

**COMPETITIVE STRATEGIES ADOPTED BY WINNIE'S PURE
HEALTH PRODUCTS LTD IN KENYA**

BY

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DECLARATION

This research project is my original work and has not been submitted for examination to any other university.

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D61/P/7085/2004

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

Signed.....

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Gratitude goes to my colleagues and friends who assisted in one way or the other in completing this MBA programme.

DEDICATION

I dedicate this research project to my wife, Margaret and children Jebet, Mike and Moses, who supported me throughout my studies.

ABSTRACT

Firms face competition in their operating environment, whose intensity, depends on five competitive forces that include threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitutes and intensity of rivalry. Competitive strategy aims to establish a profitable position against these forces. The concept of competitive strategy is critical to the survival and success of a firm in any industry because every firm faces competition and other challenges. This is what Winnie's Pure Health Products Ltd and others in this segment, attempt to address. The company, which has been in existence for about ten years, and whose products are found in supermarkets, manufactures and packages natural foods. According to United States Department of Agriculture, natural foods refers to foods that are minimally processed, largely or completely free of artificial ingredients, preservatives, and other non-naturally occurring chemicals; and as near to their whole natural state as possible. The company faces competition within its market segment and from other players in the food industry and hence has to employ competitive strategies to succeed. The company faces competition in its segment, in particular and other players in the food manufacturing industry, in general, in addition to the high energy costs experienced by manufacturers and the seasonal nature of inputs faced by food processors. The executive director of the company, counterfeits is a major challenge as fake producers have emerged, capitalizing on the popularity of established brands. The researcher has focused on a segment that has been ignored by researchers despite its critical role, in view of the health challenges posed by over processing and too much emphasis on taste by food manufacturers at the expense of nutrition, during the manufacturing process. Our natural inclination to sweet, fatty and salty food/drinks has made food processors add sugar/artificial sweeteners, fat and salt to virtually all the foods they offer. Nutritionists who uses Integrative Medicine in handling patients, have linked a host of lifestyle diseases such as cancer, diabetes and cardiovascular diseases and, partly to too much consumption of fatty, over-processed and sugar/salt-laden foods/and or drinks. Like all other players in the food manufacturing industry, Winnie's Pure Health Products Ltd is facing competition, among other challenges. For it to survive and prosper in its market segment it must adopt appropriate competitive strategies. Nestle Kenya Ltd uses its capabilities, recruits and continuously trains staff to revitalize its human resource; engages in mentorship programmes to make knowledge accessible to staff and building positive organization culture and has done re-branding to attract those who have had the perception that their products were for the rich found out that creating and nurturing strong brands, skilled workforce through training and development and management of costs are effective competitive tools used by Nestle Kenya Ltd to counter competition. Service quality and customer relationship are optimally the most effective strategies used by players in the food and beverage industry as well as product differentiation, she added. Firms in the sugar manufacturing firms employed cost leadership strategies by eliminating non-essential activities in their value chains, outsourcing and competitively procuring their inputs. The firms also aspire to achieve economies of scale and use differentiation strategies via branding, distribution networks and customer service, says Okoth. Focus strategy, though limited due to few numbers in the targeted market, is also used. The researcher was unable to get any study on Winnie's Pure Health Products Ltd. What competitive strategies are being adopted by Winnie's Pure Health Products Ltd in Kenya? This study answered this question.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Firms face competition in their operating environment, whose intensity, according to Porter (1980), depends on five competitive forces; that keep on changing together with firm's relative competitive position and determine industry attractiveness ; namely: threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitutes and intensity of rivalry. Competitive strategy aims to establish a profitable position against these forces, added Porter. Competitive strategy is concerned with the basis on which a business might achieve competitive advantage (Johnson et al., 2005) that is key to above-average profitability and financial performance (Thomson et al., 2007). The concept of competitive strategy is critical to the survival and success of a firm in any industry because every firm faces competition and other challenges.

Kenya Association of Manufacturers (KAM) put the number of food processors at over 1,232 (www.kam.co.ke). According to KAM, the sector, which includes beverages and tobacco, contributed Shs71, 338 Million in Gross Domestic Product; provided 89,319 direct jobs and grew by 2.1 percent in 2009. The food manufacturing industry is faced by stiff competition and many other challenges in the manufacturing sector. The sector is made up of players that produce for the mass market and those that promise to address unmet needs of a section of customers that emphasize more on nutritional/therapeutic value of food. The needs of the latter, is what Winnie's Pure Health Products Ltd and others in this segment, attempt to address. The company, which has been in existence for about ten years, and whose products are found in supermarkets, manufactures and packages natural foods. According to United States Department of Agriculture, natural foods refers to foods that are minimally processed, largely or completely free of artificial

ingredients, preservatives, and other non-naturally occurring chemicals; and as near to their whole natural state as possible (Thomson et al., 2007). The company faces competition within its market segment and from other players in the food industry and hence has to employ competitive strategies to succeed.

1.1.1 Competitive Strategy

Competitive strategy is the search for a favourable competitive position in an industry, the fundamental arena in which competition occurs (Porter, 1980). It must grow out of a sophisticated understanding of the rules of competition that determine an industry's attractiveness with the ultimate aim of coping with and changing those rules in a firm's favour (Porter, 1985). He added that the types of competitive strategies, which have to be reviewed from time to time to match the changing conditions, depend on industry structure. Competitive strategy is about positioning of a firm's products in such a way that customers perceive them to offer better value for money relative to those of competitors (Russel and Taylor III, 2003; Johnson et al., 2005). A firm's positioning strategy, whose effectiveness depends on the strengths and weaknesses of the organization, the needs of the market place, and position of the competitors, defines how it will compete and involves choosing one or two important things on which to concentrate and doing them extremely well (Russel & Taylor III, 2003).

Competitive strategies are those moves and approaches that a firm has taken and is taking to attract buyers, withstand competitive pressures, improve its market position and achieve competitive advantage from the way they organize and undertake their activities (Thomson and Strickland, 2008). Competitive strategy concerns the specifics of management's game plan for competing successfully and securing a competitive advantage over rivals by doing a better job of

satisfying buyer needs and preferences (Thomson et al., 2007). It aims at establishing a profitable and sustainable position against the forces that determines industry competition (Pearce and Robinson, 2011). Competitive strategy is about deliberately choosing a different set of activities to deliver a unique mix of value (Mintzberg et al., 2003).

A firm can pursue Cost leadership, Differentiation and Focus generic strategies (Porter, 1985). Thomson et al., (2007) have identified five generic competitive strategies, namely low-cost provider; a broad differentiation and best-cost provider strategies; a focused strategy based on low costs and one based on differentiation. Other competitive strategies are: Operations, diversification, vertical integration, strategic alliances, mergers and acquisition, offensive and defensive strategies and outsourcing strategies.

1.1.2 Food Manufacturing Industry in Kenya

The food processing sector, according to KAM comprises food, beverages and tobacco and remains the largest component of the manufacturing industry, in terms of structure and economic contribution (www.kam.co.ke). Within the manufacturing sector, it is the most important and largest, comprising of over 1,200 businesses and accounted for 13 percent of the total manufacturing output in 2002, reveals KAM website and research on the food industry conducted by Mathara (2006, April 12). The products in this sector include foods, beverage and tobacco products and the goods manufactured and traded are: alcohol, beverages and spirits; and sugar, confectionaries; dairy products; juices, water and carbonated soft drinks; meat and meat products; tobacco; spices/condiments; flours and vegetable oils. Other major players, according to Mathara are: Muharata Food Co. Ltd for milling equipment; KenPoly, Metal Box and Tetra Pak- packaging materials. The regulatory bodies include Kenya Bureau of Standards, Kenya

Plant Health Inspectorate Services and Kenya Pharmacy and Poisons Board. Egerton University, Nairobi University and Kenya Industrial Research and Development Institute, among others, have academic programs and courses geared towards the sector.

The sector is characterized by stiff competition either from local, regional or global players. Due to increasing consumer awareness, food safety and quality are assuming a more prominent role in determining survival and growth of a firm in the competitive liberalized market (Gathungu, 2010). The industry faces several challenges such as inadequate supplies of raw materials that are in most cases seasonal in nature, says Mathara; and this exposes firms to high raw material cost during time of scarcity and may have to import them expensively, according to KAM. KAM argues that in addition to raw material cost, firms in the sector have to contend with high duty on inputs; duplication of laws and regulatory agencies; competition from sectorial association; high production cost with respect to raw materials handling, distribution and marketing; slow development and implementation of policies and the use of obsolete technology and skills. Another challenge is the high energy costs as pointed out by Paul Kinuthia, the proprietor of Interconsumer who complained that Kenya's energy costs are about ten times higher than Egypt's (Juma, Daily Nation, April 20). Coca-Cola, buoyed by a six-month pilot project done in Nairobi by Nielsen Research Company which revealed that use of solar in the kiosks cuts energy costs by 90 percent, has partnered with One Degree Solar to furnish Coca-Cola kiosks with affordable and portable solar energy kits (Kiarie, The Standard, April 19).

The competitive strategies adopted by the players include use of price, differentiated products, and product diversification; appealing packaging, aggressive advertising and promotion campaigns. Modern trends to take note in the sector, according to Wikipedia, the free encyclopedia (en.wikipedia.org/wiki/food-industry), include maintaining the natural taste of the

product by using less artificial sweeteners; the rigorous application of industry and government endorsed standards to minimize possible risks and hazards and increasing usage of energy saving technologies due to rising energy costs.

1.1.3 Winnie's Pure Health Products Ltd

Winnie's Pure Health Products Ltd commenced operations in 2003, is located at Semco Business Centre, Mombasa Road and was started by Winnie Mwendia, who is also the president of the firm (www.business.co.ke/company/3049/winnies-pure-health-products and www.businessdailyafrica.com). According to the websites, the company deals in the processing, packaging and distribution of natural foods/drinks like herbal teas, fortified flours, cold-pressed oils, stew mixes, spices, brown rice and honey and towards the end of year 2010, the company was serving an estimated five million Kenyans and recorded 25 percent growth in its unit output during the period 2009-2010. The company, which started with ten employees and four product lines, had over one hundred employees and forty products in six different categories by end of 2010.

The company faces competition in its segment, in particular and other players in the food manufacturing industry, in general, in addition to the high energy costs experienced by manufacturers and the seasonal nature of inputs faced by food processors. According to Tara Gitau, the executive director of the company, counterfeits is a major challenge as fake producers have emerged, capitalizing on the popularity of established brands.

The researcher has focused on a segment that has been ignored by researchers despite its critical role, in view of the health challenges posed by over processing and too much emphasis on taste by food manufacturers at the expense of nutrition, during the manufacturing process. Our natural

inclination to sweet, fatty and salty food/drinks has made food processors add sugar/artificial sweeteners, fat and salt to virtually all the foods they offer. Nutritionists such as Holford (2004), Chilton (2005), Carper (1993) and Weil (1998), who uses Integrative Medicine in handling patients, have linked a host of lifestyle diseases such as cancer, diabetes and cardiovascular diseases and, partly to too much consumption of fatty, over-processed and sugar/salt-laden foods/and or drinks.

1.2 Research problem

Firms face competition in their operating environments and must therefore identify and employ competitive strategies to succeed in the marketplace. The concept of competitive strategy has received a lot of attention from scholars in Kenya. For example, Karanja (2011) concluded that Fund Managers in Kenya employed a mix of competitive strategies ranging from cost leadership, differentiation-on service delivery and quality customer service and focus and have to continuously look for cost leadership as a competitive strategy. Otido (2011) found out that investing in new technology, marketing of products and rapidly responding to customer needs, selling new range of products and improving employee morale was what cement firms adopt to succeed. The research done by Chelimo (2011) revealed that diversification, marketing, advertising and technological advancement, were the tools of choice at Telkom Kenya.

Like all other players in the food manufacturing industry, Winnie's Pure Health Products Ltd is facing competition, among other challenges. For it to survive and prosper in its market segment it must adopt appropriate competitive strategies. Nestle Kenya Ltd uses its capabilities, recruits and continuously trains staff to revitalize its human resource; engages in mentorship programmes to make knowledge accessible to staff and building positive organization culture and has done re-

branding to attract those who have had the perception that their products were for the rich (Ng'etich, 2010). Wamakau (2010) found out that creating and nurturing strong brands, skilled workforce through training and development and management of costs are effective competitive tools used by Nestle Kenya Ltd to counter competition. Service quality and customer relationship are optimally the most effective strategies used by players in the food and beverage industry as well as product differentiation, she added. In his research, Okoth (2005) reveals that firms in the sugar manufacturing firms employed cost leadership strategies by eliminating non-essential activities in their value chains, outsourcing and competitively procuring their inputs. The firms also aspire to achieve economies of scale and use differentiation strategies via branding, distribution networks and customer service, says Okoth. Focus strategy, though limited due to few numbers in the targeted market, is also used.

The researcher was unable to get any study on Winnie's Pure Health Products Ltd. This study therefore seeks to answer the following question: What competitive strategies are being adopted by Winnie's Pure Health Products Ltd in Kenya?

1.3 Research Objectives

The research objectives of this study were the following two:

- i) To establish the challenges faced Winnie Pure Health Products Ltd in Kenya, and
- ii) To determine competitive strategies adopted by Winnie's Pure Health Products Ltd in Kenya to address those challenges.

1.4 Value of the Study

This study will help Winnie's Pure Health Products Ltd, who is in a relatively new and fast-growing segment, to identify challenges and factors influencing the responses to those challenges; the available strategies, to enable them identify gaps in their strategy and to reposition themselves in the marketplace; when introducing new products. This research will enable firms looking for opportunities to expand their product range, strengthen their market power and improve profitability, make investment decisions.

Since the sector has been infiltrated by firms making counterfeits, while some make unsubstantiated claims on their products with the intention of boosting sales, there is need for the regulatory bodies to ensure that consumers are not unnecessarily exposed to harmful products or are not hoodwinked by the messages on their packaging. There is need for standards covering natural foods and to determine what qualifies to be called "natural foods."

The research findings of the study will contribute to the existing body of knowledge in competitive strategies and enhance knowledge in natural foods segment. It will contribute to a pool of knowledge from which further research can be conducted.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter focuses on the theoretical literature on competitive strategies. It touches on the concept of strategy, concept of competition and various competitive strategies that firms can employ.

2.2 Theoretical Framework

The study is based on the theory of competitive advantage. Businesses become successful because they possess some advantage relative to their competitors (Pearce II et al., 2011) that enables them experience above-average profitability within their industry. Porter (1985) points out that competitive advantage grows fundamentally out of a value a firm is able to create for its buyers that exceeds the firm's cost of creating it. A company achieves competitive advantage whenever it has some type of edge over rivals in attracting buyers and coping with competitive forces (Thomson and Strickland, 2008).

Bases of competitive advantage arise from an understanding of both markets and customers and the strategic capability of the organization (Johnson et al., 2005). According to Thomson and Strickland (2008), there are many sources of competitive advantage anchored on product, costs, service, geographic location, and more value for the money. According to Porter, firms can achieve competitive advantage through cost leadership, differentiation and focus. This position is largely supported by other contributors such as Pearce II et al., (2011), Johnson et al., (2005) and Thomson and Strickland (2008). Other approaches are: Resource Based View of strategy, strategic lock-ins, operations management, speed, and technology.

Business success built on cost leadership requires the businesses to be able to provide its product or service at a cost below what its competitors can achieve (Pearce II et al., 2011). Johnson et al., (2005) brings out the “no frills” strategy which combines a low price with low perceived product/service benefits and a low-price strategy which seeks to achieve a lower price than competitors whilst trying to maintain similar perceived product or service benefits to those offered by competitors. Thomson and Strickland (2008) points out that firms can achieve cost advantage by performing value chain activities more cost effectively than rivals and/ or revamping the value chain to curb or eliminate unnecessary activities.

Differentiation seeks to build competitive advantage with its product or service by having it “different” from other available competitive products based on features, performance, or other factors not directly related to cost and price (Pearce et al., 2011). Thomson and Strickland (2008) argue that competitive strategies are attractive whenever buyers’ needs and preferences are too diverse to be fully satisfied by a standardized product. Competitive advantage results once a sufficient number of buyers become strongly attached to differentiated attributes. A firm pursuing differentiation will be an above-average performer in its industry if its price premium exceeds the extra costs incurred of being unique (Porter, 1985).

Hybrid strategy, another source of competitive advantage, seeks simultaneously to achieve differentiation and low price relative to competitors (Johnson et al., 2005). A focused low-cost strategy aims at securing a competitive advantage by serving buyers in the target market niche at a lower cost and a lower price than rival competitors while the one keyed to differentiation aims at achieving it with a product offering carefully designed to appeal to the unique preferences and needs of a narrow, well-defined group of buyers (Porter, 1985; Thomson and Strickland, 2008; Johnson et al., 2005 and Pearce II et al., 2011).

Pearce II et al., (2011) and Johnson et al., (2005) advocated for Resource Based View of strategy, concerned with exploiting the strategic capability of an organization in terms of resources and competencies. Strategic lock-ins by Johnson et al., (2005) is whereby when an organization achieves proprietary right position, through, say market size and first-mover dominance, in its industry; it becomes an industry standard. Operations strategies are concerned with how the component parts of an organization deliver effectively the corporate- and business-level strategies in terms of resources, processes and people and provide an opportunity for operations managers to achieve competitive advantage either on cost, differentiation and speed ((Pearce II et al., 2011). They went on to state that speed-based strategies have become a major source of competitive advantage for numerous firms in today's intensely competitive global economy. Porter (1985) points out that technology affects competitive advantage if it has a significant role in determining cost position.

Fundamental basis of above-average performance in the long run is sustainable competitive advantage (Porter 1985). Organizations that try to achieve competitive advantage hopes to preserve it over time (Johnson et al., 2005). They went to state that firms can enjoy competitive advantage when: they have rare strategic capabilities that are inimitable, there is complexity in internal linkages of organizational competencies; core competencies are embedded in an organization's culture; competitors find it difficult to discern the causes and effects underpinning an organization's advantage and an organization's ability to renew and recreate its strategic capabilities to meet the needs of a changing environment.

2.3 Concept of Strategy

Strategy was originally used in military but is used in business today to describe how an organization intends to achieve its objectives and mission (Byars, 1984). It entered business vocabulary in 1950s when response to environmental discontinuities became important (Ansoff & McDonnell, 1990). Strategy is the broad goals and programs to help an organization achieve success; the match between organization resources and skills, the environmental opportunities and risks it faces and the purposes it wishes to accomplish (Schendel and Hofers, 1979). It describes how it intends to create value for its shareholders, customers and citizens (Kaplan and Norton, 2004). It is the pattern or plan that integrates an organization's major goals, policies and action sequences into cohesive whole; a well formulated strategy helps marshal and allocate an organization's resources into a unique and viable position based on its relative internal competencies and shortcomings; anticipated changes in the environment, and contingent moves by intelligent opponents (Mintzberg et al., 2003). They went on to state that it is a set of objectives, policies and plans that taken together; define the scope of the enterprise and its approach to survival and success

Strategy can be seen as the search for strategic fit with the business environment and creating opportunities by building on an organization's resources and competencies to provide competitive advantage and/or yield new opportunities (Johnson et al., 2005). It is the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and allocation of resources necessary for carrying these goals (Cole, 1997). Corporate level Strategy addresses a firm's portfolio of businesses-what businesses firms should

compete in and how to manage the portfolio of businesses to create synergies among the businesses (Dess et al., 2012). It consists of the competitive moves and business approaches that managers are employing to grow the business, attract and please customers, compete successfully, conduct operations, and achieve the targeted level of organizational performance they argued. A business strategy sets forth the mission of a company and reflects the choice of the key services that the organization will perform and the primary basis for distinctiveness in creating and delivering such services; it serves as a guide to managers in deciding what to do and what not to do, and it is the rallying theme for coordinating diverse activities and is concerned with long-term direction of the business (Newman, Logan and Hegarty, 1989).

The typical company strategy is a blend of pro-active actions to improve the company's financial performance and secure competitive advantage and partly reactive to unanticipated developments and fresh market conditions (Thompson et al., 2007). They argue that for a firm to enjoy a sustainable competitive advantage it requires that it possesses some barriers that make imitation of strategy difficult by offering a moving target to its competitors and investing in order to continually improve its position.

2.4 Concept of Competition

Competition is at the core of the success or failure of firms and it determines the appropriateness of a firm's activities that contribute to its performance (Porter, 1980). The essence of strategy, according to Pearce II and Robinson (2011), is coping with competition. Often small firms are successful because they serve a special niche (Newman, Logan and Hegarty, 1989). Larger companies may operate in several niches, finding propitious niches which a company is capable of serving effectively calls for a sensitive understanding of competition in the larger industry and

if a company hopes to maintain a dominant position in a segment, it must recognize and carefully adjust its operations to the unique services desired in the niche, the authors assert.

Analyzing a company's industry and competitive environment begins with identifying an industry's dominant economic features which helps in understanding of the kinds of strategic moves that industry members are likely to employ (Thomson et al., 2007). Pearce II and Robinson (2011) points out that industry has an underlying structure, or a set of fundamental economic and technical characteristics that gives rise to competitive forces. There are five forces, whose strength varies from industry to industry and can change as an industry evolves, that determine industry attractiveness according to Porter (1980), namely: Threat of entry, bargaining power of buyers and bargaining power of suppliers; threat of substitutes and rivalry within the industry. The five forces framework allows a firm to see through the complexity and pinpoint these factors that are critical to competition in its industry.

Winnie's Pure Health Products Ltd is faced with competition and hence the need for them to analyze the competitive environment, identify and apply competitive strategies to succeed.

2.5 Competitive strategies

Firms continually make strategic moves, which are greatly affected by the nature and extent of the external environment, to align their strengths with new opportunities and threats presented by the constantly changing external environment, in addition to addressing their weaknesses, to enable them succeed. Research has demonstrated that enterprises that keep on changing their strategies in response to changes in the external environment outperform those that maintain current strategies in the face of new opportunities and threats brought about by the changes.

2.5.1 Michael Porter's Generic Competitive Strategies

Competitive strategies are those offensive or defensive actions taken by a firm 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 (Porter, 1980). According to him, to achieve sustainable competitive advantage in the market place the best strategy for a given firm is ultimately a unique construction reflecting its particular circumstances. He presented three generic strategies that a firm can use which can be used singly or in a combination, arguing that a firm that does not make a clear choice between one of the three generic strategies will suffer below average performance. The three generic competitive strategies are cost leadership, differentiation and focus.

Cost leadership strategy will enable a firm pursuing it to charge lower prices relative to competitors and hence achieve a higher volume or charge same price as those of competitors and get higher margins, enabling it to defend itself against powerful buyers and sellers. Low cost position provides substantial entry barriers in terms of scale economies and places the firm in favourable position vis-à-vis substitutes relative to its competitors. Firms using this strategy relentlessly pursue elimination of all waste in the entire value chain and examine the entire cost structure for potential reduction. Sources of cost advantage, according to Pearce and Robinson, might emanate from pursuit of economies of scale, government subsidies, favourable location and preferential access to raw materials, among others. To be sustainable in the long run firms must make investments in updated facilities and infrastructure, equipment, programs and systems to streamline operations; training and development to enhance the skills and capability of people.

Differentiation strategy involves differentiating the product/service offering of the firm; creating something that is perceived industry-wide as being unique. According to Porter, a firm seeks to be unique in its industry along some dimensions that are widely valued by customers and is rewarded for its uniqueness with a premium price. Effective differentiation strategy can be achieved by performing different activities from those of competitors or by performing the same activities better (Russel & Taylor III, 2003). Emphasis is on “non price” attributes and can be in the form of prestige or brand image, technology, features, customer service and packaging. Differentiation strategy creates a defensible position for coping with the five competitive forces (Porter, 1980) by providing insulation against competitive rivalry due to brand loyalty by customers and resulting lower sensitivity to price; increases margins, which avoids the low cost position; customer loyalty created and the need for a competitor to overcome uniqueness provide entry barriers and higher margins with which to deal with supplier power, and it clearly mitigates buyer power, since buyers lack comparable alternatives and are thereby less price- sensitive. The firm that pursues differentiation to achieve customer loyalty should be better positioned vis-à-vis substitutes than its competitors. The various ways a company can differentiate its products, according to Thompson, Strickland and Gamble, are by design or brand image, speed of delivery, features, after sales service, warranties and dealer network.

There are many discrete activities a firm performs in designing, marketing, delivering, and supporting its product(s). Each of these activities, according to Michael Porter, can contribute to a firm’s relative cost position and create a basis for differentiation. Skills and motivation possessed by a firm’s human resources and technology also plays important roles to achieving cost or differentiation competitive advantages.

With focus strategy a firm targets a particular buyer group, segment of the product line, or geographic market and may take many forms (Porter, 1980). Focus strategy is built around serving a particular target very well, and each functional policy is developed with this in mind. The strategy rests on the premise that the firm is able to serve its narrow strategic target more effectively or efficiently than competitors who are competing more broadly. Consequently, the firm achieves either differentiation from better meeting the needs of the particular target, or lower costs in serving this target, or both. Focus strategies rests on the choice of a narrow competitive scope within an industry. A firm pursuing focus strategy selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. By optimizing its strategy for the target segment(s), the firm seeks to achieve a competitive advantage in its target segment(s) even though it does not possess a competitive advantage overall (Thompson et al., 2007).

Both casual observation and research support the notion that firms that identify with one or more of the forms of achieving competitive advantage outperforms those that do not (Dess et al., 2012). Perhaps the primary benefit to firms that integrate low-cost and differentiation strategies is the difficulty for rivals to duplicate or imitate, the authors continued.

2.5.2 The Five Competitive Generic Strategies

The main aim of competitive strategies is to enable a firm to do significantly better job than rivals of providing what buyers are looking for such as a good product at a lower price, a superior product that is worth paying more for; or a best-value offering that represents an attractive combination of price, features, quality, service, among others and thereby secure an upper hand in the marketplace (Thompson et al., 2007). There are many variations in the

competitive strategies that companies employ due to each company's unique strategic approaches/circumstances and industry environment, stated Thompson, Strickland and Gamble. The following are the five competitive strategies, which according to the researcher, are an extension of Porter's three generic strategies:

A low-cost provider strategy: This is the process of striving to achieve lower overall costs than rivals and appealing to a broad spectrum of customers, usually by under-pricing rivals. A company attains this position when it becomes the industry's lowest cost provider rather than just being one of perhaps several competitors with comparatively low costs and can be accomplished either by doing a better job than rivals of performing value chain activities more cost-effectively or revamping the firm's overall value chain to eliminate or bypass some cost-producing activities. The approach is a powerful competitive strategy in markets with many price sensitive buyers.

A broad differentiation strategy: This is seeking to differentiate the company's product offering from rivals' in ways that will appeal to a broad spectrum of buyers. Differentiation is achieved either through unique taste, features, wide selection, one stop shopping, superior service, prestige and distinctiveness, quality and availability of spare parts. The most appealing approaches to differentiation are those that are hard or expensive for rivals to duplicate.

A best-cost provider strategy: This is giving customers more value for their money by incorporating good-to-excellent product attributes at a lower cost than rivals; the target is to have the lowest(best) costs and prices compared to rivals offering products with comparable attributes. The competitive advantage arising out of this allows a company under-price rivals whose products have similar upscale attributes.

A focused (or market niche) strategy based on low costs: This is where a firm concentrates on a narrow buyer segment and outcompeting rivals by having lower costs by keeping the costs of the value chain activities to a bare minimum than rivals and thus being able to serve niche members at a lower price.

A focused (or market niche) strategy based on differentiation: Under this strategy a company concentrates on a narrow buyer segment and outcompeting rivals by offering niche members customized attributes that meet their tastes and requirements better than rivals' products and the success of this strategy depends on the existence of a buyer segment that is looking for special product attributes or seller capabilities and on a firm's ability to stand apart from rivals competing in the same target market niche.

2.5.3 Other Competitive Strategies

Once a company has settled on the type of generic strategies to employ, attention turns to what other strategic actions it can take to complement its choice of a basic competitive strategy (Thompson et al., 2007). The choices that are discussed below are largely shared by Miller and Dess (1996) and David (2011) and these are: Strategic Alliances, Mergers and Acquisitions, Diversification, Vertical Integration, Offensive and Defensive strategies; Blue Ocean strategy, Outsourcing and Operational strategies

Strategic alliances are collaborative arrangements where two or more companies join forces to achieve mutually beneficial strategic outcomes such as complementing their own strategic initiatives and strengthening their competitiveness in domestic and international markets .Some of the firms that lack resources and competitive capabilities needed to pursue promising opportunities have determined that the fastest way to fill the gap is often to form alliances with

enterprises having the desired strengths. A merger is a pooling of equals, with the newly created company often taking on a new name (Thompson et al., 2007; David, 2011 and Dess et al.). An acquisition on the other hand is a combination in which one company purchases and absorbs the operations of another. Many mergers and acquisitions are driven by strategies to achieve any of following strategic objectives: to create a more cost-efficient operation out of the combined companies; to expand a company's geographic coverage, to extend the company's business into new product categories, to gain quick access to new technologies or other resources and competitive capabilities, among others.

A firm can pursue diversification strategy to achieve competitive advantage and be above-average performer in an industry. This is the process of firms expanding their operations by entering new businesses and leveraging competencies, sharing activities, or building market power (Dess et al, 2012). Some firms pursue vertical integration strategy where a firm decides to be its own supplier or distributor (Dess et al., 2012). The firm can incorporate more processes toward the original source of raw materials (backward integration) or toward the ultimate consumer (forward integration). Backward Integration is a strategy of seeking ownership or increased control of a firm's suppliers-appropriate when current suppliers are unreliable, too costly, or cannot meet the firm's needs and Forward Integration that involves gaining ownership or increased control over distributors or retailers- pursued when an organization's present distributors are especially expensive, unreliable, or incapable of meeting the firm's distribution needs (David, 2011).

An offensive strategy, if successful, can open up a competitive advantage over rivals (Thomson and Strickland, 2008). Competitive advantage is usually acquired by employing a creative offensive strategy that is not easily thwarted by rivals. To successfully sustain a competitive

advantage, a firm must stay a step ahead of rivals by mounting one strategic offensive after another. Under this strategy, there are six ways to mount strategic offensives, namely: attacks on competitor strengths that involves price for price, model for model, promotion tactic for promotion tactic and geographic area by geographic area; attacks on competitor weaknesses by challenging rivals where they are most vulnerable. Other forms of offensive strategies, according to David, are intensive strategies that aim to achieve market penetration that seeks to increase market share for present products or service in present markets through greater marketing efforts-increasing number of sales persons, increasing advertising expenditures, offering extensive sales promotion items, or increasing publicity efforts. He went on to state that firms can pursue market or product development efforts.

Blue Ocean strategy seeks to gain a dramatic and durable competitive advantage by abandoning efforts to beat competitors in existing markets and, instead, inventing a new industry or distinctive market segment that renders existing competition largely irrelevant and allows a company to create and capture altogether new demand. The purposes of defensive strategies are to lower the risk of being attacked, weaken the impact of any attack that occurs, and influence challengers to aim their efforts at other rivals (Thompson et al., 2007). While defensive strategies don't enhance a firm's competitive advantage, they however help to fortify its competitive position, protect its most valuable resources and capabilities from imitation, and defend whatever advantage it might have. Other forms of defensive strategies include retrenchment (to achieve leanness and efficiency in operations), divestiture (involves disposing part of the company that may, for example, be deemed unprofitable) and liquidation (selling the entire business), (David, 2011).

Outsourcing involves a conscious decision to abandon or forego attempts to perform certain value chain activities internally and instead farm them out to outside specialists and strategic allies (Thompson et al, 2007). This is because outsiders can often perform certain activities better or cheaper and allows a firm to focus its entire energies on its core competencies and that are the most critical to its competitive and financial success. Strategic decisions in operations involve products and services, processes and technology, capacity and facilities, human resources, quality, sourcing, and operating systems. The competitive advantage from an integrated operating system is more sustainable than new products or technologies (Russel & Taylor III, 2003). Operations have significant impact on cost, speed of delivery, flexibility, and quality-key components in creating sustainable competitive advantage. The operations function helps strategy evolve by creating new and better ways of delivering a firm's competitive priorities to the customer. Strategic advantage built on operations are frequently underestimated or ignored by competitors. Use of this strategy is also largely advocated by Chase & Aquilano (1995) and Miller & Dess 1996).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the overall methodology the researcher used in the study. This included the research design, data collection and data analysis.

3.2 Research Design

The researcher used a case study design since Winnie's Pure Health Products Ltd is a single company. This method assisted the researcher to identify the competitive strategies adopted by the company to cope with competition in the natural foods segment of the food manufacturing industry. The design was deemed appropriate by the researcher for he was looking for in-depth information on the competitive strategies adopted by the organization to cope with competition since it enables the researcher to probe, collect data and explain phenomenon more deeply and exhaustively.

3.3 Data Collection

The type of data that was collected was primary and secondary data. The primary data, collected interview guide. The respondents were the founder, the executive director, the person in-charge of sales & marketing, the production manager, the head of procurement, the head of human resources and the finance manager. This method allowed the researcher to obtain more in-depth information. The method was flexible, the interviewer got spontaneous reactions and the interviewees.

Secondary data, which was data already available having been collected and analyzed by someone else and only requiring compilation, will be sourced from the following at the company

offices: management reports, end of year financial statements, magazines, reports and publications of various associations connected with the business and industry. The data collected here included sales and profit figures of the firm over the years to assess their performance; the number of players, to establish extent of competition in the segment; establishing any challenges faced by players in the segment and if there is any government support, by referring to any information in magazines, reports and publications.

3.4 Data Analysis

Content analysis was used to analyze data collected. This entailed analyzing qualitative statements to identify themes and patterns in decision making. They consisted of analyzing the contents of documentary materials such as books, magazines, newspapers and the contents of all other verbal materials which can be spoken or printed (Kothari, C.R., 2004). Kothari went on to state that content analysis is a central activity whenever one is concerned with the study of the nature of the verbal materials. The content analysis follows a systematic process of coding and drawing inferences from data. Coding, according to Kothari, is the process of assigning numerals or other symbols to answers so that responses can be put into a limited number of categories or classes. Descriptive statistical measures will be used to depict the objectives of the study. Descriptive statistics enable you to describe (and compare) variables numerically (Saunders, M., Lewis, P., and Thornhill, A., 2009)

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results of the analysis of data gathered by the researcher in the course of this study. Section 4.2 of this chapter focuses on data analysis; section 4.3 on results and 4.4 looks at discussion.

4.2 Results

The researcher managed to talk to the proprietor and members of top management of the respondent, who are mainly family members; they were cooperative and supplied the necessary information required for the study.

Arising out of the visit and the interview, the researcher was able to confirm that Winnie's Pure Health Products Ltd commenced operations in 2003 and is located in Semco Business Centre, Mombasa Road and deals in the processing, packaging and distribution of natural foods/drinks. From the information gathered from the proprietor, secondary sources, and observation, it was revealed that the company is a medium-sized, 100% locally owned business. The person in charge of human resources and administration revealed that the company has twenty permanent employees, engages about one hundred casual labourers during peak periods and that the premise is owned by the company.

During the interview, the researcher found out that among the products the company deals in are: maize flour, wheat and millet; a range of spices and condiments such as turmeric, garlic, black and white pepper, herbal teas such as chamomile, hibiscus, nettle, neem and wheat grass, and honey. Flours are in one and two kilogrammes packages while honey is packaged in one

hundred; two hundred and fifty, three hundred and five hundred gramme containers. The data from the person in charge of sales and marketing revealed that the target market is mainly local with the bulk of distribution going through the leading supermarkets in the country such as Nakumatt, Tuskys, Naivas, Uchumi and Ukwala. Because some of these outlets have expanded to the neighboring countries, the company's products are also found within the East African region. The products are reasonably priced.

The researcher found out that the major competitors in the honey category are; Green Forest Foods Ltd, Honey Care Africa, Woodlands Honey Products Ltd and honey imported from Australia. Hindustan, Capwell Industries Ltd, Kirinyaga Flour Mills, Annico Enterprises, Premier Flour Millers, Maspeter Packers, Unga Ltd and Rimwabi Enterprises and other smaller establishments compete with Winnie's range of flour products. On the herbal beverages, the company is faced with competition from companies such as Nature's Health Ltd, Melvins Marsh International Ltd, Nature's Way Health, Heath & Heather, Undugu Fair Trade Ltd, Kate's Organics; foreign companies including Renuka Teas (Ceylon), Hyson Teas (Pvt) Ltd and Africa & Coffee (1963) Blenders. Winnie's Sea salt competes with those from Nature's Way, Popular Brands Venture Ltd, Deepa Industries Ltd, Jomu Spice Firm Ltd and Julimatt Enterprises, among others. Among those dealing in spices, seasonings and condiments are Nature's Way, Deepa Industries Ltd, Uniliver and many other small players.

The findings of the research study indicated that the company employs modern technology in its production processes, in line with industry standards. The raw materials are mainly local and some are sourced from the region, especially during times of low supply. The company has entered into supply contracts with suppliers in respect of some of the inputs, especially those that can easily be adulterated and those requiring high standards of care during growing and

harvesting such as honey, wheat grass and herbal range of products. The findings of the research study indicate that products are branded with special packaging with a unique company logo. The products, the researcher was informed, are natural; minimally processed and free of additives and artificial colours. The company is one of the pioneers in Kenya in the market segment.

4.3 Analysis of results

The results of the interview show that the company is faced with stiff competition in the market place. The products which face stiff competition include flours, spices and honey products. The researcher noted that there is less competition in herbal range of products compared to flour, spices/condiments and honey products. The company has also a diversified product portfolio namely herbal flours, spices and honey. The target market, according to the company, is middle and upper social classes; those in the lower cadre resort to them when they want to address certain ailments, which some of the products promise to address.

4.4 Discussion

From the literature review, the researcher identified various competitive strategies employed by firms to have competitive advantage namely cost leadership, differentiation and focus; diversification, backward and forward integration; outsourcing, mergers and acquisitions, defensive and offensive strategies, operational strategies and strategic alliances.

Winnie's Pure Health Products Ltd has forty products from six different categories. The world is going natural and the company's intention is to tap into this growing market. This therefore has prompted the company to be aggressive in product diversification towards addressing the diverse consumer needs. They do this by use of existing machines and they also diversify into

related products. The varied package sizes seen in flours and honey take cognizance of differences in consumers' purchasing power. The firm employs differentiation to some extent. The products produced are largely unique as demonstrated by the well-designed packaging, brand name, company logo and the fact that they are natural. Some form of differentiation focus strategy is also being pursued by the company when it comes to certain products that target the niche market comprising of the infants, toddlers, and those groups not catered for by the big players in the market, who concentrate mainly on the general consumer. Flour for infants / children and those products that meet the needs of those having some medical conditions, offered by the company, should therefore be seen in this light.

Whereas the company might not claim to be a cost leader, its products are fairly priced to ensure that it continues to attract and retain customers. Unique products targeting specific groups of people such as children and the sick are reasonably priced to ensure affordability even by those in the lower income groups wishing to address certain conditions. Cost of production has a direct impact on prices of products. Contracts with suppliers, a form of backward integration; competitive sourcing of materials and reduction of wastage are some of the ways the company ensures cost of production is made reasonable. This is in addition to the use of unskilled to semi-skilled casual labourers, who are not only paid low wages, but they also do not have the capacity to become competitors in future.

The results of the interview demonstrate that the firm has entered into outsourcing as a strategy. For example merchandizing, a service required to take care of products at the various outlets, is outsourced to local firms. This has enabled the firm to concentrate on its core business and consequently reduce unnecessary costs expenses.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter touches on summary, conclusion and recommendations arising out of the research findings of the study.

5.2 Summary of findings

The study concerns the competitive strategies adopted by Winnie's Pure Health Products Ltd. The company operates in a competitive environment, with both local and global players, some of them with long experience backed up by good brand names and deep pockets. The tendency by buyers to go for imported products has not made things any better for the firm. For example, honey from Australia commands a higher price than the local ones despite the fact that the quality could be the same.

The findings of the study revealed that the company faces other challenges such as counterfeits, price wars and high energy costs. Some former employees have gone ahead to set up firms that have been a source of competition. Being a family business with top management positions occupied mainly by family members can be positive as well as negative factor. The family members can easily bear with the situation when the business environment is tough than would non-family members. However having family members control operations may inhibit innovation, growth and change. Controls in family owned/run enterprises are weak and evaluating performance is not always easy.

The firm employs, to some extent, differentiation and focus strategies. Other strategies are diversification as demonstrated by the number of products they offer, outsourcing, backward

integration by way of contracts with suppliers and operational strategies aimed at achieving flexibility and speed in processing and delivery of products.

5.3 Conclusion

The researcher has endeavored to bring out the challenges faced by food manufacturing industry, in general, and Winnie's Health Pure Products Ltd, in particular, with a view to surviving and thriving in the market place and the competitive strategies that are employed.

From the results of the study Winnie's Pure Health Products Ltd has demonstrated that it has vision to grow and continue being one of the leading players in its market segment. The company has positioned itself strategically through offering differentiated and fairly priced products to its clients. For success and growth in a competitive market, the company has been in a position to be innovative through addressing customer needs and in the process contributing to greater customer satisfaction and retention. The growth of the company has also been attributed to the use of technology that has ensured effectiveness and efficiency in its operations- speed and flexibility are key components of appropriate technology that enables a firm to enjoy competitive advantage..

5.4 Recommendation for policy and practice

From the above presentation, it is clear the company faces competition and other challenges such as counterfeits, price wars and high energy costs. It therefore means that for them to survive, they have to continually employ cost effective approaches to production and at the same time be innovative to ward off competition. Counterfeits are becoming a menace in the manufacturing industry and the government needs to take appropriate measures to protect the players from unscrupulous traders/manufacturers who wait for firms to toil to come up with new products only

for them to end up not recouping the cost of their investment. Proper policing is required and punitive measures meted to those who reap where they have not sown.

From the study it would appear the firm has not felt or have ignored the impact of intense competition, especially emanating from the big players who enjoy economies of scale and have continued to encroach into their market niche by also offering natural and fortified foods. Therefore there is need for the firm to undertake regular market surveys, engage in aggressive sales and marketing campaigns to retain and attract more customers; and hence retaining/ increasing their market share. Like any other industry, the segment will continue to experience changes in production processes and product offering as dictated by the market. There is need therefore for the company to monitor the market trends and come up with innovations to address the changing consumer tastes and preferences.

Due to the growing demand for natural products, many other small players have also come up to cash in on the returns offered by this new segment. There is a danger that individuals and firms might come up with products that pose a danger to the health of consumers. There is therefore need for the relevant bodies to address this emerging threat by establishing standards and close monitoring.

5.5 Limitations of the study

This was case a study and therefore the conclusions drawn may not have a general application in similar set-ups. Such a study also requires time of which it was limited. Firms are usually reluctant to divulge certain sensitive information for fear that the same may be used to create competition and in the case of Winnie's Pure Health Products Ltd, it was not possible to get all the required information such as production costs and exact sources of their raw materials.

5.6 Recommendation for further study

This was a case study and in order to obtain a clearer picture on what is going on in the industry, a further study comprising more industry members should be undertaken which will unearth the true characteristic of the industry and hence the competitive strategies employed by the players in the segment. This is a niche market with growth potential and the plans of the big players need to be considered since they can easily destabilize it if they choose to enter.

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MBA PROGRAMME

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DATE 12.07.2013

TO WHOM IT MAY CONCERN

The bearer of this letter SAM KIPROTICH KALTA

Registration No. 561/P/7025/2004

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.



PATRICK NYABUTO
FOR: MBA CO-ORDINATOR
SCHOOL OF BUSINESS



APPENDIX II: LETTER TO RESPONDENT REQUESTING TO UNDERTAKE RESEARCH

THE EXECUTIVE DIRECTOR,
WINNIE'S PURE HEALTH PRODUCTS LTD,
SEMCO BUSINESS PARK,
MOMBASA ROAD, NAIROBI.

Dear Madam,

RE: REQUEST TO CARRY OUT RESEARCH IN YOUR FIRM

I am a final year Master of Business Administration student at the University of Nairobi specializing in Strategic Management and in the process of undertaking research towards completion of the program, having been authorized by the University as per the attached letter. The topic that has been approved is entitled: Competitive Strategies adopted by Winnie's Pure Health Products Ltd in producing and promoting natural foods in Kenya.

I undertake to treat any information obtained in the course of my research with confidentiality and assure that the findings will not be used for any other purpose other than the research. I also undertake to submit a final copy of the research to you for information/action.

I look forward to your favourable response.

Yours faithfully,

SAM KIPROTICH KALYA

APPENDIX III: INTERVIEW GUIDE-WINNIE’S PURE HEALTH PRODUCTS LTD

Introduce yourself and the subject, making the respondent feel free to participate freely-there are no wrong or correct answers in the study.

A. GENERAL INFORMATION

- i. Year of commencement.....ii. Number of employees: Permanent.....Casual.....
- iii. Is the premises owned or rented?.....iv. Ownership: Local....(%)
Foreign.....(%).v. Market: Local, foreign or both.....

B. SCOPE OF COMPETITION

1. Which food manufacturers in your segment would you say poses the greatest challenge to your firm as a competitor?
2. If you were to list food processors in your niche market in order of the level of threat starting with the one that poses the greatest challenge, what would be your order?
3. What kind of challenges do you face from your competitors?
4. How has competition influenced your pricing strategy?
5. In terms of human capital, how has competition affected you?
6. How has your organization responded to staff movement to your competitors?
7. How has competition affected your sales and marketing strategy?

C. COMPETITIVE STRATEGIES

Product:

1. How do you offer products; are they differentiated from your competitors?
2. How are your products superior to those of competitors?
3. Do you have any contracts with your suppliers of raw materials?
4. How do you cushion yourself against high prices during seasons of low supply?

Technology

1. In terms of technology, how different are you from your competitors?
2. Do you brand your products, how and why?

Cost Leadership

1. In terms of cost of production, do you consider yourself a low cost producer as compared to your competitors?
2. How about product pricing? How do you fair compared to your competitors? Who charges the lowest?
3. How are your overheads compared to your competitors? Are your overheads lower or higher than those of competitors?
4. Between cost and differentiation, to what extent is your company willing to trade the two?

Focus

1. What is your market segment in the industry-high, middle or low income socio-economic groups?
2. Why did your company decide to enter this market?
3. What has the company done to ensure this target market is adequately serviced?

D. STRATEGIC FIT

1. Do you consider the organization strategic response adequate?
2. What should the organization do to counter the challenges of the external environment?
3. What other strategies has the organization adopted to cope with challenges in the external environment?