

**STRATEGIES EMPLOYED BY BEER MANUFACTURING  
COMPANIES IN KENYA TO ACHIEVE COMPETITIVE  
ADVANTAGE**

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## DECLARATION

I declare that this is my original work and has never been presented to any other university for any academic credit purpose.

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The project has been submitted for examination with my approval as the student supervisor.

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## **DEDICATION**

This Research project is dedicated to my Family for their support emotionally, financially and morally. I pay glowing tribute and gratitude to the Almighty God who has given me the wisdom to undertake this course.

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## **ABBREVIATIONS AND ACRONYMS**

**EABL:** East African Breweries Limited

**PCC:** Per Capita Consumption

**SBL:** Serengeti Breweries Limited

**SAB:** South African Breweries

**TBL:** Tanzania Breweries Limited



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## **ABSTRACT**

Beer market growth is flat due to economic hardships that have continued to affect beer industry, coupled with high taxes, stiff competition from other beverage sub sectors and low consumer spending. How a firm chooses to position itself relative to its competitors in the market place, will greatly influence the success of this firm. The study aimed to determine the strategies employed by beer manufacturing companies in Kenya. A survey approach was adopted and the primary data was collected by use of questionnaires. A total of 10 out of 14 questionnaires administered were returned. The results were then presented in the form of tables and were analyzed in order to get a view of the strategies employed by the different firms. The beer manufacturing companies in Kenya viewed resources and strategies as being important and key to achieving competitive advantage. These companies indicated that the resources and capabilities they controlled were fully utilized and they invested in resources and capabilities that ensured sustainable competitive advantage. The beer manufacturing companies in Kenya use cost leadership strategies, since they attempt to attract the market dominated by cheap home brews and illicit spirits and low consumer spending brought about by economic hardship. On the other hand, they also differentiate to attract the lucrative beer market with premium brands. This segment has seen a lot of activity in recent years with international brands ploughing millions of dollars to compete for the market share. Positive forecast in the coming years has seen investment in resources and capabilities as companies position themselves to take advantage of the opportunities.

# **CHAPTER ONE**

## **INTRODUCTION**

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

Strategy is a framework through which an organization can assert its vital continuity whilst managing to adapt to the changing environment to gain competitive advantage. Thompson, Strickland and Gamble (2007) define strategy as 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 levels of organizational performance. Similarly, Johnson and Scholes (2003) define strategy as the direction and scope of an organization over the long term which achieves advantages for the organization through its configuration of resources within a changing environment to meet the needs of markets and fulfill stakeholders' expectations. Thus a company's strategy is all about how- how management intends to grow the business, how it will build a loyal clientele and outcompete rivals, how each functional piece of the business will be operated, and how performance will be boosted, (Thompson et al.,2007).

The theoretical foundation of the study is based on the resource based view which is a theory of firm performance that focuses on the resources and capabilities controlled by a firm as sources of competitive advantage. According to Barney and Hesterly (2010) resources in the resource based view are defined as the tangible and intangible assets that a firm controls that it can use to conceive and implement its strategies while capabilities are a subset of a firm's resources and are defined as the tangible and intangible assets that enable a firm to take full advantage of the other resources it controls.

The resource-based view emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance. It adopts two assumptions in analyzing sources of competitive advantage (Barney, 1991). First, this theory assumes that firms within an industry may be heterogeneous with respect to the bundle of resources that they control. Second, it assumes that resource heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly mobile across firms.

Beer is the world's most widely consumed alcoholic beverage and it is the third-most popular drink overall, after water and tea. Beer industry is on the rise especially in the developed countries, this has been propelled by economic growth, technology advancement, high per capita beer consumption, improved quality, and globalization of markets that has provided better market opportunities. Likewise some of the developing countries with better economic indexes are expected to experience growth as well. In other regions, the industry has either declined or is stagnant as a result of economic recession, health and social concern, negative influence on globalization of markets, lack of donor funding support, and industrial brewing technology as in the case of some African countries.

The huge potential for growth in beer sales across Kenya has seen leading manufacturers engage in increasingly competitive tactics in order to increase their market share (European BeerGuide). Global giants like South African Breweries Miller (SABMiller), Diageo and Heineken are ploughing millions of dollars into marketing as they compete for the countries' rapidly expanding drinks industry.

However, around 75 per cent of the drinks market on the continent is still dominated by cheap home brews or illicit spirits and drinks companies believe many of these consumers will convert to commercially-produced lagers and spirits as they move up the wealth chain.

### **1.1.1 Concept of strategy**

The main objective of any strategy in an organization is to improve its financial performance, strengthen its competitive position, and to outdo its rivals (Thompson et al., 2007). Strategy is concerned with the long term direction of an organization concurrently Johnson, Scholes and Whittington (2005) saw that strategy is likely to be concerned with the scope of an organization's activities. The issue of scope of activity is fundamental to strategy because it concerns the way in which those responsible for managing the organization conceive the organization's boundaries. This could include decisions about product range or geographical coverage. Johnson et al. (2005) go ahead to explain that strategy is about trying to achieve some advantage over competition, searching for strategic fit with the business environment, and creating opportunities by building on an organization's resources and competences.

According to Porter (1980) in coping with the five competitive forces, overall cost leadership, differentiation, and focus are the generic strategic approaches to outperforming other firms in an industry. Low cost relative to competitors becomes the theme running through the entire strategy.

Having a low cost position yields the firm above average return in its industry despite the presence of strong competitive forces. Porter (1980) further argues that differentiation, if achieved, is a valuable strategy for earning above average returns because it creates a defensible position for coping with the five competitive forces. The final strategy is focusing on a particular buyer group, segment of the product line, or geographic market.

### **1.1.2 Competitive advantage**

As defined by Thompson and Strickland (2002) a company has competitive advantage whenever it has an edge over its rivals in securing customers and defending itself against competitive forces. A creative, distinctive strategy that sets a company apart from rivals and yields a competitive advantage is a company's most reliable ticket for earning above average profits. Furthermore, according to Thompson et al. (2007) if a company's competitive edge holds promise for being sustainable then the better for both the strategy and the company's future profitability.

A systematic way of examining all the activities a firm performs and how they interact is necessary for analyzing the sources of competitive advantage. According to Porter (1985) the value chain disaggregates a firm into its strategically relevant activities in order to understand the behavior of costs and the existing and potential sources of differentiation. Additionally, developing expertise and resource strengths that give the company competitive capabilities that rivals cannot easily imitate or trump with capabilities of their own is another approach of achieving competitive advantage according to (Thompson et al.,2007).

### **1.1.3 Brewing Industry in Kenya**

Beer market growth is flat due to economic hardships that have continued to affect beer industry, coupled with high taxes, stiff competition from other beverage sub sectors and low consumer spending. Kenya ranks as Africa's third largest alcohol consumer after South Africa and Nigeria this is according to an analysis by Deutsch Bank Market Research (2012). The research that is based on international beer maker Diageo's sales on the continent placed Kenya's alcohol market share at 17 percent of Africa's total behind Nigeria with 36 percent and South Africa with 18 per cent. According to analysts, operating margins for Diageo in Kenya can go as high as 30 percent given its quite premium pricing and the company's scale in both beer and spirits.

The regional beer market appears to be looking up with analysts reporting positive forecast in next four years. Analysts at Renaissance Capital, an investment bank, say the region presents significant potential for growth in beer consumption, despite muted beer per capita consumption (PCC) growth levels in the past. They believe this potential stems from competitive pricing of beer and improvement in the coverage of brewers distribution networks, supported by robust economic and population growth and urbanization trends. It is expected consumption in East Africa to increase by 4.8 per cent between last year and 2016. The report painted positive outlook for volume growth for regional brewer, East African Breweries Limited (EABL), saying it expects volume growth of 19 per cent this year, on the back of a strong first half year performance in Tanzania, particularly following the consolidation of Serengeti Breweries Limited (SBL) with EABL and export markets, including South Sudan.



Beer consumption in Kenya has increased over a five-year period to 11.9 liters per capita last year. Stiff competition in Kenya's premium beer market has attracted interest, with players such as SABMiller and Heineken angling for a slice of the pie. According to Redfern (2012) Keroche Industries' ambitious expansion plans have forced EABL to launch new brands. Two months ago Keroche Industries Kenya's second biggest brewer announced plans to upgrade its bottling plant at a cost of \$29 million, which it aims to complete by the end of the year. The plant should see the brewer increase its capacity from 60,000 bottles a day to about 600,000. The plant should help push market share from the current three to 20 per cent by 2014. The plant will enable the brewer to launch two new beer brands.

The leading company in beer is EABL, holding an 83 per cent volume share in 2011. Tusker, Pilsner, Tusker Malt and Guinness are its most popular brands. This is due to their lower price compared with the imported alternatives, and their overall availability across the country. There is also loyalty among consumers to particular brands, who are reluctant to try other beers. EABL also has a massive war chest and a well-oiled marketing machine that is constantly pushing its agenda.

The top ten brewing companies in the world span continents and countries from the United States to Europe, Mexico to China and Japan. Becoming one of the top 10 does not come easy, and industry review giant Hoovers.com reports and estimates that the fiercely competitive brewing industry includes over 5,000 brewers worldwide. Many companies have merged or acquired others to increase their share of the \$100-billion beer market. Since 2009, Anheuser-Busch has held the position of the world's number one

brewing company. The company brews over 300 beers. Top-selling labels worldwide include Budweiser, Michelob, Becks, Stella Artois, Bass and Brahma. SAB Miller sells over 160 million barrels each year of beers bottled and packaged under over 200 brand names worldwide, and representing over 11% of the world's total beer consumption. SAB Miller also owns over 58% of the Molson Coors Company. Heineken brews include Amstel, Murphy's, Cordoba, and Tiger.

In 2006 alone, Heineken shipped over 156 million barrels of beer while Carlsberg shipped over 60 million barrels in 2006, earning the company more than 4 percent of the world market. In 2005, two of the largest US brewers, Molson and Coors, merged to form the Molson Coors Brewing Company. The company is also partnered with SAB Miller, operating as Miller Coors (Hoovers, 2009).

#### **1.1.4 Brewing firms in Kenya**

East African Breweries Limited is East Africa's leading branded alcohol beverage business. Diageo Plc. is the majority shareholder in EABL which is listed on the Nairobi Stock Exchange. EABL is East Africa's second largest company by market capitalization and has a 50% market share. Part of East African Breweries is Kenya Breweries, who brew Tusker, the most popular beer in Kenya. Kenya Breweries has been the dominant brewer in Kenya since it began operations in 1922. The brewery is located in Ruaraka, near Nairobi and has a total brewing capacity of 2,500,000 hectoliters per year.

In 2002 EABL and SABMiller Plc. effected a share swap of their interests in their subsidiaries: Kenya Breweries Limited and Tanzania Breweries Limited. EABL acquired 20% of the equity of Tanzania Breweries. SABMiller Plc. acquired a 20% equity stake in Kenya Breweries. The partnership between EABL and SAB Miller in Tanzania went through turbulence in 2009, EABL claiming breach of contract by TBL that led to low quality of EABL's drinks that were produced by TBL and restriction of some of Diageo's and EABL brands to enter the Tanzanian market. This led to EABL's acquisition of 51% of SBL and exit from TBL's shareholder structure through successful IPO through the Dares Salaam stock exchange. SABMiller sold its stake Kenya Breweries to East African Breweries. In 2003, Kenya Breweries consumed almost 6% of the Nairobi water supply.

In 2005, EABL became the first company in East Africa to reach US\$1 Billion in value. Tusker is the main brand of East African Breweries with over 30% of the Kenyan beer market selling more than 700,000 hectoliters per year. Tusker is also the largest African beer brand in the Diageo group. In early 2008, the UK supermarket chain Tesco began selling Tusker, followed soon after by Sainsbury.

Keroche Breweries Limited was launched on 24th October 2008 culminated by many years of patience and hard work as history was made by the launch of the first Kenyan fully owned brewing company. Keroche Breweries quickly distinguished itself as the first, unique and only brewer of high quality and healthy Natural, Sugar free beer winning the hearts of many Kenyans by its 21st century technology drive. So far, Keroche Breweries Limited is the sole producer of Summit Lager and Summit Malt brands that are Natural, Sugar free and truly Kenyan beer brands.

Keroche Breweries Limited started back in 1997 as a small family business. It was a result of a market survey conducted by the Founders Mr. & Mrs. Tabitha Karanja on opportunities available in manufacturing market then. According to United Nations statistics, 56% of Kenyans lived below the one dollar a day poverty mark which simply means a huge population was not targeted by the existing multinational. This fact would then reveal why the illicit brew industry thrived much as people went for the cheap although dangerous brews not only because of lack of funds but also lack of choice. This would form the entry base for Keroche Breweries Limited in the Kenyan liquor market.

Introduced in December 2009 as the first 100% malted beer brand, the launch of, Summit Malt was a ground breaker. Kenyan consumers are gradually realizing the full spectrum of brewing potential, and are asking for specialty brews more often than ever before. Summit Malt became the country's first 100% malt beer.

## **1.2 Research problem**

Newman, Logan and Hegarty (1989) emphasize that the role of strategy is to provide basic direction for the business especially with respect to dynamic changes in the relevant environment. Strategy is an understanding of the external environment and the resources available to compete in the external environment. Capon (2008) concurs with earlier views of strategy that it involves the whole organization and provides a focus and overview for managers and employees at all levels of the organization. Mintzberg (1987) suggests that strategy like marketing- which has its four Ps should have five Ps, namely plan, ploy, pattern, position, and perspective.

The connection between competitive advantage and profitability means that the quest for sustainable competitive advantage always ranks center stage in crafting strategy. According to Barney (1991) a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy.

The potential for growth has led to fierce rivalry between the drinks majors in East Africa, where a nine-year agreement between SABMiller's TBL and Diageo's EABL was aborted last year. Diageo then decided to go it alone in Tanzania by snapping up a 51 per cent stake in Tanzania Breweries Limited (TBL) main rival, Serengeti Breweries. Stricter legislation will also shape the beer industry in future, limiting manufacturers' advertising leverage and introducing more competition with the legalization of home-made liquor, or Changa'a, which will prevent beer from booming in the future. For the beer manufacturing companies to remain competitive amidst such intense competition and challenges, they must adopt strategies that ensure superior performance and earn them competitive advantage.

Previous studies have been carried out on the area of competitive advantage but none has specifically focused on carrying out a survey of strategies employed to achieve competitive advantage by beer manufacturing companies in Kenya. Allela (2011) carried out a study on competitive strategies employed by Kenya Commercial Bank Group Limited. Awori (2011) did a survey on strategies adopted by Equity Bank to develop sustainable competitive advantage. Ndungu (2011) carried out a survey on competitive strategies adopted by players in the beer industry in Kenya noting that players in beer

industry in Kenya use cost leadership strategy as a competitive strategy since they attempt to reduce their operational costs to deliver products at the lowest price. Mburu (2011) carried out a study on knowledge management by EABL in its internationalization process. Muinde (2010) researched on strategies employed by National Housing Corporation while Mbewa (2010) researched on strategies adopted by Barclays Bank of Kenya to achieve competitive advantage.

While the reviewed studies will compare well to the current study they however focused on different organizations context as well as some conceptual ones. Therefore, the study will seek to answer the question: What strategies have the beer manufacturing companies in Kenya employed and how have they led to competitive advantage?

### **1.3 Research objectives**

The objective of the study was to identify the strategies employed by the beer manufacturing companies in Kenya to achieve competitive advantage.

#### **1.4 Value of the study**

The findings of this research will be beneficial to the brewing firms in determining the effectiveness of their strategies they are currently employing and the challenges in their implementation for competitive advantage.

The study will add value to theory and practice by forming a basis upon which further research on issues of strategies in attaining competitive advantage shall be undertaken by academicians and managers. The findings will also test the validity of Porter's generic strategies theoretical framework.

The study will also be of value to regional and international brewing firms in understanding how to achieve competitive advantage in the Kenyan market. This study is expected to provide the brewing industry with valuable information on how to achieve sustainable competitive advantage and gauge how successful their company is employing its chosen strategies and finding room for improvement.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents a review of the related literature on the subject under study as presented by various researchers, scholars, analysts, and authors. The chapter contains general literature and theoretical framework.

#### **2.2 Theoretical Foundation**

Beer market growth is flat due to economic hardships that have continued to affect beer industry, coupled with high taxes, stiff competition from other beverage sub sectors and low consumer spending. Kenya ranks as Africa's third largest alcohol consumer after South Africa and Nigeria this is according to an analysis by Deutsch Bank Market Research (2012). The business environment is constantly changing and companies sometimes do not have the capacity and resources to keep up their response with the pace of change in the environment. This affects their success in choosing and implementing strategies that lead to achieving competitive advantage.

The resource based view is a theory of firm performance that focuses on the resources and capabilities controlled by a firm as sources of competitive advantage. According to Barney and Hesterly (2010) resources in the resource based view are defined as the tangible and intangible assets that a firm controls that it can use to conceive and implement its strategies while capabilities are a subset of a firm's resources and are defined as the tangible and intangible assets that enable a firm to take full advantage of the other resources it controls.



The resource-based view emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance. It adopts two assumptions in analyzing sources of competitive advantage (Barney, 1991). First, this theory assumes that firms within an industry may be heterogeneous with respect to the bundle of resources that they control. Second, it assumes that resource heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly mobile across firms. Resource heterogeneity (or uniqueness) is considered a necessary condition for a resource bundle to contribute to a competitive advantage. The argument goes "If all firms in a market have the same stock of resources, no strategy is available to one firm that would not also be available to all other firms in the market" (Cool, Almeida Costa and Dierickx, 2002, p. 57). According to Barney (1991), a firm resource must, in addition, be valuable, rare, and imperfectly imitable and substitutable in order to be source of a sustained competitive advantage.

According to Banerjee (1999) the case for making the resources and capabilities of the firm the foundation of its long term strategy rests upon two premises. The first concerns the role of resources in defining the identity of the firm. The primary issue for strategy is determining what the firm can do and deciding in which industries and through which types of competitive strategies the firm can best exploit those capabilities. The second reason is that profits are ultimately a return to the resources owned and controlled by the firm. Hence, the superior profits that the firm gains as a result of competitive advantage over rivals are really returns generated by resources. Barney and Hesterly (2010) classify a firm's resources and capabilities into four broad categories which are financial, physical, individual, and organizational resources.

Financial resources according to Barney (1996) includes all the different money resources that firms can use to conceive of and implement strategies while physical resources include the physical technology used in a firm, a firm's plant and equipment, its geographic location, and its access to raw materials. The human resources according to Barney and Hesterly (2010) include the training, experience, judgment, intelligence, relationship, and insight of individual managers and workers in a firm. Whereas human resources are an attribute of individuals, organizational resources are an attribute of groups of individuals and include a firm's formal reporting structure, and its relations with the environment.

Banerjee (1999) further explains that a resource based approach to strategy must be concerned not only with deploying existing resources but with investing in resources that secure a long term future for the firm. Such investment is concerned not just with maintenance but augmentation of the firm's resources so that positions of competitive advantage can be strengthened and the firm's strategic opportunity set broadened.

### **2.3 Concept of strategy**

Most would agree that much of the success of firms can be attributed to their strategies, but there is much less agreement about what actually constitutes a firm's strategy. Regardless of the firm size, each organization constantly struggles to formulate strategies to determine the way in which they can move from their current competitive position to a new and stronger one ( Wong and Kwan, 2001). Quinn (1980) defines strategy as actions that a firm takes to respond to threats and opportunities in its environment while exploiting its strengths and avoiding or fixing its weaknesses.

Similarly, Mintzberg (1987) adopts multiple definitions of strategy, to obtain the multiple insights that each of these different definitions provides. He explains strategy as a plan, a consciously intended course of action to deal with a situation or a ploy to maneuver and outwit an opponent.

According to Barney (1996) strategy is a pattern of resource allocation that enables firms to maintain or improve their performance. A strategy describes a set of objectives from any organization into a series of time frames to enable people to know what must be achieved, by whom, and when. Typically, strategy will involve thinking far ahead, but this need not necessarily be the case because a firm may need to respond to an immediate threat which contradicts a long term strategy. The resources and the competitive environment condition firms' strategy. The firm strategy and performance in turn affect the competitive environment and resources, and all these changes generate new information which in turn creates new learning opportunities and may lead to the creation and development of new resources.

According to Barney and Hesterly (2010) strategy is a theory about how to gain competitive advantage. Porter (1980) goes further to say that an effective strategy takes offensive or defensive action in order to create a defensible position against the five competitive forces. He explains that this involves a number of possible approaches such as positioning the firm so that its capabilities provide the best defense against competitive forces, influencing the balance of forces through strategic moves, and anticipating shifts in the factors underlying the forces and responding to them.

Strategy is a major channel of connections between the competitive environment and resources. On the one hand, strategy acts as a fulcrum in the deployment of firm resources in the competitive environment (Harris and Ruefli, 2000), with the aim to generate sustained competitive advantage.

In particular, firms constantly take offensive and defensive strategic actions vis-à-vis competitors (Baum and Korn, 1996) thus modifying the competitive environment. On the other hand, strategy is dependent on and constrained by the controlled resources (Collis, 1991) and strategy coordinates the development and protection of existing resources and the creation or acquisition of new resources, taking into account the competitive environment.

## **2.4 Competitive advantage**

In commercial life, ultimate success requires the achievement of competitive advantage for as long a period as possible. If the outline of competitive advantage is simple, strategic prescription may also be simple and more of them may arise from planning. According to Barney and Hesterly (2010) competitive advantage is when a firm is able to create more economic value than rival firms. Thus, the size of a firm's competitive advantage is the difference between the economic value a firm is able to create and the economic value its rivals are able to create. A firm's competitive advantage can be temporary or sustained.

According to Porter (1985) competitive advantage cannot be understood by looking at a firm as a whole. It stems from the many discrete activities a firm performs in designing, producing, marketing, delivering, and supporting its products. According to Barney and

Hesterly (2010) competitive advantage can be measured by two approaches. The first estimates a firm's competitive advantage by examining its long performance; the second examines the firm's economic performance. They explain further that the correlation between economic and accounting measures of competitive advantage is high. That is, firms that perform well using one of these measures usually perform well using the other.

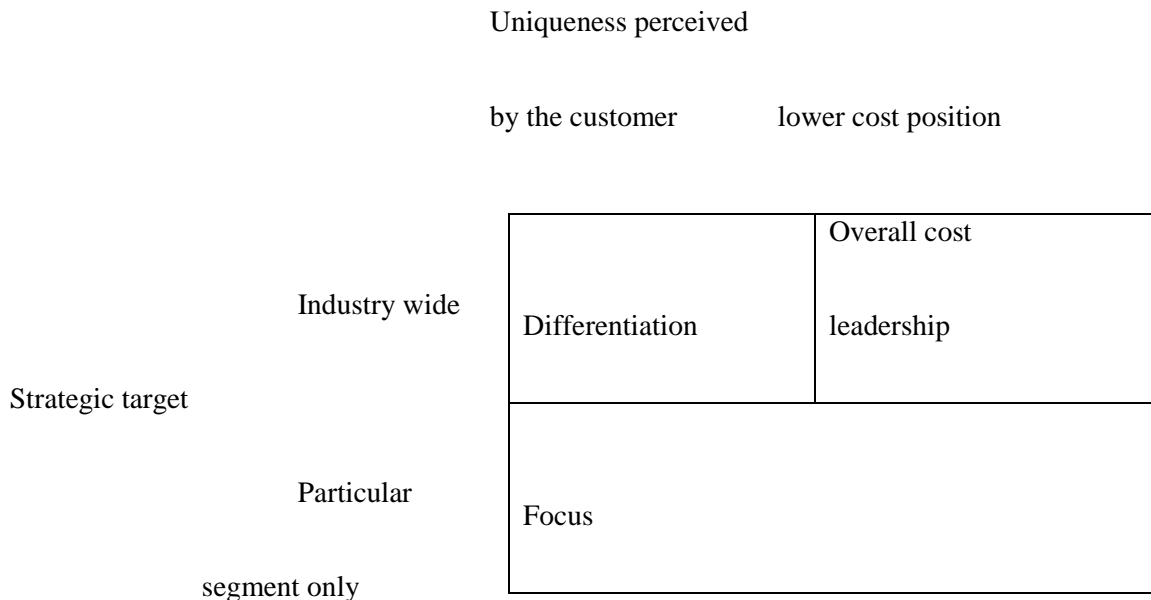
Having a competitive advantage does not lead automatically to higher performance by comparison with the breakeven competitor in the industry. What fraction of the value linked to competitive advantage is appropriated by the firm depends on the firm's product price. On the one hand, product pricing is part of the firm's strategy.

On the other hand, when choosing its product price the firm is influenced by its competitive environment, in particular by the bargaining power of customers and by the current prices of competitors and the expected reactions of competitors to the chosen price (Barney, 1991).

## 2.5 Porter's Generic Competitive Strategies

According to Porter (1980) in coping with the five competitive forces, there are three potentially successful generic strategic approaches to outperforming other firms in the industry namely cost leadership, differentiation, and focus.

**Figure 2.5: Porter's Generic Strategies**



**Source:** Porter, M. E. (1980). Competitive Strategy: The Technique for Analyzing Industries and Competitors. New York: The Free Press.

According to Barney (1996) a firm that chooses a cost leadership strategy focuses on gaining advantage by reducing its cost to below those of all its competitors. This does not mean this firm abandons other alternative competitive strategies such as product differentiation or other generic strategic alternatives.

Similarly, Porter (1980) explains that low cost producer status involves more than just going down the learning curve but finding and exploiting all the sources of cost advantage. He goes further to explain that if a firm can achieve and sustain overall cost leadership then it will be an above- average performer in its industry provided it can command prices at or near the industry average.

The strategic logic of cost leadership usually requires that a firm be the cost leader, not one of the several firms vying for this position. Thompson et al. (2007) argue that a low cost provider than rivals is not necessarily the absolutely lowest possible cost. In striving for a cost advantage over rivals, managers must take care to include features and services that buyers consider essential. They continue to argue that a product offering that is too frills- free sabotages the attractiveness of the company's product and can turn buyers off even if it is priced lower than competing products.

According to Barney and Hesterly (2010) an individual firm may have a cost advantage over its competitors for a number of reasons which include size differences and economies of scale, size differences and diseconomies of scale, experience differences and learning curve economies, differential low cost access to productive inputs, technological advantages, and policy choices.

According to Porter (1985) in differentiation strategy, a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. Barney and Hesterly (2010) define differentiation as an attempt by firms to gain competitive advantage by increasing the perceived value of their products relative to the perceived value of other firms' products. Porter (1985) goes further to explain that a firm selects one or more

attributes that many buyers in an industry perceive as important and uniquely position itself to meet those needs and at a premium price. The existence of product differentiation, in the end, is always a matter of customer perception as products sold by two different firms may be similar, but if customers believe the first is more valuable than the second then the first product has a differentiation advantage. According to Porter (1985) a firm that can achieve and sustain differentiation will be an above- average performer in its industry if its price premium exceeds the extra cost incurred in being unique. Differentiation provides insulation against competitive rivalry because of brand loyalty by customers and resulting lower sensitivity to price.

What sets focused strategies apart is concentrated attention on a narrow piece of the total market. According to Porter (1980) focus strategies 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 thus able to serve the narrow strategic target more effectively or efficiently than competitors who are competing more broadly. As a result, the firm achieves either differentiation from better meeting the needs of the particular target, or lower costs in serving this target, or both.

According to Thompson et al. (2007) the advantages of focusing a company's entire competitive effort on a single market niche are considerable, especially for smaller and medium sized companies that may lack the breadth and depth of resources. Porter (1985) asserts that a company performs best by choosing one strategy on which to concentrate.



However, many researchers feel a combination of these strategies may offer a company the best chance to achieve competitive advantage (Cross, 1999; Miller and Friesen, 1986; Hlavacka et al., 2001). To investigate the strategy and competitive advantage connection, many researchers began utilizing approaches found to be generalizable across industries, specifically those proposed by Porter. Dess and Davis (1984) examined industrial products businesses and suggested performance was achieved through the adoption of a single strategy. Parker and Helms (1992) found superior performance associated with mixed and reactive strategies as well as with single generic strategies.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter sets out the research methodology that was used to enable the researcher establish the strategies employed by beer manufacturing companies in Kenya to achieve competitive advantage. It comprised of the research design, the population of the study, data collection techniques, and the data analysis techniques.

#### **3.2 Research Design**

This study adopted a cross- sectional survey to identify the strategies employed by the beer manufacturing companies in Kenya to achieve competitive advantage. Cooper and Schindler (2000) noted that the descriptive survey is carefully designed to ensure complete description of the situation making sure that there is minimum bias in collection of data and reduced errors during interpretation stage of the collected data. Similarly, Saunder, Lewis, and Thornhill (2007) view the objective of a descriptive research is to portray an accurate profile of persons, events or situations.

Descriptive survey research was intended to produce statistical information and aspects of education that interest the beer brewing firms and regional and international competitors. This was appropriate since the purpose of the study was centered on providing accurate, statistically reliable data.

### **3.3 Population of the study**

The target population of the study comprises the beer manufacturing companies in Kenya. There are two beer manufacturing companies in Kenya which include EABL and Keroche breweries limited. Therefore, the study has been conducted by the data that has been collected and analyzed from the two beer manufacturing companies.

Given the small number the study was a census. A census is the procedure of systematically acquiring and recording information about the members or items of a given population. This method gave the researcher a comprehensive picture of the variable relationship since the method is the only means of accurately measuring and statistical inferences.

### **3.4 Data Collection**

The study used both primary and secondary data. The primary data was collected using a structured questionnaire which comprised both open and closed ended questions. The secondary data was collected from the companies' published annual reports and other reports.

The questionnaire had section A that captured general information about the firm. Section B captured the strategies employed. The respondents who were interviewed included two from Human Resources Department, four from Sales and Marketing Department, and four from Operations Department. These respondents were selected since they are key employees at their respective organizations.

### **3.5 Data Analysis**

According to Saunders, Lewis, and Thornhill (2007) quantitative data refers to numerical data or any data that could usefully be quantified to help answer the research question and to your objectives. Quantitative data collected from these questionnaires was analyzed using descriptive statistics supported by tables, frequency distributions, percentages, mean, and variances.

Saunders, Lewis, and Thornhill (2007) describe qualitative data as all non-numeric data or data that have not been quantified and can be a product of all research strategies. Qualitative data analysis considered inferences made from opinions of respondents that was analyzed thematically, coded, and classified into major topics from which summary reports was made.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND INTERPRETATION OF RESULTS**

#### **4.1 Introduction**

This chapter presented the results of the analysis of the data collected during the study survey. The data analysis followed the research objective which was to identify the strategies employed by the beer manufacturing companies in Kenya to achieve competitive advantage. The research targeted key employees in both companies. Out of the fourteen questionnaires administered, only ten were returned representing 71% response rate.

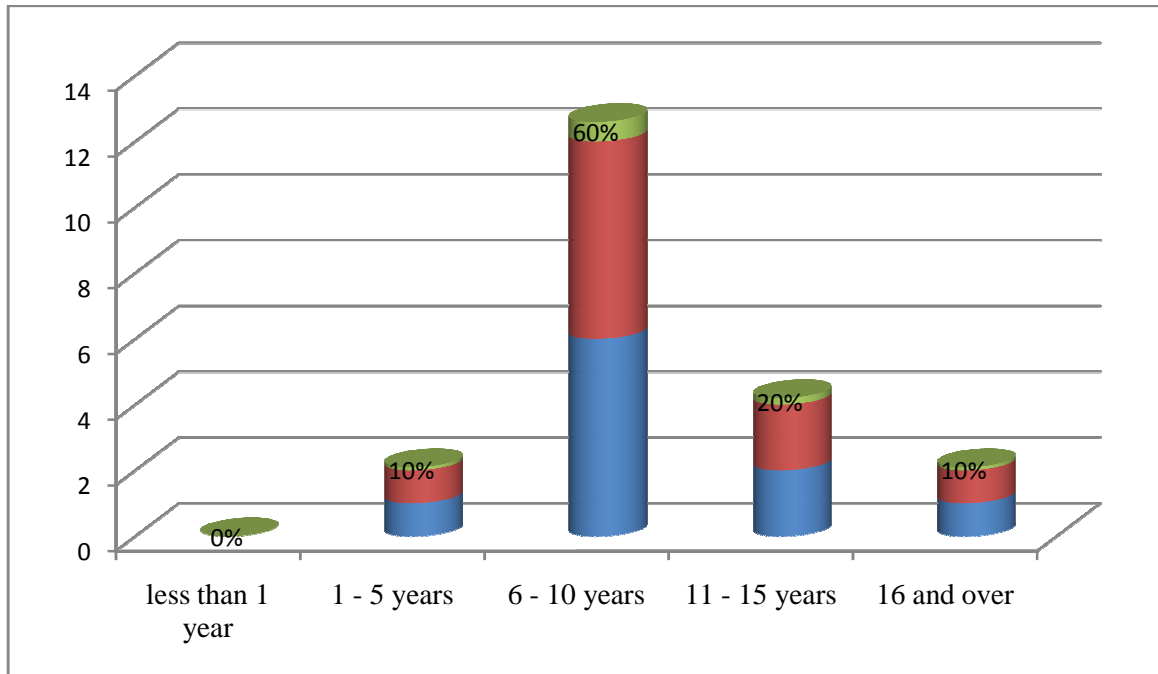
#### **4.2 Demographic Information**

The demographics of the target respondents were based on the name of the company, gender of the respondents, the number of years worked at the current industry, the company's year of incorporation, origin of the firm, and ownership structure. There are only two beer manufacturing companies in Kenya. The number of years worked at the current industry would assist the researcher to determine the level of experience the respondent had in the beer manufacturing industry. Similarly, the year of incorporation would assist the researcher to determine how long both firms have experienced the beer manufacturing industry in Kenya.

### 4.3 Number of years worked in the current industry

The researcher sought to establish respondents' level of experience based on the number of years they have worked in the beer manufacturing industry in Kenya.

**Figure 4.3: Number of years worked in the current industry**



#### 4.4 Year of Incorporation

The respondents were asked to indicate how long their firms had been in operation in Kenya by ticking as appropriate against the listed alternatives and the results were presented as follows;

**Table 4.4: Year of Incorporation**

Year of incorporation in Kenya	Frequency	Percent
Less than 1 year	0	0
Between 1 -5 years	0	0
Over 5 years	10	100
Total	10	100

The results shown in Table 4.4 indicate that both firms have been operating in Kenya for over 5 years (100%). This therefore indicates that both firms have experienced the Kenyan beer environment and are involved in formulating strategies to achieve competitive advantage.

#### 4.5 Origin of the firm

The respondents were required to state the origin of the firm they worked for, where the response was captioned as either local or foreign as depicted in table 4.5 below.

**Table 4.5: Origin of the firm**

Origin of the firm	Frequency	Percent
Local	5	50
Foreign	5	50
Total	10	100

The results are split with one company being local (50%) while the other foreign (50%). This result could be explained by the fact that EABL is owned by Diageo while Keroche breweries limited is wholly owned locally.

#### **4.6 Ownership structure**

The respondents were requested to indicate the ownership structure of the firms they worked for. The results were shown in the Table 4.6 below.

**Table 4.6 Ownership structure**

Ownership structure	Frequency	Percent
Private	5	50
Public	5	50
Total	10	100

The findings show that one company is privately owned (50%) while the other is publicly owned (50%).EABL is publicly owned with Diageo Plc. being its majority shareholder listed on the Nairobi Stock Exchange. Keroche breweries limited on the other hand is privately owned by Mr. and Mrs. Tabitha Karanja.



#### **4.7 Firms involvement in the analysis of sources of competitive advantage**

The researcher sought to establish whether firms were actively involved in the analysis of sources of competitive advantage which was shown in Figure 4.7 below.

**Figure 4.7 Analysis of sources of competitive advantage**

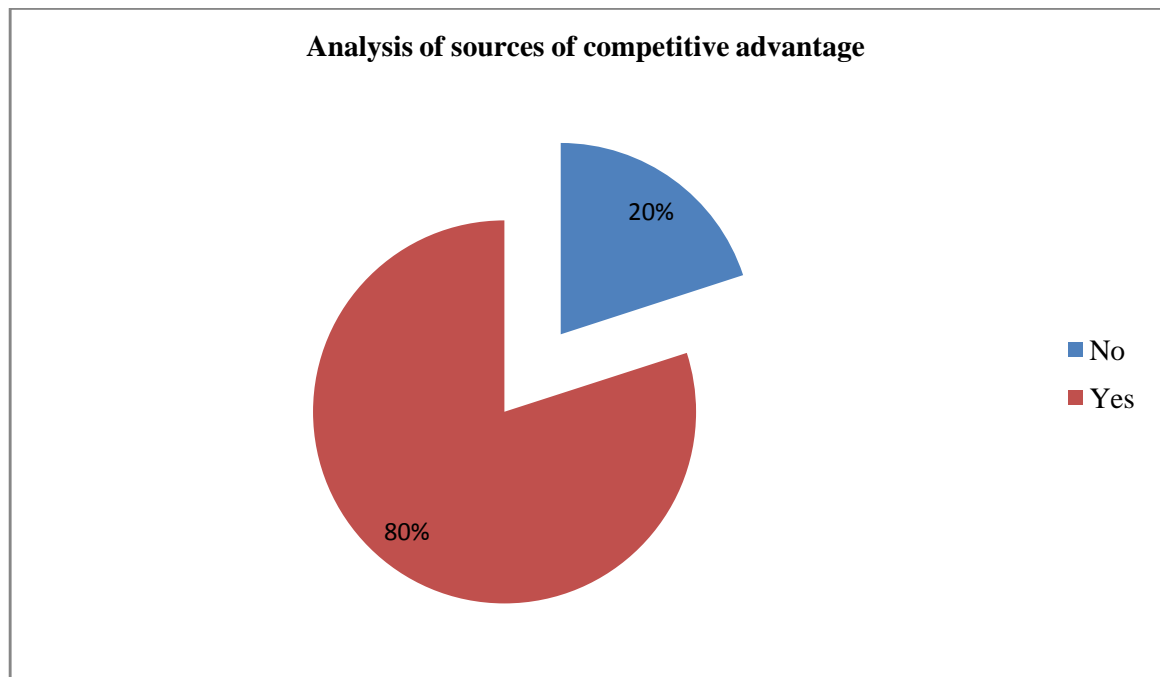


Figure 4.7 shows that majority of the respondents (80%) attested that the firm they worked for were actively involved in analysis of sources of competitive advantage. Only (20%) of the respondents attested that their firm was not actively involved in analyzing sources of competitive advantage. This illustrates that majority of the firms had adopted mechanisms in their operations which would help to improve their firms in achieving competitive advantage.

## 4.8 Review of resources

The researcher sought to establish how resources were viewed in both organizations. The results were shown in figure 4.8 below.

**Figure 4.8 Review of resources and strategies**

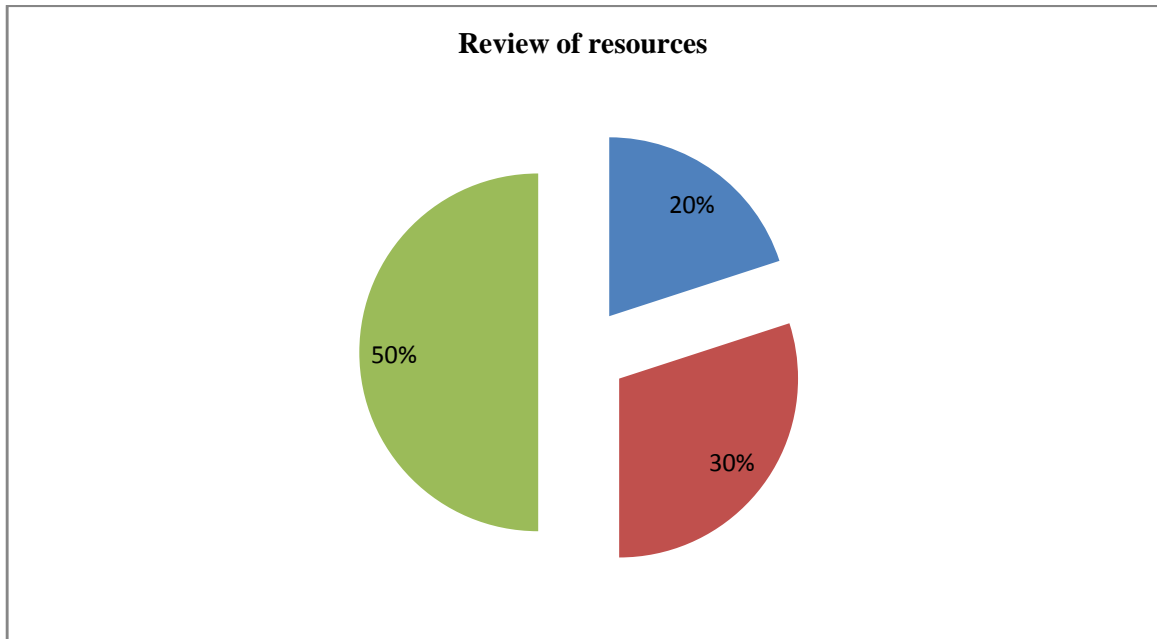
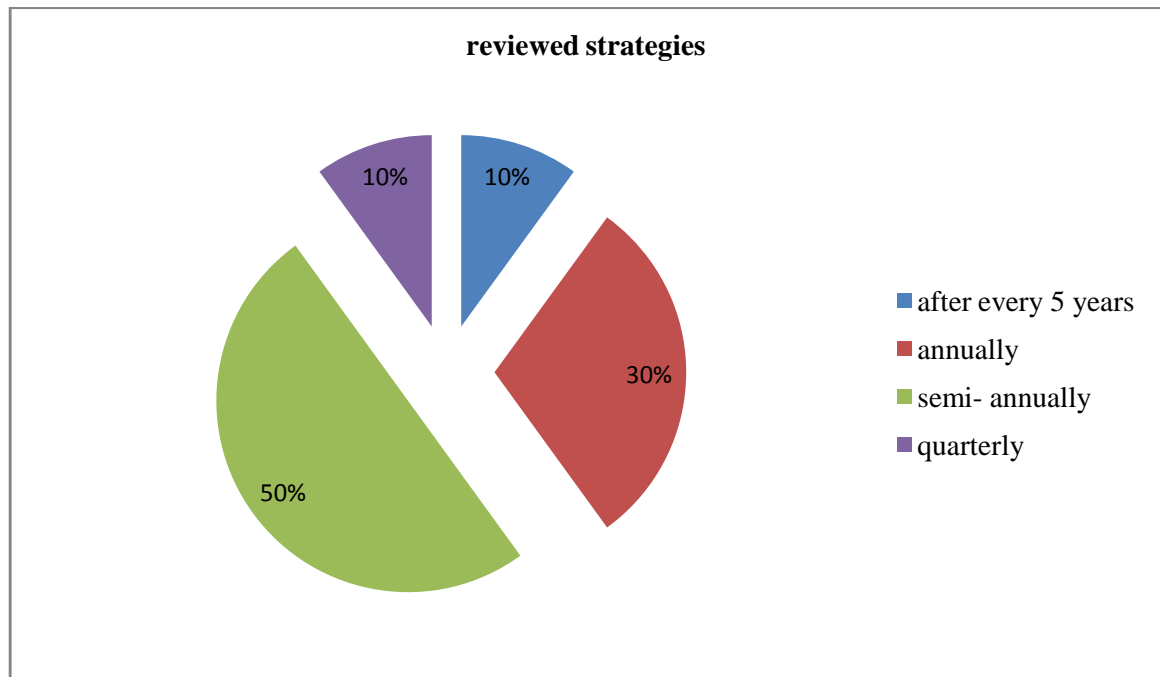


Figure 4.8 shows that majority of the respondents (50%) attested that their firm viewed resources as being important and key to competitive advantage. 30% of the respondents attested that their firm viewed resources as complementing each other while 20% of the respondents attested that their firm viewed strategies as being parallel to each other. This illustrates that majority of the firms understood the importance of strategy that it is dependent on and constrained by the controlled resources and that strategy coordinates the development and protection of existing resources and the creation or acquisition of new resources, taking into account the competitive environment.

## 4.9 Reviewed strategies

The researcher sought to establish how often firms reviewed their strategies with the respondents required to tick the appropriate duration their firms reviewed their strategies.

**Figure 4.9 Reviewed strategies**

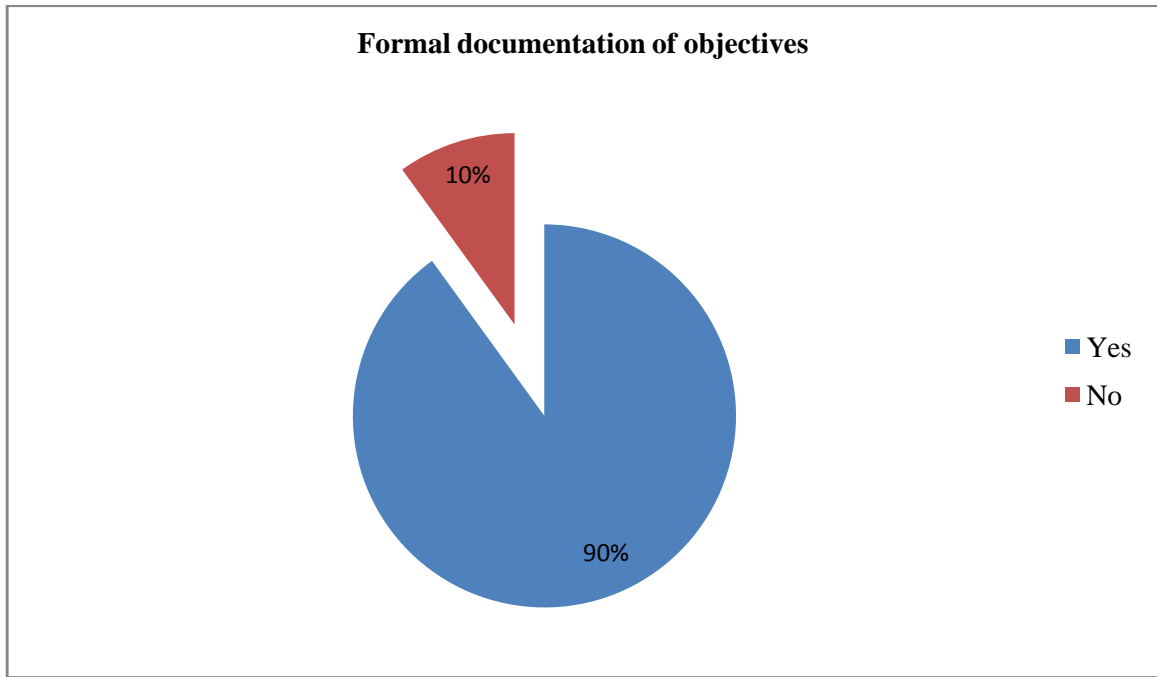


According to the study findings in figure 4.9, majority of the respondents (50%) posited that their firm reviewed strategies semi- annually. The findings point to the fact that the beer manufacturing companies in Kenya took a short time to review their strategies which enabled them to be competitive and respond to their dynamic environment.

#### 4.10 Formal documentation of set of objectives

The researcher sought to establish whether firms had a formal documentation of set of objectives from which strategies could be formulated from.

**Figure 4.10 Formal documentation of set of objectives**

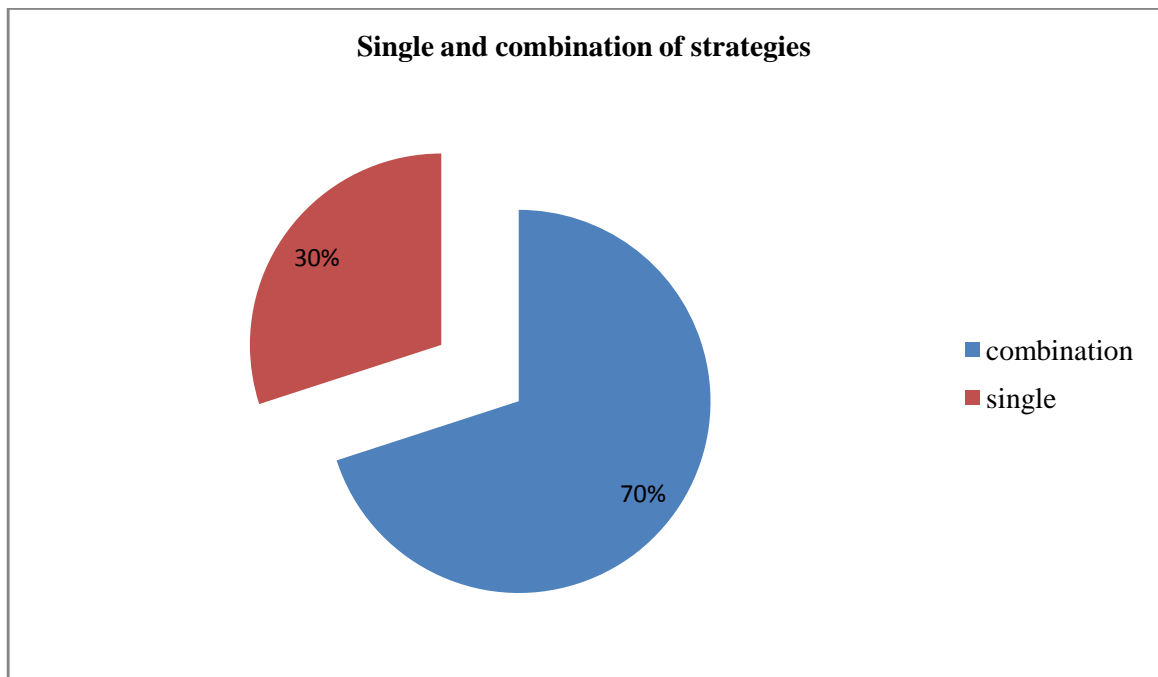


From the findings, majority (90%) of the respondents posited that their firms had a formal documentation of set of objectives from which strategies could be formulated from. This depicts that majority of the firms viewed strategy as key to achieving their set objectives and that objectives guide strategies.

#### 4.11 Single strategy and combination of strategies

The respondents were asked to indicate whether a single strategy or a combination of strategies best achieved competitive advantage in the current environment. The results were presented as follows;

**Figure 4.11 Single strategy and combination of strategies**

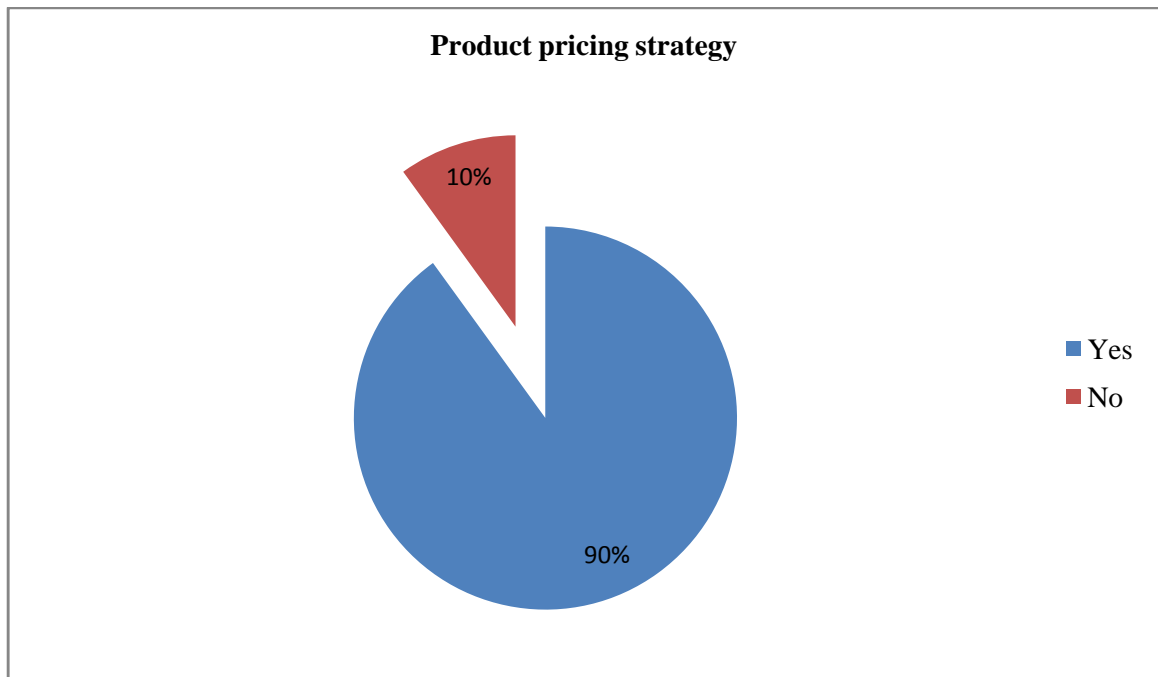


Majority of the respondents (70%) were of the view that a combination of strategies best achieved competitive advantage while (30%) of the respondents said that a single strategy best achieved competitive advantage.

## 4.12 Product pricing strategy

The researcher sought to establish whether firms viewed product pricing as part of their strategy. The results were presented in figure 4.12 below as follows;

**Figure 4.12 Product pricing strategy**



According to the study findings, majority of the respondents (90%) posited that their firms viewed product pricing as being part of their strategy. The study points to the fact that the recent economic downturn in the country and across the globe has influenced consumers in becoming more sensitive to pricing which in turn has informed the beer manufacturing companies in Kenya.

### 4.13 Strategies Employed by Beer manufacturing companies in Kenya

The respondents were requested to indicate the extent they agreed or disagreed to their organizations employing strategies. The respondents were asked to rate on a scale of 1- 5 the extent to which the variables impact on competitive advantage. The range was ‘strongly disagree’ (1) to ‘strongly agree’ (5). The scores of strongly disagree and disagree were represented by mean score of 1 to 2.4 on the continuous Likert scale; ( $1 \leq S.D. < 2.4$ ); the scores of moderately agree were represented by a mean score of 2.5 to 3.4 ( $2.5 \leq M.A. < 3.4$ ); while scores of both agree and strongly agree were represented by a mean score of 3.5 to 5.0 ( $3.5 \leq S.A. < 5.0$ ).

**Table 4.13: Strategies Employed by beer manufacturing companies in Kenya**

Strategies employed indicator	Response	Frequency	Percent	Mean score	Std. Dev.
Do strategies influence the way your company operates in Kenya?	S.D.	0	0	4	0.71
	D	0	0		
	M.A.	0	0		
	A	2	20		
	S.A.	8	80		
Have strategies led to your company achieving competitive advantage in the industry?	S.D.	0	0	3.7	1.24
	D	0	0		
	M.A.	1	10		
	A	4	40		
	S.A.	5	50		
The industry is experiencing slow growth partly due	S.D.	0	0	3.33	1.23
	D	2	20		
	M.A.	2	20		

to industrial brewing technology, has this been the case in your company?	A	3	30		
	S.A.	3	30		
Globalization has led to threat of new entrants and better market opportunities, has it been a positive factor to your company?	S.D.	0	0	3.33	0.53
	D	2	20		
	M.A.	2	20		
	A	1	10		
	S.A.	5	50		
Are the resources and capabilities controlled by your company fully utilized to achieve competitive advantage?	S.D.	0	0	3.7	0.89
	D	0	0		
	M.A.	1	10		
	A	3	30		
	S.A.	6	60		
Does your company invest in resources that secure a long term future?	S.D.	0	0	4.5	0
	D	0	0		
	M.A.	0	0		
	A	0	0		
	S.A.	10	100		
Cheap home brews and illicit spirits dominate the market, does your company view pricing as a major factor in attracting these untapped markets?	S.D.	0	0	3.7	0.89
	D	0	0		
	M.A.	4	40		
	A	2	20		
	S.A.	4	40		
Continuous product innovation is key to achieving competitive advantage in this industry, is it the case in your company?	S.D.	0	0	4	0.79
	D	0	0		
	M.A.	0	0		
	A	4	40		
	S.A.	6	60		



Is research and development viewed as being important to achieving competitive advantage in your company?	S.D.	0	0	3.7	0.89
	D	0	0		
	M.A.	1	10		
	A	3	30		
	S.A.	6	60		
Have restrictions imposed on alcohol marketing and consumption in Kenya affected the way your company operates?	S.D.	0	0	3.33	0.59
	D	1	10		
	M.A.	3	30		
	A	3	30		
	S.A.	3	30		
The macroeconomic landscape has been challenging in recent years, has it been the major challenge to your company in achieving competitive advantage?	S.D.	0	0	3.33	0.53
	D	2	20		
	M.A.	4	40		
	A	2	20		
	S.A.	2	20		

Table 4.13 gives a list of indicators of strategies employed by beer manufacturing companies in Kenya. In a further categorization of responses based on the level of rating given by the respective firms, the data indicates that: One, by strongly agreeing (mean score of 4) strategies influence the way both companies operate in Kenya, leads to competitive advantage, resources and capabilities are utilized to achieve competitive advantage, investment in resources secures a long term future, and pricing is a major factor in attracting untapped markets.

Two, to a moderate agreement (mean score of 3) slow growth is partly due to industrial brewing technology, globalization has led to threat of new entrants and better market opportunities, operations have been affected by restrictions imposed on alcohol marketing and consumption, and macroeconomic landscape has been a challenge to achieving competitive advantage.

#### **4.14 Discussion**

This section discusses the findings of the study in line with the research objective. The expectations of the study are argued and supported using existing literature. The section focuses on identifying the strategies employed by the beer manufacturing companies in Kenya to achieve competitive advantage.

The finding implies that majority of the beer manufacturing companies in Kenya were actively involved in analyzing sources of competitive advantage. Barney (1991) adopts two assumptions in analyzing sources of competitive advantage. First, this model assumes that firms within an industry may be heterogeneous with respect to the bundle of resources that they control.

Second, it assumes that resource heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly mobile across firms. Resource heterogeneity (or uniqueness) is considered a necessary condition for a resource bundle to contribute to a competitive advantage.

The finding implies that majority of the beer manufacturing companies in Kenya viewed resources and strategies as being important, key to competitive advantage, and as complementing each other. The resource-based view emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance.

According to Harris and Ruefli (2000) strategy is a major channel of connections between the competitive environment and resources. On the one hand, strategy acts as a fulcrum in the deployment of firm resources in the competitive environment with the aim to generate sustained competitive advantage.

The finding implies that majority of the beer manufacturing companies in Kenya viewed product pricing as part of their strategy. According to Barney (1991) having a competitive advantage does not lead automatically to higher performance by comparison with the breakeven competitor in the industry. What fraction of the value linked to competitive advantage is appropriated by the firm depends on the firm's product price. On the one hand, product pricing is part of the firm's strategy. On the other hand, when choosing its product price the firm is influenced by its competitive environment, in particular by the bargaining power of customers and by the current prices of competitors and the expected reactions of competitors to the chosen price.

The finding implies that strategies influence the way beer manufacturing companies in Kenya operate. The finding is consistent with that of Wong and Kwan (2001) who observed that regardless of the firm size, each organization constantly struggles to formulate strategies to determine the way in which they can move from their current competitive position to a new and stronger one. Barney (1996) concurs arguing that

strategy enables firms to maintain or improve their performance. The finding implies that strategies have led the beer manufacturing companies in Kenya to achieve competitive advantage. The finding concurs with Porter's (1985) argument that competitive advantage stems from the many discrete activities a firm performs in designing, producing, marketing, delivering, and supporting its products. Similarly, Thompson and Strickland (2002) argue that a creative, distinctive strategy that sets a company apart from rivals and yields a competitive advantage is a company's most reliable ticket for earning above average profits.

The finding implies that the industry is experiencing slow growth partly due to industrial brewing technology. Porter (1980) asserts that in coping with the five competitive forces, cost leadership, differentiation, and focusing are approaches to outperforming other firms. To attain cost advantage and growth over competitors Barney and Hesterly (2010) give a number of reasons which include size differences and economies of scale, experience differences and learning curve economies, differential low cost access to productive inputs, technological advantages, and policy choices.

The finding implies that globalization has led to threat of new entrants and better market opportunities. The finding confirms Johnson et al., (2005) who saw that strategy is likely to be concerned with the scope of an organization's activities. This could include decisions about product range or geographical coverage. Analysts at Renaissance Capital, an investment bank, agree that beer consumption in Kenya has increased over a five year period to 11.9 liters per capita attracting international players such as SABMiller and Heineken.

The study purposed to determine if the resources and capabilities controlled by the beer manufacturing companies are fully utilized to achieve competitive advantage. The study found that both companies strongly agreed. The finding is consistent with the suggestion by Porter (1980) that strategy involves a number of possible approaches such as positioning the firm so that its capabilities provide the best defense against competitive forces, influencing balance of forces through strategic moves, and anticipating shifts in the factors underlying the forces and responding to them. According to Barney (1991) having a competitive advantage does not lead automatically to higher performance by comparison with the breakeven competitor in the industry. The resource-based view emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance.

The study examined if the companies invested in resources that secured their long term future. The respondents strongly agreed that their companies invested in resources that secured a long term future. This finding is corroborated by Banerjee (1999) who points to the fact that strategy must be concerned not only with deploying existing resources but with investing in resources that secure a long term future for the firm. Such investment is concerned not just with maintenance but augmentation of the firm's resources so that positions of competitive advantage can be strengthened and the firm's strategic opportunity set broadened. The resource based view according to Barney (1991) adopts two assumptions in analyzing sources of competitive advantage. First, this model assumes that firms within an industry may be heterogeneous with respect to the bundle of resources that they control. Second, it assumes that resource heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly

mobile across firms (i.e., some of the resources cannot be traded in factor markets and are difficult to accumulate and imitate). Resource heterogeneity (or uniqueness) is considered a necessary condition for a resource bundle to contribute to a competitive advantage. Barney (1991) further argues that a firm resource must, in addition, be valuable, rare, and imperfectly imitable and substitutable in order to be source of a sustained competitive advantage.

The study undertook to examine the potential of pricing to attracting untapped markets dominated by cheap home brews and illicit spirits. It was found to a great extent pricing is a major factor in attracting these markets. This finding concurs with Barney's (1996) observation that a firm that chooses cost leadership strategy focuses on gaining advantage by reducing its cost to below those of all its competitors. This does not mean this firm abandons other alternative competitive strategies such as product differentiation or other generic strategic alternatives.

Barney (1991) concurs that product pricing is part of a firm's strategy. On the other hand, when choosing its product price the firm is influenced by its competitive environment, in particular by the bargaining power of customers and by the current prices of competitors and the expected reactions of competitors to the chosen price.

The finding implies that continuous product innovation is essential to achieving competitive advantage in the beer industry. The finding is congruent with that of Porter (1985) who argues that in differentiation, a firm seeks be unique in its industry along some dimensions that are widely valued by buyers.

Barney and Hesterly (2010) confirms that firms attempt to gain competitive advantage by increasing perceived value of their products relative to the perceived value of other firm's products.

Due to the dynamic nature of business environment, the study expectations were that research and development are important to achieving competitive advantage in both companies, restrictions imposed on alcohol marketing and consumption in Kenya affect the way both companies operate, and the macroeconomic landscape has been a challenge to achieving competitive advantage.

The expectations were confirmed by the majority of respondents who agreed with these statements. These findings concur with Porter's (1985) view that differentiation provides insulation against competitive rivalry because of brand loyalty by customers and resulting to lower sensitivity to price.

The study further looked to determine if competitive advantage is best achieved by choosing a single strategy or a combination of strategies. It was revealed that to a great extent a combination of strategies best achieved competitive advantage. Many researchers feel a combination of strategies may offer a company the best chance to achieving competitive advantage (Cross, 1999; Miller and Friesen, 1986; Hlavacka et al., 2001).

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter contains a summary of the results as presented in the previous chapter and gives conclusion and recommendations based on the findings of the study. The chapter also provides the limitations of the study based on the analysis of the entire study and suggestions for further research. This survey was intended to establish the strategies employed by beer manufacturing companies in Kenya to achieve competitive advantage.

#### **5.2 Summary**

The study established that majority of the respondents attested that the firms they worked for were actively involved in analyzing sources of competitive advantage. This illustrates that majority of the beer manufacturing companies in Kenya had adopted mechanisms in their operations which would help to improve their firms in achieving competitive advantage.

The study established that majority of the beer manufacturing companies in Kenya viewed resources and strategies as being important, key to competitive advantage, and as complementing each other. This illustrates that the firms understood the importance of strategy that it is dependent on and constrained by the controlled resources and that strategy coordinates the development and protection of existing resources and the creation or acquisition of new resources, taking into account the competitive environment.



Majority of the beer manufacturing companies in Kenya reviewed strategies semi-annually. This findings point to the fact that the beer manufacturing companies in Kenya took a short time to review their strategies which enabled them to be competitive and respond to their dynamic environment.

From the findings, majority of the beer manufacturing companies in Kenya posited that they had a formal documentation of set of objectives from which strategies could be formulated from. This depicts that majority of the firms viewed strategy as key to achieving their set objectives and that objectives guide strategies.

The study established that beer manufacturing companies in Kenya viewed product pricing as being part of their strategy. The study points to the fact that the recent economic downturn in the country and across the globe has influenced consumers in becoming more sensitive to pricing which in turn has informed the beer manufacturing companies in Kenya.

The objective of the study was to identify the strategies employed by the beer manufacturing companies in Kenya to achieve competitive advantage. The majority of respondents strongly agreed with the statement that strategies influenced their company's operations (80%), strategies led to competitive advantage (50%), industrial brewing technology partly led to slow growth (30%), continuous product innovation was essential to achieving competitive advantage (60%), and pricing was a major factor in attracting untapped markets (40%). The findings imply that the beer manufacturing companies in Kenya employ a cost leadership strategy to achieving competitive advantage.

The study indicated that to a great extent globalization has led to threat of new entrants and better market opportunities (50%), research and development was viewed as being important (60%), restrictions imposed on alcohol marketing and consumption affected operations (30%), and the macroeconomic landscape has been a major challenge to achieving competitive advantage (40%). The findings imply that the beer manufacturing companies are using differentiation as a strategy.

The majority of the respondents indicated that to a great extent the resources and capabilities controlled by their respective companies were fully utilized (60%) and their companies invest in resources that secure a long term future. The results imply that the beer manufacturing companies in Kenya use the resource based view model to achieving competitive advantage.

### **5.3 Conclusion**

The study was successful in determining the strategies employed by the beer manufacturing companies in Kenya to achieve competitive advantage. The findings indicate that strategies are widely used by both beer manufacturing companies. Both companies are actively involved in analyzing sources of competitive advantage, they viewed resources and strategies as being important, key to competitive advantage, as complementing each other, and viewed product pricing as part of strategy.

Both companies are faced by several factors that shape their strategies. These include industrial brewing technology, globalization, cheap home brews and illicit spirits, regulations, and macroeconomic landscape. The huge potential for growth in beer sales across Kenya has seen leading manufacturing and international beer brands engage in

increasingly competitive tactics in order to increase their market share. Cheap home brews and illicit spirits have influenced the way both companies operate forcing them to price their products attractively. Regulations have also shaped the beer industry, limiting manufacturers' advertising leverage and consumption forcing beer manufacturing companies to strategies in order to attain competitive advantage. The beer market growth is flat due to economic hardship leading to low consumer spending forcing the beer manufacturing companies to come up with cost effective products.

The beer manufacturing companies in Kenya use cost leadership strategies since they attempt to attract the market dominated by cheap home brews and illicit spirits and low consumer spending brought about by economic hardship. On the other hand, they also differentiate to attract the lucrative beer market with premium brands. This segment has seen a lot of activity in recent years with international brands ploughing millions of dollars to compete for the market share. Positive forecast in the coming years has seen investment in resources and capabilities as companies position themselves to take advantage of the opportunities.

#### **5.4 Limitations of the study**

Administration of questionnaires emerged as a major challenge as most employees of both companies were not comfortable with the questionnaires. They felt that they could breach confidentiality at the time when the sector is experiencing stiff competition.

It was not possible to get 100% response rate owing to the bust schedule of some of the employees of the target companies. In addition, there were only two beer manufacturing companies in Kenya leading to a limited number of data collected.

## **5.5 Suggestions for Further Research**

Since the study explored the strategies employed by beer manufacturing companies in Kenya to achieve competitive advantage, the study recommends that; similar study should be done on spirits and local brews in Kenya on how they affect the beer manufacturing industry in Kenya.

The study confined itself to beer manufacturing companies in Kenya. The study recommends a study be carried out on leading international beer brands in Kenya and East Africa. Such a study will be useful in understanding how the different brands influence each other's strategies in attempting to attain competitive advantage.

The researcher further recommends that studies be initiated to quantify tangible benefits of strategies employed. These studies should especially be geared towards coming up with detailed models for measuring the real value of strategies employed in the beer industry.

The study also suggested that the response rate should be broadened to cover a larger population so as to have more inclusive findings to make better conclusions and recommendations.

## **5.6 Implication on Theory, Policy and Practice**

The study findings indicate that the beer manufacturing companies in Kenya employ strategies to achieve competitive advantage. This means that both companies should continue to invest in resources and capabilities that position them strongly to effectively formulate and implement strategies that take advantage of the opportunities.

Dynamic environmental forces such as industrial brewing technology, globalization, regulations, and macroeconomic landscape should be continuously monitored. This can be done through investment in resources, product innovation, and research and development.

The study recommends the use of a combination of strategies in order to best achieve competitive advantage. For instance, cost leadership and differentiation strategies should be combined to attain superior performance. Furthermore, the combination of strategies should complement the resources and capabilities of the firm.

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# QUESTIONNAIRE

## Appendix I:

### SECTION A: GENERAL AND ORGANIZATIONAL INFORMATION

1. Name of your organization.....

2. Gender:

Male ☐

Female ☐

3. How many years have you been in the current industry?

1 – 5 years ☐      6 – 10 years ☐      11 – 15 years ☐

16 ears and above ☐

4. Year of incorporation

a) Less than 1 year ☐

b) Between 1-5 years ☐

c) Over 5 years ☐

5. Origin of the firm

a) Local ☐

b) Foreign ☐

6. Ownership structure

a) Private ☐

b) Public ☐

7. Is your firm actively involved in analyzing sources of competitive advantage?

a) Yes ☐

b) No ☐

8. Does your firm have a formal documentation of set of objectives from which strategies can be formulated from?
- a) Yes ☐
  - b) No ☐
9. How often are strategies reviewed in your organization?
- a) After every 5 years ☐
  - b) Annually ☐
  - c) Semi- annually ☐
  - d) Quarterly ☐
10. How are resources and strategies viewed in your organization?
- a) As being parallel to each other ☐
  - b) As complimenting each other ☐
  - c) As being important and key to competitive advantage ☐
11. In your opinion, is competitive advantage achieved best by choosing a single strategy or combination of strategies?
- a) Single strategy ☐
  - b) Combination of strategies ☐
12. Is product pricing part of your firm's strategy?
- a) Yes ☐
  - b) No ☐
13. What is the biggest hurdle in effective implementation of strategies in your company? (select a maximum of two)
- a) Managers reluctance to implement strategies ☐

- b) Poor communication of strategies to be implemented [ ]
- c) Constrained resources controlled by the company [ ]
- d) Changing environment [ ]
- e) Poor feedback mechanism from the environment [ ]

## SECTION B: Strategies Employed

Do you agree with these statements? Please indicate using appropriate scale

- 1) Strongly disagree                      2)disagree              3) Neutral              4) agree
- 5) Strongly agree

Statement	5	4	3	2	1
1. Do strategies influence the way your company operates in Kenya?					
2. Have they (strategies) led to your company achieving competitive advantage in the industry?					
3. The industry is experiencing slow growth partly due to industrial brewing technology, has this been the case in your company?					
4. Globalization has led to threat of new entrants and better market opportunities, has it been a positive factor to your company?					
5. Are the resources and capabilities controlled by your company fully utilized to achieve competitive advantage?					
6. Does your company invest in resources that secure a long term future?					

7. Cheap home brews and illicit spirits dominate the market, does your company view pricing as a major factor in attracting these untapped markets?					
8. Continuous product innovation is key to achieving competitive advantage in this industry, is it the case in your company?					
9. Is research and development viewed as being important to achieving competitive advantage in your company?					
10. Have restrictions imposed on alcohol marketing and consumption in Kenya affected the way your company operates?					
11. The macroeconomic landscape has been challenging in recent years, has it been the major challenge to your company in achieving competitive advantage?					

***Thank you for your cooperation***

## **Appendix II: List of large manufacturing beer companies in Kenya**

1. East African Breweries Limited
2. Keroche Industries Limited

**Source:** Directory of Kenya Association of Manufacturers and Exporters 2012

### **Appendix III: Cover letter**

ACHOLA MARK

UNIVERSITY OF NAIROBI

LOWER KABETE CAMPUS

P.O. BOX 658 00200

TEL: 0722 581257

Dear Respondent,

I am carrying out research on the strategies employed by large manufacturing beer companies to achieve competitive advantage in Kenya. This is in partial fulfillment of the requirement of the Master of Business Administration (MBA) degree program at the University of Nairobi.

This is an academic research and confidentiality is emphasized, your name will not appear anywhere in the report. Kindly spare some time to complete the questionnaire attached.

Thank you in advance.

Yours sincerely,

Achola Mark