerned with the inputs into the company's current business where examples include raw materials, machinery and labor which are all important inputs into a manufacturing company. On the other hand they define forward integration as the development into activities which are concerned with a company's outputs such as transport, distribution, repairs and servicing.

## **2.4 The External Environment**

According to Lynch (2009) the external environment is everything and everyone outside the organisation: Competitors, customers, suppliers plus other influential institutions such as local and national governments. He further notes that it is important to begin an analysis of the environment with a general consideration of the degree of turbulence in that environment; if it is high, then this will make prediction difficult and impact on prescriptive approaches to competitive strategy development. Lynch (2009) identifies the following four factors as a basis that helps to build a spectrum that categorizes the environment and provides a rating for its degree of turbulence. These are: Complexity- the degree to which the organization's environment is affected by factors such as internationalization and technological, social and political complications; Novelty- the degree to which the environment presents the organisation with new situations; Rate of change of the environment that is from slow to fast; Visibility of the future in terms of the availability and usefulness of the information used to predict the future.

Thompson et al. (2007) have suggested that all companies operate in a "macro environment" shaped by influences emanating from the economy at large; population demographics; societal values and lifestyles; government legislation; technological

factors and the industry and competitive arena in which the company operates. They further state that a company's macro environment includes all relevant factors and influences outside the company's boundaries; relevant here meaning important enough to have a bearing on the decisions the company ultimately makes about its direction, objectives, strategy, and business model. Rowe et al. (1994) point out that an organization's external environment is the set of forces with which that organisation interacts which include external forces such as stakeholders, economic trends, unforeseen events or crises, and various regulatory policies and laws. They further point out that environmental scanning is the first step in finding and analyzing external threats and opportunities.

Rowe et al. (1994) have identified six environmental factors that are relevant in the environmental scanning session. They include: Economics; Factors related to the flow of money, goods and services, information and energy. Politics; Factors related to the use or allocation of power among people, including dealings with local and foreign governments. Social trends and demographics; Factors that affect the way people live, including what they value. Technology; Factors related to the development of machines, tools, processes, materials, other equipment and know-how. Competition; Factors that involve actions taken by the current and potential competitors, market share and concentration of competitors. Geography; Factors related to location, space, topography, climate and natural resources.

#### **2.4.1 The Operating Environment**

Pearce and Robinson (2002) identify a firm's operating environment as that which consists of forces and conditions within a specific competitive operating situation,

external to the firm, that influence the selection and attainment of alternative objective/strategy combinations.

They further state that unlike changes in the remote environment, changes in the operating environment often result from strategic actions taken by the firm or its competitors, consumers, users, suppliers and creditors thus a consumer shift toward greater price consciousness , a loosening of local bank credit restrictions, a new entrant into the market place , the development of a new substitute product, or the opening of a new wholesale outlet by a competitor are all likely to have direct intentional positive or negative effects on a firm.

#### **2.4.2 The Remote Environment**

The remote environment refers to forces and conditions that originate beyond and usually irrespective of any single firms immediate operating environment and provide the general economic, political, social and technological framework within which competing organizations operate. The remote environment presents firms with opportunities, threats and constraints, but rarely does a single firm exert any meaningful reciprocal influence (Pearce and Robinson, 1997).

Capon (2008) points out that the key elements of the political environment facing businesses include local and national governments, trade unions, employers' bodies, political alliances and agreements which all represent a political view point.

### **2.4.3 The Industry Environment**

According to Porter (2007) the arena in which competition takes place in the industry in which a company and its rivals vie for business. He further notes that each industry has a distinctive structure that shapes the nature of competitive interaction that unfolds there. Understanding the underlying structure of a company's industry, now and in the future, is a core discipline in strategy formulation. Thompson et al. (2012) state that industry and competitive conditions change because of a variety of forces; some coming from the industry's macro- environment and others originating within the industry. They further point out that the most common change drivers include changes in the long term industry growth rate, increasing globalization, changing buyer demographics, technological change, internet related developments, product and marketing innovation, entry or exit of major firms, diffusion of knowhow, efficiency improvements in adjacent markets, reduction in uncertainty and business risk, government policy changes and changing societal factors.

Michael Porter has identified five competitive forces that help strategists to understand the industry. These are threat of entrants, bargaining power of suppliers, bargaining power of customers, threat of substitutes, and rivalry among existing competitors. New entrants to an industry bring new capacity and a desire to gain market share which puts a cap on the profit potential of an industry. When the threat is high, profits cannot rise too high without attracting new competitors, especially when new entrants are diversifying from other markets, they can leverage existing capabilities to shake up competition, as Microsoft did when it entered the market for internet browsers. The threat of entry into an industry depends on the barriers to entry that are present and on the reaction from existing competitors that the entrants can expect (Porter, 2007). Industry incumbents are

willing and able to launch strong defensive maneuvers to maintain their positions can make it hard for a new entrant to gain a sufficient market foothold to survive and eventually become profitable (Thompson et al.2012).

Suppliers can exert bargaining power by raising prices, shifting costs downstream to industry participants, or limiting the quality of the goods and services they provide. Powerful suppliers can thereby squeeze profitability out of an industry that is unable to pass on cost increases in its own prices. Microsoft, for instance has contributed to the erosion of profitability among personal computer makers by raising prices on operating systems. The personal computer makers, competing fiercely for customers who can easily switch among them, have limited freedom to raise their prices accordingly (Porter, 2007).

## **2.5 Competitive Strategies and Environmental Changes**

Over time it has become increasingly important to provide new market offerings through innovation. Pearce and Robinson (1997) argue that it has become increasingly risky not to innovate because both consumer and industrial markets have come to expect periodic changes and improvements in the products offered. With time consumer preferences and tastes keep changing and for firms to remain relevant they have to continuously come up with new products. The underlying strategy for innovation is to create a new product lifecycle and thereby make similar existing products obsolete, thus this competitive strategy differs from the product development strategy which focuses on extending a products lifecycle (Pearce and Robinson, 1997).

Mintzberg et al. (2003) point out that product development strategies involve offering a new or modified product in the same basic business way which may amount to

differentiation by design if the products are new and distinctive , or else to no more than increased scope through segmentation, if standard products are added to the line. Pearce and Robinson (2003) on their part define product development as involving the substantial modification of existing products or the creation of new but related products that can be marketed to current customers through established channels. They further note that the product development strategy is adopted either to prolong the life cycle of current products or to take advantage of a favorite reputation or brand name whose idea is to attract satisfied customers to new products as a result of their positive experience with the firm's initial offering.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter deals with techniques and ways used in conducting the research. It constitutes the research design, the data collection and data analysis.

### **3.2 Research Design**

A case study research design was used. This method gave an in depth account of the competitive strategies adopted by NMG in response to changes in the external environment. This research design was successfully used by Muganda (2007) in a similar study.

Kothari (2004) defines a case study as a very powerful form of qualitative analysis and involves a careful and complete observation of a social unit, be that unit a person, a family, an institution, a cultural group or even the entire community. It is a method of study in depth rather than breath.

### **3.3 Data Collection**

The study involved collection of both secondary and primary data. The primary data was collected through an interview guide. The interview guide was administered through personal interviews to allow further probing of the interviewees. The study targeted respondents from the corporate level as well as the divisional level. At the corporate level the study targeted the Group Finance Director, the Group HR Director, the Group Editorial Director, the Group Marketing Director, the Group IT director and the Group Advertising Director.

From the divisional level the study targeted the MD- Nation Newspapers, the MD- Broadcasting, GM- Circulation, GM- Digital, Head of Corporate Affairs, GM- Business Development and the GM Radio. The respondents were considered to be resourceful enough in availing the sought data because they are at the helm of competitive strategy formulation at Nation Media Group. Secondary data was obtained from Nation Media Group's strategy documents, newspapers, websites and journals.

### **3.4 Data Analysis**

This study is classified as qualitative research which serves as a proper tool for case studies. Content analysis was used to analyze the gathered data as it was suitable for determining content of written, recorded or published communication through a systematic and objective manner. Content analysis is a measure through proportion and is used to measure the pervasiveness of the item being analyzed (Kothari, 2004).

The interview guides were edited before processing the responses and this acted as a proper control tool for ensuring consistency and completeness was maintained before the data was analyzed.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS**

### **4.1 Introduction**

This chapter presents data analysis, the findings and discussion of the study. The data was collected through an interview guide and analyzed using content analysis. The data findings were on competitive strategies adopted by the Nation Media Group Kenya in response to changes in the external environment.

### **4.2 Response Rate and Respondents' Profiles**

As expected the following officials were interviewed; the Group Finance Director, the Group HR Director, the Group Editorial Director, the Group Marketing Director, the Group IT Director the Group Advertising Director, the MD- Nation Newspapers, the MD- Broadcasting, GM- Circulation, GM- Digital, Head of Corporate Affairs, GM- Business Development and the GM Radio. The commendable response rate was achieved following the researcher's efforts to book appointments by convincing the heads of departments to find time off their busy schedules.

The study in an effort to ascertain the interviewees' competence and conversance with matters regarding NMG asked questions on the position held at the company, duration worked with NMG, and the level of education. According to the data findings all interviewees were senior managers heading various departments. On the duration worked with the firm most of them had worked with the company for more than five years.

On the level of education the majority of the interviewees were masters degree holders in various fields of specialization. Based on the responses provided by the interviewees, they had the relevant experience and were actively involved in competitive strategy formulation.

### **4.3 Changes Occurring in NMG's External Environment**

The interviewees were asked to state Nation Media Group's main competitors. The key ones noted were Standard Media, Radio Africa Group, Media Max, Royal Media, international media such as CNN, Aljazeera and CCTV, and the digital space. The respondents described NMG's external environment as very competitive, fast changing and unstable. The digital media was described as the fastest changing and has the biggest impact on the future of the print business.

Nation Media Group is facing competitive pressures from other media houses in the industry, threat of new entrants, political and legislative changes, demographic changes, change in customer tastes and preferences, globalization, economic factors and the emergence of the digital space. The internet has evolved with new capabilities and applications while the users are increasing at higher rate.

#### **4.3.1 Political and Legislative Changes**

The study found out that the political and legislative changes were a key change occurring in NMG's external environment. After the March 2013 general elections, the administrative and political structures of the county governments were officially launched. This led to the creation of forty seven autonomous counties. From the responses the interviewees unanimously agreed that this is a completely different ball

game which has created several theaters for news and opened new advertising revenue opportunities. The interviewees also cited that there would be a demographic shift in terms of workers, businesses and people migrating to the counties which is bound to creating a new inward looking community of news consumers.

The county government structure seen as likely to cause county or region based newspapers, radio and television stations that are likely to eat into Nation Media Group's market share. The interviewees also reiterated that there was the risk of advertising revenue migrating to regional media outlets. The respondents also noted that the prominence of the regional papers will grow affecting NMG's products which mainly address issues at a national level. From the responses given it was also noted that the political environment was uncertain and has caused advertisers to reduce spending and in some instances withdraw advertising. There is also increased demand for balanced media coverage on political parties since the perception of news consumers of any biased coverage affects the uptake of NMG products by consumers.

#### **4.3.2 Competition Among Existing Players**

The data findings showed that there is increased rivalry amongst existing players in the media industry since there are many media choices for the Kenyan consumers. The interviewees cited that there are over one hundred radio stations, over thirteen national newspaper titles and over fifteen television stations which has created competitive heat among the media players. The study determined that while media was fragmented, the time available for media consumption had remained the same. NMG is under pressure to convince advertisers that their media can reach their intended customers.

The study proceeded to determine that NMG is facing increased competition from the emergence of regional newspapers some of which publish in vernacular or a mix of English and vernacular. The growth of regional papers has been spurred by the emergence of county governments. The interviewees were in accord that NMG has recently experienced a huge staff turnover following poaching of key staff by competition. These included news presenters who are largely viewed as celebrities and in most instances when they shift to competition the news audience shifts to competition. The data findings also showed that NMG's main competitor had invested in a new printing press which will take advantage of new market opportunities in circulation and advertising.

### **4.3.3 Demographic Changes**

The interviewees identified a key change in the demographic trend that is likely to contribute to newspaper circulation growth as the rise of gated communities in major towns across the country that are targeted at the middle class. The new communities currently present opportunities for subscription sales due to the convenience to the customer on the delivery of the newspapers.

The study also established that Kenya has a very young population. According to population census carried out in 2009, 42.9% of the total population was below fifteen years. This has had a significant implication on NMG. Advertisers are looking for the best way to connect with these young consumers and NMG is faced with the challenge of creating products that are highly targeted and relevant to this demographic. The interviewees pointed out that currently most loyal newspapers readers and buyers are

above forty five years and hence the need to capture the young readers hence creating more loyal customers.

#### **4.3.4 Changes in Consumers' Tastes and Preferences**

The interviewees identified changes in consumers' tastes and preferences as another key change occurring in NMG's external environment. The study found out that over the last five years consumers have shifted their interest to local content. This trend began with vernacular and regional radio stations and Royal Media is the market leader in local content offering. The migration from analogue to digital broadcasting will reduce barriers to entry and thereby ushering in a new era of regionalized television.

The study found out that consumers have shifted their interest from national news to their local issues as evidenced in the growth of vernacular radio stations. Advertisers are now switching to regional papers and vernacular radio stations to reach their target audiences. The county government structure will enhance this further. The interviewees unanimously agreed that there was increased consumer preference for human interest, features/ relationships print content which was ranked as high as interest in politics. As a result consumers feel that there are still gaps in the amount of this type of content provided by the existing media. Another area where interest has grown is in the sports arena as a potential market has grown over time and there is therefore a potential to develop products that satisfy this market.

#### **4.3.5 Emergence of Digital Media**

The interviewees indicated that the emergence of digital media is the fastest changing factor in NMG's external environment. There has been increased access to internet which

mainly happens through the mobile phone. Most of the users on the internet have signed up to a social network, the highest users being in Facebook and twitter. There has also been growth of blogs in Kenya where some of these bloggers command significant influence averaging twenty thousand twitter followers.

The study further found out that internet usage was having an adverse effect on newspaper readership since the majority of internet users were between age fifteen and twenty five. These younger consumers have gotten used to consuming news online and are less likely to adopt purchasing newspapers later in life. The interviewees felt that for newspapers to continue selling there is a need to review content and distribution strategies for newspapers. The research found out that consumer habits are changing, with free content being accessed in the internet and advertisers are able to connect with consumers without having to underwrite content, through online services such as Craigslist, Groupon, Facebook and Google Ads. Advertisers are also demanding greater accountability on media reach. These shifts have led to predictions about the imminent death of newspapers, due to their failure to find a new business model.

#### **4.3.6 Globalization**

The interviewees also cited that NMG is currently facing the threat of globalization. There are many foreign investors who have shown keen interest in penetrating the media market in Kenya. Some key ones include: China Daily and Midday Mumbai. These are big publications in their respective countries and with the opening up of trade with China; the China Daily will provide relevant information to the business community in Kenya. Due to their huge economies of scale they can afford to charge consumers very low costs and as a result they may end up gaining market share.

The television media has also faced the threat of globalization with the entrance of CCTV and Aljazeera. Kenyan consumers have welcomed these new channels as they have broadened their choice of entertainment and information. However, this poses a great threat to NMG's product market share which will have an impact on the business revenue.

#### **4.3.7 Economic Factors**

The data findings showed that the high cost of living was a primary cause of newspaper readership barrier. Most Kenyans cannot afford to buy the newspaper and have therefore resulted to sharing whereby one newspaper can be shared by more than three people. This has affected the growth of circulation volumes. The sharing also proves that the poverty levels are very high in Kenya.

The interviewees were however optimistic that the tough economic conditions are expected to ease over time as higher populations join the middle class. They also had the comfort the newspaper is cheaper now than it was ten years ago in real terms and that incomes should be better as employment expands and gross domestic product grows.

#### **4.4 Competitive Strategies Adopted by NMG**

The study found out that NMG scans the external environment before formulating its competitive strategies. This is achieved through a structured means with a fully-fledged business development department to champion, conduct research and advise management on emerging media trends and advise of opportunities thereof. Suggestion boxes and the

intranet are also used in collating ideas which are discussed at the monthly executive meetings and the annual strategy conference.

An annual strategic conference is held with participants drawn from across the organization to include junior and senior staff mainly to reflect the expected contribution from the participant and not seniority. The strategy for NMG to achieve a sustainable competitive advantage has been through embracing Porter's generic strategies namely cost leadership strategy, differentiating its products, and focus strategy.

#### **4.4.1 Cost Leadership Strategy**

The findings of this study found out that NMG has strived to be a lean and efficient organization by ensuring that the cost base is significantly lower than the competitors. This has been achieved by investing in state of the art printing technology, investing in a robust enterprise resource planning system (ERP) and ensuring that the company is ISO certified. In addition there is a senior manager is in charge of process improvement who reports to the chief executive officer. NMG is in the process of investing in a new printing press that will lead to a reduction in repairs and maintenance costs and overall direct costs. The new press will also have more printing capacity leading to economies of scale. The interviewees were in agreement that this this will play a key role in keeping the prices of the newspapers constant over a long period of time.

The company has an elaborate network of news coverage at the national and regional levels which manages and delivers news content at a minimal cost. Following a significant change in the way news is delivered to consumers, it was established that NMG has implemented convergence of news whereby journalists have been trained to

take photographs, write stories and send them to the newsroom via smartphones. This has greatly reduced staff costs because as opposed to hiring a photographer and a journalist, one person can be trained to do the two roles.

The interviewees cited that there is a regular review of the whole value chain in establishing whether costs are being incurred in the appropriate areas. Rewards are also given to employees with creative cost cutting ideas. The result of which has been to keep the cover prices of its print publications at a minimum price notwithstanding the escalation of world newsprint costs. The company has been able to post impressive results year on year and over three times of the closest competitor.

#### **4.4.2 Product Differentiation Strategy**

Differentiation is possible where the market can be segmented and the customers are willing to pay a premium for the differentiation. The study proceeded to determine that NMG has segmented its market both geographically (regional) and demographically. The differentiation has been continuously informed by changes in the external environment.

The group has diversified from a newspaper in local language (Kiswahili) to English dailies which are targeting different markets. The initial strategy was that the English daily was one paper for the whole family. From this research consumer tastes and preferences have changed over time and it is clear that the family, regional and social class needs were different. NMG has therefore introduced magazines and regional newspapers to address these customer needs. Against this background magazine inserts have been introduced in the newspaper to address different family needs. The first section is political news targeting the man of the house, a lifestyle magazine targeting the lady of

the house and the cartoon section targeting the children. This differentiation was the first of its kind in the country and was an instant hit in the market. In addition the overall newspaper was redesigned to make and give it a feel of a quality.

This research study established that generally news was more appreciated if it is related to the specific region in question. NMG has introduced two changes to address these needs. Firstly they have introduced four editions to cover the four main regions in Kenya namely Nairobi, Western, Central and Coast regions. Secondly the company has decided to expand in the neighboring countries to address these needs and also minimize the concentration risk that is inherent by being in one geographical region.

Following the emergence of digital media, newspaper circulation copies are on the decline. The interviewees indicated that the broadcasting media is growing faster at the expense of the print media. Investment in broadcasting has been through the launch of two television stations and two radio stations. The strategy here is to capture those who watch television only and those migrating from newspapers. The offering is targeted at families in general and the programs content has been tailored to reflect this. The introduction of the television identified different segments which were to be addressed by different channels. These were sports, movies, soap operas and news. The other investment has been in radio stations. The initial attempt to introduce one radio station was unviable as the market is heavily fragmented with over 50 radio stations catering for different regions. Two radio stations have been launched to address different community needs.

With the explosion of the internet in America and Europe the craze has caught up in Kenya. NMG has invested in a content management system to enable realize this objective. The interviewees indicated that the company had gained entry in the social media and had twitter and Facebook accounts, however the content offered on these platforms is differentiated since it is reliable and well researched. However, revenues from this business stream are relatively small because advertisers have not been quick to embrace online advertising. The trend noted worldwide is that this may be the future of the media and therefore the company is continuously investing here.

NMG is awake to the fact that globalization is a real threat. In this regard the study established that NMG has a website whose content relates to African news. The stories in this website cover every corner in Africa. The interviewees cited that this was a competitive strategy adopted to help it achieve its vision which is to be the media of Africa for Africa.

#### **4.4.3 Focus Strategy**

Thompson and Strickland (2007) argue that a focus strategy aimed at securing a competitive edge becomes attractive when the target market niche is big enough to be profitable and offers good growth potential. Following the enactment of the new constitution the county government has begun to take shape and NMG is currently working on rolling out county newspapers which will focus on news from the counties, including goings-on at the county assemblies and courts, sports, local business and economics, local features and analysis. A Nairobi metropolitan paper has been launched. It will focus on the city and county government and cover more aspects of the growing suburbs.

The study established that NMG is currently publishing *The Business Daily* which is targeted at the top corporate executives and mainly covers business news with the advertising rates being 40% above other regular dailies. *The Business Daily* has continued to perform above the projections of the business plan. NMG has also identified another niche market in the area of sports. There has been an increased interest in sports and there being no virtually high quality sports magazine NMG has launched a sports newspaper named *SportOn* to address this gap. There is potential for growth of the sports industry and there is good growth potential.

The interviewees identified *The EastAfrican* newspaper as another publication which is targeted at policy makers and the business community in the east African region. The price is marked up since the target group is not price sensitive. This publication is sold in all the east African countries and there is potential for growth as most Kenyan companies are expanding their network to the neighboring countries. The interviewees indicated that there were plans to introduce new niche magazines as standalone products to fill identified gaps in the market. Some of the planned magazines include a property magazine focusing on real estate. The real estate has grown tremendously over the last decade and has created a niche market comprising of real estate developers, real estate managers and investors. Other focus areas will be the revamping of the Saturday magazine which targets urban career women and business weekend editions to provide reading for the business community over the weekend.

#### **4.5 Sustainability of the Competitive Strategies Adopted by NMG**

The study sought to find out if NMG's competitive strategies have been effective. Strategic fit express the degree to which the organisation matches its resources and

capabilities with the opportunities in the external environment. From the data gathered it was concluded that the competitive strategies adopted by Nation Media Group were sustainable. This is mainly because the organization is continuously scanning the external environment and carrying out research on the viability of most of the competitive strategies that it implements. The interviewees also felt that since the company is a going concern most of the competitive strategies were sustainable.

The study sought to know what else NMG could do to remain competitive. The interviewees were in accord that continuous product development and innovation were key in ensuring that its products remain competitive in the market. The interviewees further intimated that NMG should make more presence in industries that are unrelated to media but have the potential for growth. The company recently launched a visa card for remittances of cash from abroad. This is a banking product and unrelated to media. There was also a general agreement that more possibilities on the digital media can be explored.

#### **4.6 Discussion**

According to Porter (1980) an effective competitive strategy takes offensive or defensive action in order to create a defensible position against the five competitive forces. This involves positioning the firm so that its capabilities provide the best defense against the existing array of competitive forces influencing the balance of forces through strategic moves thereby improving the firm's relative position and lastly anticipating shifts in the factors underlying the forces and responding to them, thereby exploiting change by choosing a strategy appropriate to the new competitive balance before rivals recognize it. The study was in agreement with Porter's opinion. NMG has managed to continuously scan the external environment and has constantly managed to create a defensible position

to protect its market share. The study concurred with Thompson et al. (2007) who stated that a company achieves low cost leadership when it becomes the industry's lowest cost provider. Nation Media Group has managed to maintain low costs across its value chain. It has an efficient distribution chain, the production costs have been kept low due to efficiencies in production and economies of scale. The company has also invested in an enterprise resource planning system (ERP) which provides efficiencies in all its processes. As a result the company has managed to maintain low prices for its publications.

Thompson et al. (2007) point out that a company attempting to succeed through differentiation must study buyers' needs and behavior carefully to learn what buyers consider important, what they think has value, and what they are willing to pay for. The study established that NMG was constantly differentiating its products in line with consumer needs. The company has offered differentiation in its print products through offering various editions that cover the four main regions. Following the emergence of digital media, NMG has differentiated its online content by ensuring that it is reliable and well researched. This has made it a reliable source of information for the internet users.

Porter (1980) defines focus as a strategy built around serving a particular target very well and once the segment is identified, then the firm may pursue either cost or differentiation strategies. The study was in agreement with Porter's views on the focus strategy. Nation Media Group has identified several target market that it is serving well. *The Business Daily* which is one of its publications targets the corporate executives and the business community. NMG has also identified another niche market in the area of sports. The company has subsequently launched a Sports paper to cater for this segment. Following

the launch of county governments, the focus has begun to shift from national government news to county news. NMG's strategy is to roll out county newspapers whose focus will be on the issues affecting the various counties.

Rowe et al. (1994) identified six environmental factors that are relevant in the external environment. They include economics factors, political factors, social trends and demographics, technology factors, competition and geographical factors. NMG is currently experiencing the above changes in its external environment. The study identified economic factors which relate to the buying power of consumers, politics include factors related to the change in the legislative structures mainly around the county governments, social trends and demographics include factors relating to changes in customer tastes and preferences and factors that affect the way people live, technology changes include factors related to the development of machines, tools, processes, materials, other equipment and know-how, competition includes factors that involve actions taken by the current and potential competitors, market share and concentration of competitor and lastly demography which includes factors related to population growth and distribution of various age brackets.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter provides the summary, conclusion and recommendations for the research findings in line with the objectives of the study.

### **5.2 Summary of the Findings**

The study findings showed that Nation Media Group is the most successful media house in east and central Africa. This is evidenced from its growth in profit before tax year on year and its ability to reward its shareholders handsomely. NMG is currently operating in a fast paced external environment. The political and legislative environment has changed significantly following the enactment of the new constitution which led to the formation of the county government structure. This change has created interest in regional issues and the appeal of the national news may decrease over time. NMG is currently positioning itself to take advantage of this new market by launching county papers with the aim of closing the market gap created by this niche.

The study also established that the media industry had grown significantly and that competition amongst existing players was intense. Most players in this industry are offering similar products. Whilst NMG spends time and resources on research and product development, some players are constantly taking up these ideas and creating similar brands. From the study it was clear that NMG is still significantly ahead of its competitors by differentiating its products and penetration into new markets.

The study proceeded to determine that consumer tastes and preferences are constantly changing. There is increased interest in local content. This interest has led to the launch of vernacular radio stations that offer local content. There has also been an increase in human interest features and sports. To respond to this change, NMG has launched a sports paper targeted towards the growing sports fan base and also launched a television station (QTV) targeted at viewers interested in local content and human interest stories.

The study findings show that the digital space is very active in Kenya particularly social media with the highest users being on Facebook and twitter. The study established that internet use had an adverse effect on newspaper readership since most internet users are young and are not likely to adopt purchasing of newspapers later in life. NMG has increased its presence in the social media and other online platforms and differentiated its content by posting only well researched and reliable information, making it the first stop for Kenyan news for online readers.

Globalization was also identified as a key change occurring in NMG's external environment. NMG is alive to the fact that many foreign investors are keen on entering the Kenyan media. To respond this challenge NMG is positioning itself to create global brands. This will enable the company to compete globally. Due to the high cost of living and increased cost of living, NMG has managed to keep its prices very low despite the increased cost of raw materials such as newsprint. This has helped the company in gaining loyal readers over the years.

### **5.3 Conclusion**

From the findings of the study, it can be concluded that NMG's external environment is fast changing and that competitive strategies are driven by changes in the external environment. The study found out that Nation Media Group was continuously implementing competitive strategies that were in line with the changes in its external environment. This is evident from the organization's continued growth in its revenue and profit after tax in the last five years from Kshs 1,150 million in 2006 to Kshs 2,810 million in 2011. From the study it was also evident that NMG is faced with a host of external challenges such as political, economic, technology, emerging new media, policy and constitutional change, competition, demographics and globalization.

The biggest challenge according to the study comes from changes in the legislation, mainly the new county government structure. This new advancement has created opportunities which have seen the launch of The Nairobi county paper, with others expected to be launched in subsequent periods. The increased internet use in Kenya has created advertising opportunities for NMG. This is seen as the future of media and in line with these changes NMG has a digital department which seeks opportunities for the company on the internet space. At the same time, the study was able to conclude that competitive strategies adopted by NMG were effective and if well effected will see the media house maintaining its market leadership now and in the future. Some successful competitive strategies that have led to fruitful results include focus, differentiation of products and cost leadership.

## **5.4 Recommendations for Policy and Practice**

The study found out that the changes in the external environment such as competitive pressures from existing firms, legislative changes, technology changes, economic conditions and the emergence of social media constitute the greatest drivers of competitive strategies. Nation Media Group should invest heavily on innovation and new product development. This is because NMG's main publication *The Daily Nation* is a mature brand and there is need to develop other brands that can compete effectively in the market. The study also recommends that the company should implement its competitive strategies in a timely manner to avoid the risk of competitors adopting their creative ideas and executing them before NMG. This will help in gaining first mover advantages.

Even though the company has made a presence in the internet space, there is still room to explore what other capabilities and opportunities that are available on the internet. There is need for increased advertising on popular websites such as you tube, Facebook and twitter amongst others. This is likely to attract global audiences as a result of which NMG brands will be seen as global brands and hence attract revenue from advertisers.

NMG should position itself to take advantage of the new county government structure that is already in place. This should involve decentralization of news and creation of bundles that meet consumer preferences in various counties. This can be achieved through venturing into the vernacular radio stations media and printing county publications. The study also recommends that NMG seeks opportunities to compete with other players in unrelated industries.

Lastly the study focused on the implications of policy in the media industry in Kenya. Media houses in Kenya are currently facing increased turbulent, fast changing, uncertain situations and increased levels of competition in the industry. The most common forces of change in this industry include emerging internet capabilities and applications, increased globalization, changes in technology, new products and market innovation, changes in consumer preferences, regulatory influences and government policy changes. The above changes and the need to regulate the media industry led to the establishment of the Media Council of Kenya which is a national institution established by the Media Act 2007 as the leading institution in the regulation of media and in the conduct of journalists.

The change in the political and legislative environment has called for journalists to be independent and professional when covering political and other news. The newly appointed judiciary has embarked on making judgments on libel cases in a timely manner which may have an adverse effect on the profitability of media houses following increased libel payments. The Media council of Kenya should conduct regular training for journalists on the code of conduct for the practice of journalism in Kenya. Increased competition and scramble for audiences among media houses in Kenya has led to poaching of journalists among media houses which in some instances have left some media houses destabilized. The Media Council of Kenya should set rules and regulations mainly on the number of staff a media company can be allowed to recruit from a competitor at any given time.

The social media in Kenya has grown tremendously and has become a main source of news. However, the laws with regard to regulations of social media have not been enacted in full. The communications Commission of Kenya, The National Cohesion and

Integration Commission and The Kenya Police should regulate the content posted by media houses on the internet. Such regulation should be done with the consultation of key stakeholders and not just government agents. This will help in eliminating any illegal, harmful and offensive content. However, the regulations should not interfere with the freedom of media. Media houses are also facing the threat of globalization. The government of Kenya should explore ways of protecting local companies from the threat of global companies in the local market which can be through increased barriers to entry. Brand Kenya Limited should also be at the forefront in marketing and creating opportunities for local media houses across the globe.

## **5.5 Limitations of the Study**

This study depended on interviews and discussions with senior management at The Nation Media Group. Time constraints and non availability of some heads of departments during the scheduled interview time were faced. This was mainly experienced since the research was conducted around Kenya's election period and most senior managers were busy with elections coverage planning and strategy. The researcher overcame this by rescheduling interviews and making follow ups via telephone calls.

Secondly, whereas the study focused on competitive strategies some heads of departments could not differentiate between competitive strategies and general strategies. As a result of this more time was spent conducting the interviews. The researcher overcame this challenge by making clarifications to the senior managers.

## **5.6 Suggestions for Further Study**

This study focused on The Nation Media Group which is the largest media house in East and Central Africa. However, the media industry is dynamic and there are many players who are operating in the same external environment.

The study recommends that further research be done focusing on competitive strategies adopted by media companies in Kenya to establish whether each media house has unique competitive strategies or if there are any similarities in competitive strategies adopted by media companies in Kenya when faced with the same challenges in the external environment.

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## APPENDICES

### Appendix 1: Interview Guide to NMG managers

#### A. General Information.

Position held at Nation Media Group	
Duration worked with the firm	
Level of Education	

#### B. The environmental change occurring in Nation Media Group's external environment.

1. Who are Nation Media Group's main competitors?
2. In your own opinion how would you describe NMG's current external environment in terms of stability?
3. What changes are occurring in NMG's external environment and how are they affecting the business?

#### C. Competitive Strategies Adopted by Nation Media Group

1. Are the competitive strategies adopted by NMG driven by changes in the external environment?
2. To respond to the changes in the external environment identified, what competitive strategies have been put in place to achieve the required performance?
3. How are competitive strategies implemented at Nation Media Group?
4. What are some of the competitive strategies that have led to fruitful results? Explain.

5. In your own opinion are the competitive strategies adopted in response to the external environment of any value to the firm?

**D. Strategic Fit**

6. Do you think the strategies are sustainable given the turbulence (dynamism/changes) in NMGs operating environment? Elaborate.
7. What else do you think NMG can do to remain competitive and grow its market share?



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DATE... MARCH 2013 .....

**TO WHOM IT MAY CONCERN**

The bearer of this letter ... LINDA KARIMI .....

Registration No. ... DB1/8281/2006 .....

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

**IMMACULATE OMANO**  
**MBA ADMINISTRATOR**  
**MBA OFFICE, AMBANK HOUSE**