

**COMPETITIVE STRATEGIES ADOPTED BY NAKUMATT HOLDINGS
LIMITED TO GAIN COMPETITIVE ADVANTAGE**

**BY
MIRIAM MUKAMI CHEGE**

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DECLARATION

This research project is my original work and has not been presented for a degree or any other award in any other university.

Signed: _____ **Date:** _____

MIRIAM MUKAMI CHEGE

D61/63155/2011

This research project has been submitted for examination with my approval as the University Supervisor.

Signed: _____ **Date:** _____

PROF. EVANS AOSA

Supervisor, School of Business

University of Nairobi

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DEDICATION

This research project is dedicated to my two dear children, Bridgitte and Bryan for their inspiration.

ABSTRACT

Competitive strategy in business is central for survival and growth. How well a business is able to build and sustain its advantage is a question of strategy and how competitive those strategies are based on internal as well as market dynamics. In Kenya, the retail business has in the last ten years experienced exponential growth. This sector has entered a phase of cut-throat competition with new entrants coming on board and multi-billion shilling expansion plans by key supermarkets including Nakumatt, Uchumi, Tusksys and Naivas. Nakumatt Holdings Limited leads the pack with a turnover of KES.38 billion and a profit of to KES.312 million in the year to June 2012 compared to its Nairobi Securities Exchange listed rival Uchumi Supermarkets which achieved a profit of KES.273 million on revenues of KES.14 billion for the year ended June 30, 2012. This research project is a case study undertaken to establish the competitive strategies that Nakumatt Holdings limited has adopted in Kenya and how such strategies has given it competitive advantage in this highly competitive market. This study involved collecting primary data from face to face interviews with five senior managers in the retailer using an interview guide and secondary data collected from newspapers, the internet and review of internal documents. Content analysis was used to analyze the data in line with emerging themes. The study established that strategy has a central place in Nakumatt's growth with numerous strategies having been adopted. These are customer-orientation, differentiation of service, strategic mall location, technology leverage, aggressive branch expansion, innovation and learning orientation, strategic partnerships, branding and brand positioning, staff development, vertical integration, departmental store model and centralized quality control and management system. The study established that though some of these strategies are not unique to the retailer, they have succeeded in giving it competitive advantage over competitors. The study concluded that Nakumatt has not only used the Resource-based view of competitive advantage but has also used the Porters Model of creating competitive advantage by taking offensive and defensive actions to create a defensible position in the industry and to successfully generate a superior return on investment for its shareholders. The retailer has differentiated its service and shopping experience creating a regional and global brand. The study recommends that Nakumatt and the whole retail sub-sector at large should enhance and innovate on the above mentioned strategies for growth and competitive advantage with insights for policy markers on what would make the retail sub-sector boom and possible areas of incentives.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Business is about competitive strategy. Organizations exist in a competitive environment and it is the intensity of such competition that determines the strategic moves that a firm makes to prosper. Liberalization and growth of an economy often leads to a conducive environment for businesses to grow and thrive. This results to intense competition. Such intensity in competition could be a combination of price fights, advertising battles, product introductions, better customer service or warranties. The nurture and degree of competition in an industry hinges on five forces. These include threat of new entrants, bargaining power of customers and that of suppliers, threat of substitutes and rivalry among the competitors (Porter, 1980). Thus, business strategy boils down to achieving competitive advantage.

Johnson et al (2008) define strategy as the direction and scope of an organization over the long term, which achieves advantages for the organization through the configuration of resources within a challenging environment and fulfill stakeholder's expectations. How an organization deploys strategy ultimately determine its competitive advantage. The goal of every business is to gain and sustain an advantage over rivals. This involves achieving a strong market position and protecting this position from attack by other firms (Walker, 2008). Superior performers possess something special and hard to imitate. This is called competitive advantage. Barney and Hensterly (2008) state that a firm has competitive advantage when it is able to create more economic value than its rivals. This can be temporary or can last much longer time.

Thompson and Strickland (2003) hold that a company has competitive advantage whenever it has an edge over its rivals in attracting customers and defending against competitive advantage forces. The more customers a firm is able to attract in the long run the better its financial performance and its brand positioning in the minds of the customers and in the market. A firm's internal attributes such as resources and capabilities - financial, human, physical and organizational assets - and how they are deployed to take advantage of opportunities and counter threats define its advantage (Mintzberg, et al, 1996).

In Kenya, the retail sub-sector has experienced exponential growth in the last decade or so which has seen many players join the industry. This has intensified competition as each supermarket tries to cut a niche for itself. In the lead are the big players namely Uchumi, Nakumatt, Tuskys and Naivas. The middle-sized supermarkets include Chandarana and Ukwala and the small-sized stores include residential-based supermarkets that have sprung up in almost every commercial town, centre or residential estate. Every retail chain must therefore formulate and implement competitive strategies with an aim of gaining competitive advantage.

1.1.1 Competitive strategy

Competitive strategy encompasses all actions and approaches that a firm deploys to win customers, withstand competitive pressure and improve its market position (Thompson and Strickland, 2003). When a company sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its competition. The main goal of business strategy is to achieve competitive advantage. A firm can gain competitive advantage if it is able to create value for its buyers. If a firm wishes to pursue the strategy of cost leadership, it has to be a low cost producer. A firm may gain cost advantage through

economies of scale, proprietary technology or cheap raw materials. The strategy of differentiation involves offering a different product, a different delivery system, or using a different marketing approach. A firm's management must decide which factors it wants to emphasize in order to gain competitive advantage (Porter 1980).

1.1.2 The retail industry in Kenya

A supermarket is a large self-services shop offering a wide variety of products which are often displayed in aisles. A supermarket basically offers shoppers a one-stop shopping experience by providing a range of commodities and services under one roof. In a bid to increase value to customers, supermarkets in Kenya have not only carefully considered their location due to human traffic but have increasingly invested in enhancing the customer experience through diversification of the range of products and services, pricing, loyalty reward system and enhancing the display ambience to ensure attractiveness.

The retail sector in Kenya has grown fast in the recent years. According to a research conducted by Neven and Readorn (2005), supermarkets in Kenya grew by a rate of 18% per year between 1990 and 2003. They also found that supermarkets spread from the capital to intermediate and small towns, with 44% of supermarket sales and 58% of supermarket stores located outside Nairobi in 2003. The study further observed that this quick growth was driven mainly by several factors. These include urbanization, trade and domestic liberalization which commenced in 1993, and thirdly, the growth of local entrepreneurship in Kenya. The rise of shopping malls in major towns has recently led to penetration of supermarkets in Kenya owing to enhanced shopping experience offered by such environments. The supermarket industry in Kenya has certainly facilitated growth for many

manufacturing firms, small businesses and producers of various commodities through the supply chain. Most times, the dilemma faced by retailers is to develop a retail mix satisfying target markets, building customer commitment and loyalty over a long period of time (Weatherspoon and Reardon 2003).

As a result of this growth, the market today boasts of large retail chains such as Nakumatt Holdings, Uchumi Supermarkets Limited which is a publicly listed company, Tuskys Supermarkets and Naivas Supermarkets. The medium supermarkets include Ukwala and Chandarana and there are a host of many smaller ones spread across various parts of the country. Many towns have local supermarkets over and above the elaborate branch network of the large supermarkets. Further, smaller retail shops continue to spring up at residential estates providing customers with a closer-home shopping experience. These local mini-marketsoffer substitute services to what big players such as Nakumatt are offering.

1.1.3 Nakumatt Holdings Limited

Nakumatt Holdings Limited was established in 1992 and it has quickly expanded into Eastern African countries like Rwanda, Uganda and Tanzania (Wahome 2001). Today it boasts of 40 branches in East Africa region - 33 branches in Kenya, one in Moshi, Tanzania, two in Kigali, Rwanda and four in Uganda. The Supermarket has an annual turnover of \$650Million, with 650,000 loyal customers contributing upto 70% of the turnover (Nakumatt profile, 2013).

The supermarket employs 6500 staff and provides a source of livelihoods to hundreds if not thousands of families through its supply chain. As an East African brand, Nakumatt is a multinational business doing business in three East Africa countries in Kenya, Uganda,

Tanzania and Rwanda and with plans to extend its branch network. Nakumatt Holdings has been undertaking a strategic regional expansion plan. The Supermarket has also recently launched private label line- Nakumatt Blue Label which has seen it package consumables like flour and cereals and sell them under the new label. The on-going expansion drive is also focusing on the upgrading of existing branches to enhance the stores ambience, layout and product variety.

Nakumatt has also been accorded local and global recognition, awards and certifications. Such include: The Price Waterhouse Coopers East Africa Most Respected Service Sector Award, Kenya Bureau of Standards ISO 9001:2000 Quality Management System, Planet Retail Global Ranking, Top 50 Global Family Businesses, East Africa Superbrand, GCR Credit-rating (PWC Survey 2014, East African Superbrands 2014).

1.2 Research problem

Competitive strategy is about business growth and competitive advantage. Various authors have explained how firms can achieve a competitive advantage in the face of competition Ansoff and Mc Donnell, (1990), Porter(1980), Johnson and Scholes (1999), have prescribed various strategies that firms can employ to counter competition and outwit their competitors. Such include cost-based advantage which involves controlling cost drivers, increasing efficiencies and leveraging economies of scale to lower costs, under-price competition and revamping the value chain. Differentiation-based advantage which entails building brands that have differentiating features such as higher quality, a distinctive image, attractive styling or superior engineering.

Companies pursuing differentiating strategies must continually innovate to add prestige to a brand. Niche-based advantage is a strategy of serving very specific segments of the market that have special needs and tastes rather than attempting to appeal to all buyers in an industry. A firm could focus on business growth through increasing its market share by exploiting its present product range in its present markets, market development by taking present products into fresh markets, product development through introduction of new products into existing markets and lastly diversification which involves branching out both into new products and new markets (Ansoff 1955, Ansoff and Mc Donnell, 1990).

According to Porter (1980, 1985), a firm develops its business strategies in order to obtain competitive advantage over its competitors. It does this by responding to five primary forces. These include the threat of new entrants, rivalry among existing firms within an industry, the threat of substitute products/services, the bargaining power of suppliers, and the bargaining power of buyers.

The retail sector in Kenya has experienced huge growth in the last two decades. The growing population, change in consumers' lifestyle and improved purchase power among urban residents, markets liberalization, increased local production and manufacturing of various goods and products, improved infrastructure and transport systems are some of the factors that affect the growth and performance of this sub-sector. Many supermarkets large, medium and small have sprung up in Nairobi and other major towns and their environs. The large supermarkets have also increased their branch network both locally and even in the region.

Many studies have been undertaken by researchers in the area of competitive strategy. In the retail supermarket sector, Kiarie (2009) has interrogated turnaround strategies adopted by Uchumi Supermarket during receivership, where she cites that recapitalization, cost management, improved customer service, maximization of sales revenue and business reorganization and restructuring as key turnaround strategies. Kinyua (2011), in her study on competitive strategies adopted by small supermarkets notes that pricing is a critical success factor. Atieno (2011) study on factors contributing to quality of customer service in Nakumatt supermarket in East Africa notes that technology leverage and trained staff have played a crucial role in making the brand customer friendly. Mbithi (2011) undertook a study on Strategy Implementation at Nakumatt Holdings Limited which discussed the strategy implementation process at the supermarket and the challenges experienced.

The intense competition among supermarkets and the changing environment certainly calls for calculated strategy to ensure competitive advantage. Which competitive strategies has Nakumatt adopted and how have such strategies given Nakumatt competitive advantage?

1.3 Research objectives

The study had two objectives. These were:

- To establish the competitive strategies that Nakumatt has adopted in the market
- To establish how such competitive strategies have given Nakumatt competitive advantage

1.4 Value of the study

This study is valuable to various stakeholders. First, to managers of retail sectors and in any other form of business with interest to understand, evaluate and explore strategies for

competitive advantage. The study gives managers in Nakumatt Holdings Limited insights that are useful for future strategy formulation and implementation as they roll out in the different markets and how they can direct various resources to enhance Nakumatt's positioning in the market.

Further, to researchers interested to follow up on this study and develop its findings further. The study equally makes a contribution to the existing body of knowledge on competitive strategy including validating Porter's competitive strategy model and Resource Based View of competitive advantage of a firm. The study also provides insights on how organizations should formulate and implement strategic moves for competitive advantage.

The study is important as a source of reference to other studies. It points to other areas of research that can be explored to determine the place of strategy in giving an organization competitive advantage as well as shed light on how a firm can deploy competitive strategy to gain an edge over its rivals in the market sustainably. The study gives useful insights to leaders of other retail supermarkets on what they can do to make their businesses more competitive.

The study will also provide useful insights to government and policy makers in regards to proving useful findings on what makes Nakumatt, a key player in the retail sub-sector, grow exponentially and how such growth can be supported and replicated for enhanced economic growth and development in the country.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter gives a review of various literatures citing theoretical foundations around the subject of competitive strategy and how it is linked to competitive advantage. The study examines two theoretical foundations namely Resource-Based View of competitive advantage and Porters view of competitive advantage

2.2 Theoretical foundation of the study

This section discusses two theoretical perspectives of competitive advantage. These are resource-based view of competitive advantage and Porter's perspective of competitive advantage.

2.2.1 Resource Based View (RBV) of competitive advantage

There has been a lot of interest in determining the role of the firm's resources as the foundation of competitive advantage. At the corporate level strategy, theoretical interest in economies of scope and transaction costs have focused attention on the role of corporate resources in determining the geographical and industrial boundaries of a firm's activities (Barney and Hesterly, 2010).

According to the RBV, organizational resources can create an organization's competitive advantage. Barney and Hesterly (2010) argue that resources are "the tangible and intangible assets that a firm controls and that it can use to conceive and implement its strategies. Further, they argue that control of key resources can lead to a firm's

competitive advantage, allowing it to outperform other firms. More importantly, competitors may be in no position to challenge the focal organization due to the lack of similar resources. Simply put, Barney hold that firms compete on the basis of their resources and capabilities, hence the RBV theory takes an inward-looking approach to analysis of competitive advantage.

RBV emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance. It 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. The RBV argument is that 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 (Barney 1991).

Assets, according to Barney (1991), are capabilities, organizational processes, firm attributes, information and knowledge controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness. He classifies resources into three categories. These are physical capital resources, human capital resources, and organizational capital resources. Physical capital resources consist of such things as the firm's plant and equipment, technology and geographic location. Human capital resources include such things as the experience, judgment, and intelligence of the individual managers and workers in the firm.

Barney (1991) describes competitive advantage as occurring when a firm is implementing a value creating strategy which is not simultaneously being implemented by any current or potential competitors. Within the resource-based view, a sustained competitive advantage exists only when other firms are incapable of duplicating the benefits of a competitive advantage. Thus, a competitive advantage is not considered sustained until all efforts by competitors to duplicate the advantage have ceased. Therefore, four criteria must be attributable to the resource in order for it to provide a sustained competitive advantage. The resource must add positive value to the firm, the resource must be unique or rare among current and potential competitors, the resource must be imperfectly imitable, and the resource cannot be substituted with another resource by competing firms (Barney, 1991).

The limitation of RBV is that focusing only on the internal resources or core competence of the firm can limit the reach for learning new competencies. Hence, core competencies can also become core rigidities in the firm, when established competencies become too dominant (Tidd et al., 2005).

2.2.2 Michael Porter's perspective of competitive advantage

Porter (1985) model of competitive advantage is about taking offensive and defensive action to create defensible position in an industry in order to generate a superior return on investment. This theory holds that a firm is able to deliver the same benefits as competition but at a lower cost (cost advantage) or deliver benefits that exceed those of competing products (differential advantage). Cost advantage is achieved through

economies of scale, increased efficiencies due to technological investments, mass distribution among others. Porter's argues that the national environment influences the ability of its firms to succeed in particular industries. Differentiation advantage is achieved through development of unique offering that is targeted at high end customers who are not sensitive to price instead value quality and uniqueness. Porter's recipes for achieving competitive advantage are highly prescriptive. He asserts that firms can achieve competitive advantage through either cost leadership or differentiation, and he advises firms to avoid being 'stuck in the middle' (Porter, 1980).

The five competitive forces for analyzing industry structures, a firm's profitability is influenced by its relative size compared to its industry rivals, suppliers and customers (Porter, 1985). Accordingly, the industry forces in which the firm operates requires that the firm adapts to these requirements in order to survive in the long run. In addition, the firms that fail to adapt to these requirements will be forced to exit from the market.

This model is based on two assumptions. Firstly, companies in an industry are identical in terms of the strategically relevant resources they control and the strategies they pursue (Porter, 1981). Secondly, resources in an industry are identical because an organization's resources, which they use to implement strategies, are highly mobile in the market (Barney, 1991). The key to sustained competitive advantage for a firm is choosing an appropriate industry and positioning itself within that industry. Porter's central principle of industry attractiveness is that superior firm performance is a result of excellent entrance and operation in attractive product markets.

2.3 Concept of strategy

The concept of strategy has a military origin and has been defined variously. Strategy represents the management and long term engagement of the company which creates advantages in the flexible environment between resources and appointed competences by fulfillment of shareholders demands (Johnson et al., 2008). A company's strategy consists of the competitive moves and approaches that management develop to attract and please customers, conduct operations, grow the business and achieve performance objectives (Gamble and Thompson 2009). Simply put, strategy involves determining the long term goals and objectives of a firm or institution and then adopting courses of action and allocating of resources to realize those goals.

Andrew (1971) defines strategy as a pattern of decisions in a company that determines and reveals its objectives, purposes or goals. It produces the principle policies and plans for achieving those goals that defines the range of business the company is to pursue, the kind of economic and non-economic contribution it intends to make to its shareholders, employees and the community.

Mintzberg (1991) defines strategy as five Ps – plans, ploys, patterns, position and perspective. As a plan, strategy defines the intended course of action. As a pattern, it emerges from a stream of actions over time and as a ploy, it is seen as the specific maneuvers and tactics that the organization undertake to outdo the competition and lastly as a position, it defines how a business or a firm develops and sustains competitive advantage.

According to Porter (1980), there are five forces that determine the intensity of competition in an industry. These are threat of new entrants, bargaining power of customers and that of suppliers, threat of substitutes and rivalry among the competitors (Porter, 1980). Increasingly the retail sector is witnessing these forces at work. Ohmae (1983) thought of strategy in terms of competitive advantage. He defines strategy as that thing that distinguishes 'us' from 'our' opponents and makes 'us' perform better than 'them'. Porter (1980) holds that a firm could decide to pursue a low cost model to gain an edge in the market, pursue a differentiation strategy or choose to focus on a particular market segment. He suggests that any company that fails to focus on any other three will be stuck in the middle.

Thompson and Strickland (1990), identifies four levels of strategy. Corporate level strategy is concerned with the overall scope and direction of the organization and how value will be added to the various business units. It involves building a vision and establishing a portfolio of business units that will deliver that vision, finding synergies among the business units and converting them into competitive advantage, allocating resources and reviewing overall business performance.

According to Johnson and Scholes (2002), a business Strategy is concerned with how each business unit should compete and win in its market. The concern here is how to gain advantage over other competitions, what new opportunities can be created in existing and new markets, which products should be developed and how customer current and future needs can be met within the objectives of the business and the organization. Functional

level strategy involves setting objectives that support business and corporate strategy in key functional areas and reviewing them duly to fit within the big picture

Operational level strategy entails crafting approaches to support functional and business strategy and supporting operational objectives. Operational level strategy is concerned with the operating end of the business. This involves devising approaches aimed at gaining competitive advantage, responding appropriately to changes in the market and reviewing business strategic plans.

Strategy is the work of top management who must not only think long term but also how to steer the organization today to realize the long term vision. The essence of strategy lies in creating tomorrow's competitive advantage faster than the competition can duplicate the ones that an organization possesses today. A company's strategy is management's game plan to stake out a market position, conduct its operations, attract and please customers, compete successfully, and achieve organizational objectives (Gamble and Thompson (2009). The company's strategy closely related to its business model.

However, effective leadership is critical in strategy implementation and execution. Managers must ensure alignment in the way strategy is deployed, communicated and requisite resources deployed to ensure the success of the firm. Lack of coordination or misalignment can be costly to a firm.

According to Gamble and Thompson (2009), managers must exert leadership to drive implementation. They must stay on top of what is happening and identify obstacles in the execution process. They must equally push organizational units to achieve good results and operational excellence, display ethical integrity and spearhead social responsibility initiatives. Critical to successful strategy execution are an effective organizational structure, strategic and effective decision-making, organizational values, adequacy and optimization of resources including human capital and how all these factors are aligned (Cole 1997).

2.4 Competitive advantage

Competitive advantage can be said to be that long-term edge that a business or a firm has that cannot not be easily duplicated by the competitors. When a firm has both a good offense – a strong position and a good defense that offers effective protection from rivalry, it is said to have a competitive advantage. Competitive advantage is seen as special and hard to imitate attributes that superior performers possess. According to Johnson et al (2008), organizations that try to achieve competitive advantage hope to preserve it over time. It is good to note that increasingly, questions have been raised as to whether sustainability of competitive advantage is possible. The answer to this dilemma could lie in the fact that the ultimate proof of a successful strategy is superior profitability (Walker, 2008). A company achieves competitive advantage when an attractively large number of buyers develop a long lasting preference for its products or services over the offerings of competitors (Gamble and Thompson, 2009).

Pearce and Robinson (1997) cite that strategy can be regarded as building defense against competitive forces or as finding positions in the market where competitive forces are weakest. This means that every strategy that the organization adopts should be able to help it edge forward and gain advantage in the market. This is what makes strategy competitive.

Porter (1980) describes competitive strategy as the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs and further explains that competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. This involves identifying sources of competition in the ever changing environment then developing strategies that match organizational capabilities to the changes in the environment. According to Porter (1980), competitive strategy is about being different, deliberately performing activities uniquely and in better ways than competitors.

According to Gamble and Thompson (2009), there are four proven strategic approaches to setting a company apart from rivals and winning competitive advantage: Cost-based advantage which involves controlling cost drivers, increasing efficiencies and leveraging economies of scale to lower costs, under-price competition and revamping the value chain. Differentiation-based advantage which entails building brands that have differentiating features such as higher quality, a distinctive image, attractive styling or superior engineering. Companies pursuing differentiating strategies must continually innovate to add prestige to a brand. Niche-based advantage is a strategy of serving very

specific segments of the market that have special needs and tastes rather than attempting to appeal to all buyers in an industry. Resource-based advantage focuses on superior distribution and sophisticated production systems which give a firm unique capabilities in the market.

According to Thompson and Strickland (2003), firms can pursue diversification as a strategy to gain advantage. Such could be at product or market level where a firm creates new products for existing markets or new markets or where it extends existing products into new markets or creates new markets for existing products. Synergy and optimization of resources are key in diversification. Vertical integration is a strategy of a firm expanding its range of activities backward into sources of supply and or forward towards the end users of the end product in order to gain an edge in the market.

Critical to note is that a company's strategy is not a one-time event but always work in progress. This indicates that a company's strategy is fluid and is a blend of proactive moves to protect its position and reactions to counter markets dynamics and competitive forces.

2.5 Competitive strategy and environment

Strategic thinking demands that managers and business leaders think about the business in the context of external environment and ask themselves fundamental questions. What are the industry's dominant economic features? What kind of competitive forces are industry members facing and how strong is each force? What forces are driving changes

in the industry and what impact will these changes have on competitive intensity and industry profitability? What market positions do industry rivals occupy – who is strongly positioned and who is not? What strategic moves are rivals likely to make next? What are the key factors for competitive success? Does the outlook for the industry present the company with sufficiently attractive prospect for profitability? (Thompson and Strickland 2003).

Firm's strategies have to be designed and adapted to suit the market context. Ansoff and McDonnell (1990) note that the trend today is to broaden the firm's strategic perspective to include internal capabilities and market opportunities. In many firms today, business re-engineering, diversification, strategic partnerships, technology leverage, staff development, price and brand reviews as well as regionalization are common strategic moves. Strategy in itself is a differentiating factor (Porter, 1980). Different firms take different approaches in developing and implementing strategies and they also respond differently to competition in their industry. Ansoff and McDonnell (1990) observe that resource constraints increasingly limit what the firm can do in their industry. Choice is critical in strategy as firms interrogate the various strategic options as informed by changes in the market.

2.6 Cooperative and offensive strategies

According to Barney and Hensterly (2008), in the last ten years, companies in all types of industries and in all parts of the world have formed strategic alliances and partnerships to complement their own strategic initiatives and strengthen their competitiveness in the domestic and international markets. This is informed by the fact that firms are realizing

that well chosen alliances can allow a firm to by-pass the comparative slower and more costly process of building its own internal capabilities to access new opportunities.

Offensive strategies on the other hand are used to protect competitive advantage as opposed to building one. Such could include initiatives to match or exceed competitor strengths, initiatives to capitalize on competitor weakness, using simultaneous initiatives in many fronts, end-run offensives on less contested ground, guerilla offensives and pre-emptive strikes.

In concluding this chapter, it is clear that there is no business without strategy. Critical is how competitive the strategy is in making a business grow and thrive in an intensely competitive market and changing business dynamics. Leadership is key in business strategy as an organisation endeavors to harness its internal resources to covert the market dynamics to its advantage. It is the competitive strategies that ultimately give the business an advantage over time. Sustaining this advantage is equally a critical role of business managers.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology that was used to carry out the study. It covers the research design, data collection and data analysis methods that were used in the study.

3.2 Research design

This study took a case study approach where the Nakumatt Holdings Limited was studied and analyzed. The rationale of case study as the design was informed by the need for in-depth analysis of this single unit. A case study is a type of qualitative, descriptive research that takes an in-depth look at a case or subject.

Case studies are preferred in studying a single unit with concentrated focus so as to understand a certain phenomenon in reference to the unit of study. Yin (1988) affirms that case studies contribute uniquely to a body of knowledge with reference to an individual, an organization, social or even political phenomenon. Similar design has been used successfully in other studies such as Atieno (2011), Karanja (2012), Kiarie (2009), Mbithi (2011) and Kinyua (2011).

3.3 Data collection

This study was carried out in Nakumatt Head Office in Nairobi where strategic decisions are made before they are rolled out and implemented in all the other branches. Primary and secondary data was used in this study. Primary data was collected through a face to

face interview by the researcher with five senior managers of Nakumatt Holdings Limited. These include: Chief Executive Officer, Director of Strategy and Operations, Group Finance Controller, Human Resource Manager and Business Development Manager. An interview guide was used to collect the information.

Secondary data was also collected in the study. The sources of this data included publications including newspapers, internet and internal documents including company profile and reports.

3.4 Data analysis

The purpose of data analysis is to search for important meanings, patterns, and themes in what the researcher has heard and seen (Swanson & Holton, 2005). The study was qualitative in nature. Data was collected by the researcher using face to face interviews with the CEO and four managers who are key in strategy formulation and implementation at Nakumatt.

An interview guide was used during the interviews. The data collected from the face to face interviews was analyzed using content analysis. This involved analyzing the information, deducing the similar themes that ran across the responses given. The strategic themes and patterns arising from the concurrence of thought of those interviewed in this study were discussed as the results of the study.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data analysis, results and discussions as per the study objectives. The objectives of the study were to establish the competitive strategies that Nakumatt has adopted in Kenya and how such competitive strategies have given Nakumatt competitive advantage.

Data collected in this study was analyzed qualitatively using content analysis. This method of data analysis allowed data collected to be evaluated to determine its usefulness, consistency, credibility and adequacy. Patterns, key themes, concepts and arguments were interpreted and inferences made on the case study.

The study revealed that strategy is central to Nakumatt and key competitive strategies have been deliberately formulated and executed to give its advantage over time. These include customer-orientation, differentiation of service, strategic mall location, technology leverage, aggressive branch expansion, staff straining and development, innovation and learning orientation, strategic partnerships, branding and brand positioning, vertical integration, departmental store model and centralized quality control and management system.

4.2 Interviewees

The interviewees were senior managers of Nakumatt Holdings Limited. These included: Chief Executive Officer, Director Strategy and Operations, Group Finance Controller, Human Resource Manager and Business Development Manager. The interviewees were selected because they own and direct the strategy of the retailer hence have a better

understanding of the strategies and such strategies have given the retailer an edge in the market.

4.3 Competitive strategies that Nakumatt has adopted in Kenya

4.3.1 Nakumatt's Strategy 2.0

The study revealed that strategy plays a central role in the growth of Nakumatt Holdings Limited's business. The retailer is currently implementing its strategy dubbed Strategy 2.0 (2012 – 2017). The interviewees interviewed in this study indicated that the strategy, which is reviewed every year, was developed through an intensely consultative and integrated process. This involved virtually everybody in the business with staff being asked to give their wish-list for the business using simple questions like where they would like to see the business in the next five to ten years. Apart from the staff, the other stakeholders included in the strategic planning process were the owners of the business who bear the vision of the retailer, the managers, customers and suppliers.

The highlights of the strategy is to grow its business beyond East Africa to other markets including Zambia, Botswana, Gambia, Zimbabwe, and Nigeria, upgrade the current branch network and list in the Nairobi Securities Exchange. To roll out in the new markets, the supermarket has undertaken feasibility studies to determine the business opportunity and the potential of those markets to support their business growth.

4.3.2 Customer-orientation strategy

The interviewees of this study indicated that delivering a world-class shopping experience is the core business of Nakumatt. The retailer primary target is the middle-income segment of the market who have high disposable incomes and are not price sensitive. The study established that Nakumatt receives customer traffic of about 250,000 people executing over 100,000 daily transactions. The managers noted that Nakumatt shopping experience is a combination of two things which are hinged in its strategy. These are a wide variety of affordable quality brands and an excellent and superior quality service to its customers giving them world-class customer service through continuously understanding their needs, improving their lifestyles and delivering value. Besides having large spaces in the store, beautiful displays and assisting customers as they shop, the 24-hour strategy in eight of its stores countrywide, has enhanced the customers shopping experience and access giving the retailer an edge in the market. The interviewees noted that the busiest time for the 24-hour stores is between 9 pm to 1 am. This is the biggest basket value time. The managers noted that families come to shop at this time. They have time on their hands; there is no pressure on them; there is no work; there is no traffic, there is no congestion.

The interviewees asserted that 24-hour shopping has helped bring families together enhancing emotional connection with their brand. The 24-hour strategy was a strategic move that was informed by the increased traffic congestion in Nairobi and the pressure of customers' time. The interviewees noted that the 24-hour stores have been very successful. The managers interviewed in this study further noted that customer service in

Kenya is very different from other markets such as Europe where customers pack the items they buy for themselves and push their trolleys out of the store as opposed to being assisted by the attendants. Nakumatt is committed to investing resources to enhance their customers' experience.

4.3.3 People development strategy

The study revealed that the chain places its human resource as central to their business and a key asset for its success and competitiveness. Nakumatt considers its staff, which comprises of 6500 employees in the region, one big family. The staff, 1500 of whom are unionized, are part of the growth fabric with many having grown with the brand. The study established that some employees had risen from shop attendants or drivers to become managers and supervisors creating a deep sense of belonging and commitment. Further, staff skills development is part of the retailer's people strategy. The interviewees noted that upgrading staff skills with the new demands of the business is part of its business strategy and competitive advantage.

The interviewees noted that the retail chain has invested in an ultra-modern training facility (Nakumatt Academy) that can host upto 300 people at its head office on Mombasa Road and a training department dedicated to staff development. This ensures that its staff are well trained in all aspects of the business. The managers interviewed in this study noted that training institutions have not been offering training programmes in retail operations and management hence the need to have an internal mechanism that supports skills development. The retailer facilitated the launch of Kenya's first Retail

Management Training Academy at Jomo Kenyatta University of Agriculture and Technology (JKUAT), Karen Campus.

Part of the training the retailer offers at its training centre includes health and safety which is critical to the business. The retailer having experienced two major tragedies, the Downtown Fire and the Westgate Terrorism, has realized to need to train staff on how they can evacuate their fellow staff and customers to safety in the event of a disaster. The managers interviewed in this study noted that their staff assisted in evacuating over 500 customers who were shopping at Nakumatt Westgate during the terrorist attack. A crisis plan has also been developed to manage disasters. The CEO noted that 5% of the annual turnover is dedicated to staff training and development.

The study established that the people strategy begins at recruitment where focus is given to engaging people with a passion for retail then inducting them into a rigorous programme. The induction starts at the warehouse where new staff develop their stamina, discipline and retail skills including offloading trucks, arranging stock and handling of goods some of which are delicate. The managers interviewed in this study revealed that the warehouse experience sieves out those who are not committed and noted that those who stay, really stay for a long time. The full model supermarket at the warehouse trains staff on how the goods are arranged in the actual supermarket long before they come to the shop floor.

The study further established that the retailer's people strategy also includes: membership to the Naku Sacco, the employees' savings co-operative sacco that helps in facilitating saving and loan facilities for staff, medical scheme to all employees, pension scheme, life

assurance for employees and their dependents, annual training calendar for employees at all levels and access to an in-house library.

4.3.4 Mall location strategy

Kenya has witnessed multi-billion shilling shopping malls spring up as real estate investors and retailers seek to tap into a growing middle class amid a limited choice of leisure activities. The malls have food courts, cinemas and luxury clothing lines that offer a concentration of shoppers, which is acting as bait for the top supermarkets. The mall guarantees ample free parking space for its customers which is part of its strategy of delivering value.

The study established that Nakumatt Holdings limited has made a deliberate and strategic decision to establish its stores in shopping malls. The malls not only provide the retailer with the human traffic which is critical for business volumes but also the attractive environment to offer the customers a great shopping experience including parking space. The managers noted that that 90% of their work is done when they have the right location. Denoting the centrality location plays in giving them a competitive advantage in the market. The interviewees explained that as the continent's middle class continues to expand, with more disposable incomes and a refined taste in consumer goods, Nakumatt plans to increase the number of branches to 50 across Africa by 2014 which is part of its Strategy 2.0.

4.3.5 Departmental shop model

The study established that Nakumatt plans to invest Sh1.2 billion in opening outlets and will expand from basic household goods to include luxury consumer goods such as

footwear, cosmetics, toys and consumer electronics. The managers interviewed indicated that strategy is to adopt a departmental shop store model, where products under different categories are segmented by brands unique from what is offered by traditional supermarkets. In this regards the interviewees noted that Nakumatt has opened stand-alone stores stocked with goods from global brands such as Clarks, Sketchers and Walt Disney as the retailer diversifies with eyes on the expanding middle class who have higher disposable incomes.

The managers interviewed also noted that Nakumatt Holdings has launched a cosmetic division, with the acquisition of an exclusive franchise deal with New York-listed Revlon cosmetics. The franchise deal is part of Nakumatt's strategy to move from being a supermarket to a departmental store. The regional retailer has invested Sh87 million (\$1 million) to market Revlon products as it moves to bring in a wide range of other products to be part of its new cosmetic division.

4.3.6 Branch expansion strategy

Nakumatt expansion strategy is part of building its competitive advantage. The managers interviewed in this study noted that Nakumatt 2.0 strategy entails registering a Pan African presence targeting to open branches in new markets including Nigeria, Gambia, Zimbabwe, Botswana and Malawi. The retailer today has 42 branches in Kenya and the region and it continues to expand. In 2013, the chain saw one of its stores close due to the Westgate Mall terrorism attack and it is on a recovery plan. The interviewees noted the opening of its 42nd branch in November 2013 in South C, Mugoya Estate was part of an elaborate business recovery plan following the destruction of its former Nakumatt

Westgate hypermarket. Nakumatt lost more than two billion shillings (\$23.52 million) in stock, furniture, fittings and cash. The retail is planning its growth with a backdrop of the devolved governance and the opportunities that the counties present for growth. The study established that around, Nairobi County, Nakumatt Holdings currently has a branch network of 17 branches.

The strategy of the retailer is to enter the new markets with a hypermatt with shop space of more than 45000M². The managers interviewed revealed that the strategic reasons for this is to first ensure a shop model that is able to deliver the customer experience that gives Nakumatt a competitive edge - having wide alleys that can support three trolleys passing each other with ease as well as ensure attractive displays and guarantee economies of scale. The interviewees noted that Nakumatt uses a central warehouse model where most of the goods are delivered to the branches from the central warehouse hence making it more economical to transport goods to a large hypermatt as supposed to a small store.

Key consideration in opening new branches is the penetration level of retail in a new market. The managers noted that their focus is to consider markets with low but growing retail penetration of about 20% , a well-developed infrastructure that would support it's mall model and of course the buying power of the population.

Further, another strategic decision of the retailer is the Lease Strategy. The study established that Nakumatt does not own the buildings that house their branches but instead have long-term leases that make them the anchor tenant in every mall they have a store. As an anchor tenant, Nakumatt gets very competitive rates for the space they take

in every mall because their business is able to guarantee human traffic to the malls. The competitive rates lower its costs of doing business. The interviewees noted that the lease strategy ensures that they do not tie up funds in capital expenditure or the management of those assets and reduces the risk of owning the buildings. This gives the retailer an edge in business. The managers noted that they are receiving a lot of offers from governments and property developers in new towns and regional markets to establish new stores, a pointer to the brand equity and confidence that the retailer has created in the market.

The study revealed that the retailer which had intentions of selling part of its stake to private investors has shelved the plans to bring on new fresh investors to the family-owned supermarket citing that they will consider strategic partnerships in a year or two. The intention was to sell a 15 per cent to 18 per cent stake for \$50 million (Sh4.2 billion) to private equity investors and invite international retailers to take up about 25 per cent to 30 per cent thereafter. The managers interviewed noted that the current focus was to open more branches, increase turnover and employ more people so that the valuation of the business increases.

4.3.7 Technology leverage

Technology is core to Nakumatt's strategy. The managers interviewed in this study noted that the retail chain is an early adopter of technology. The retailer was the first to have point of sale system which ensures that stock can be monitored as customers make purchases. The interviewees noted that they have recently invested in a new version of Enterprise Resource Planning (ERP) that is customized for retail, towards harnessing the business operations. The upgraded version of ERP has integrated its entire branch

network with the central warehouse system. This means that stock alerts are sent to the central warehouse as soon as the each product reaches a re-order level. This system ensures that Nakumatt's is able to live upto its brand promise.

The study also established that the retailer is also using touch screen computers at the till which are customized for retail with integrated card payment system. New technology comes will staff skills enhancement.

4.3.8 Branding and brand positioning

This study established that Nakumatt has strategically positioned itself as a high end brand. The brand promise which is encapsulated in its logo includes quality, value, service, variety and lifestyle. The managers interviewed in this study noted that this offer comes at a price which guides its pricing strategy. The retailer prices are higher than the competition, something that the managers said was very deliberate. According to research conducted by Nielsen Company in 2012, the retailer controls a market share of about 20% of the retail market in Kenya and a Brand Equity Index of 55% . This research study established that its brand reputation is as a result of a combination of several factors including quality of service, the passion for retail business exuded by the owners and a key value that is shared by the staff as well, the endeavour of the business to live upto its promise and the exponential growth of its business which gives the stakeholders confidence and credibility in the market.

The study established that Nakumatt Holdings has received global awards and certifications, attesting to its world-class approach to business and brand reputation. Some of these include: PriceWaterhouseCoopers East Africa most respected service -

2006 and 2007, Planet Retail ranking as top retailer in Africa outside of South Africa – 2008, Planet Retail award as 2nd most Innovative Retailer in the world – 2009, East Africa Super Brand – 2007 and 2010, Recognized by East Africa Community as pioneer East Africa investor – 2011 and its CEO recognized in Financial Times Top 50 Emerging Market Business Leaders – 2010.

4.3.9 Innovation and learning culture

This case study established that innovation is placed high in Nakumatt's strategy. The retailer was the first to open 24 hours service in 15 locations in East Africa which is a key differentiator on the market. Secondly, the retailer is promoting the use of environmental friendly shopping bags under its Think Green, Go Blue campaign. The re-launch of the smart card into Nakumatt Global, now a mastercard, allows customers to load cash into the card and use it for shopping as they earn points.

The study established that the retailer is equally using innovation as it opens new stores particularly in the area of energy conservation. The recently opened store in South C for example is using cloth air dispersion units instead of metallic ones as a strategy for energy conservation.

With increasing expansion of digital media, Nakumatt has invested in Planet Media Brand, an innovative mini-store in some key stores. Planet Media is a collection of electronics, entertainment and gaming media under one roof. This study established that this line of business is giving the retailer good returns as well as giving it competitive advantage.

The retailer is also keen on research and benchmarking with the best in the world. The study revealed that managers invest part of their time touring global retail chains to learn new ideas as well as share their best practice through exchange programmes. They also pick ideas from conferences and exhibitions locally and abroad. This learning culture gives the retailer an edge in the market.

4.3.10 Governance and visionary leadership

The study established that a key growth factor is the passion behind the founders of the retailer. The chain is currently in the hands of a third generation of a family who have not done any other trade but retail. They understand the business inside out and have continuously improved and innovated the brand from its humble beginnings to date. The study established that the retailer is largely a family business with the Shah family owning 90% of the shareholding and Hotnet Limited holding 10%.

This study established the retailer's governance structure has a Board of Governors at the top composing of the Shah family and external Directors who bring on board professional expertise and independent thinking to the board. Then there is the management team that represents the interests of the business across the region and the branch network.

The retail intends to list in the NSE within its current strategy. The managers noted that the motivation behind listing is not to raise capital but more to share the success of the chain with the staff, customers and suppliers. There was an intention to release about 18 % of the shareholding in 2013 but that has been shelved to allow the retailer to consolidate its successes.

4.3.11 Vertical integration

This case study established that at the beginning of 2013, Nakumatt launched its Blue Label which has seen the retailer use vertical integration to grow its business. The Blue Label is basically a partnership with suppliers to package fast moving basic commodities as Nakumatt's brands. The managers interviewed in this research noted that the intention of the Blue Label is to increase brand connection with the customer and enhance loyalty.

The interviewees revealed that the strategy is to ensure that about 40% of its goods trade under the Blue Label. Due to economies of scale and the cheaper packaging courtesy of carefully selected packs, the Blue Label products are cheaper than the similar products packaged under the suppliers' label hence giving the retailer a competitive advantage.

4.3.12 Strategic partnerships

The interviewees of this study revealed that Nakumatt believes in three fundamental partnerships that are key to its growth strategy and competitive advantage. They include partnership with suppliers who provide the retailer with stock. The managers interviewed in this study noted that some suppliers can give the retailer goods worth tens of millions of shillings and pick payment after the sale of the same without any collateral. Nakumatt considers its supply-chain as core to its success story. Its suppliers have been very supportive and have endeavored to deliver world-class products and standards for goods and packaging. Managers noted that the retail chain deals with about 700 suppliers on a day to day basis and have supported about 150 of them to grow from cottage industry to significant manufacturing. With its departmental model, Nakumatt has also partnered with key brands such as Adidas, Nike, Clarks, Revlon and soon Disney Land. Due to the

lease strategy the Nakumatt undertakes, it has formed key partnerships with property owners who have become part of its success story as well. For some property owners, the retailer guarantees them long term lease which enables them to secure loans for the property development. Other partners include consultants and advisors who provide professional services.

The second key partners are the consumers who continually challenge the store to enhance its brand promise. The main strategy for the retailer is to exceed their expectations. The third category is the staff who the managers noted sweat for the brand and who have grown with the retailer from humble beginnings to date. This study established that due to high trust levels with staff, there is low staff turnover which currently stands at less than 8% and low pilferage levels which stand at less than 3%. The managers noted that the majority of the staff at the retailer are Form Four graduates with scores as low as D+ who Nakumatt recruits, trains and guarantees them a retail career. This has created a firm bond to the business.

4.3.13 Centralized quality control and management system

Quality control and management is central to Nakumatt's brand promise. The retailer which is ISO 9001: 2008 Certified has put a centralized quality control and management system that starts from the centralized warehousing where most of the goods are received, checked and sorted in one place and then distributed to the various branches across the region. With this system, the retailer is able to guarantee standardized quality in all its branches.

Critical to quality control, the retailer has outsourced the quality control of the farm fresh produce to a supplier who specializes in sourcing, sorting and grading farm produce. This is informed by the realization that fresh produce is highly perishable and any mishandling could jeopardize the customers health hence the need to outsource it to a supplier who has the capacity to handle that.

4.4 How the strategies have given Nakumatt competitive advantage

The study established that while the above discussed strategies might not be unique to Nakumatt, the retailer has succeeded in deploying them in a way that gives it competitive advantage by virtue of the fact that the retailer is leading the pack in terms of revenues and branch expansion. While data on revenue trends was not provided, independent data quoted in independent media places Nakumatt ahead of competition.

Based on models of competitive advantage, Nakumatt has utilized its internal resources such as passion for retail and wealth of experience by the owners who are also managers of the retailer, its local and regional brand, its human resource, aggressive expansion, strategic partnerships, vertical integration, technology leverage, innovation and learning culture to build competitive advantage. On the other hand the retailer has used differentiation from Porter's model of competitive advantage to set itself apart.

From the study, customer-orientation, people development, mall location strategy, departmental stall model, branch expansion strategy, technology leverage, branding and brand positioning and centralized quality control and management system are the key differentiated strategies that give the retailer competitive advantage.

The study established that the retailer has invested in ensuring that their customers have a great customer experience. The mall local with ample space for wide aisles, parking lot, beautiful displays, wide variety of goods, royalty card and the 24hours shopping experience in selected stores gives Nakumatt a huge competitive advantage.

The retailer people strategy focuses on development and welfare. Developing staff from recruitment and then promoting them in a system that looks into their welfare has given the retailer competitive advantage. This translates to low staff turnover (8%) and less pilferage (3%).

Nakumatt has invested in branding and brand positioning. From day to day customer interactions, to the location of its branches, quality and strategic business management, the retailer has earned its reputation locally, regionally and globally. The strong financial position, ability to provide employment directly and indirectly and the deliberate effort to package and communicate its brand has given it competitive advantage. For example, due to the lease strategy the Nakumatt undertakes, it has formed key partnerships with property owners who have become part of its success story as well. For some property owners, the retailer guarantees them long term lease which enables them to secure loans for the property development.

The study established that these strategies have been carefully deployed to give the supermarket an edge. It is critical to mention that the above named strategies are not all unique to Nakumatt. The key could be in how the retailer has deployed them. Only time can tell how sustainable this competitive advantage is.

4.5 Discussion

4.5.1 Link to theory

From the literature review on Resource Based View of Competitive Advantage, organizational resources can create an organization's competitive advantage. Barney and Hesterly (2010) argue that resources are "the tangible and intangible assets that a firm controls and that it can use to conceive and implement its strategies. From the research study, it is evident that Nakumatt has used several resources to its advantage namely the wealth of experience and passion that the owners of the business have, the brand name they have created over time and the accolades it has won globally, the financial muscle of the retailer means that it can afford the latest technology, invest in the 24 hours stores and attract attractive partnerships.

The retailer has also used differentiation as a key strategy for creating competitive advantage. This is evident in the choice of location, the structure and displays of the stores, the quality and variety of the products which together create a shopping experience that is attractive to the middle-income customers who are willing to pay a higher price. The study established that through differentiation strategy, Nakumatt has managed to position itself as a superior brand in its category, creating a world-class shopping experience for middle income segments of the market who are willing to pay for it.

Focusing only on the internal resources or core competence of the firm can limit the reach for learning new competencies making the core competencies become core rigidities in the firm, when established competencies become too dominant (Tidd et al.,

2005). In the case of Nakumatt, the intense competitive environment has kept the retailer on its toes making innovation a necessity rather than an option.

4.5.2 Link to other studies

This study aligned its findings with other case studies on competitive strategies done in the retailer sector. For example Kiarie (2009) observed that recapitalization, cost management, improved customer service, maximization of sales revenue and business reorganization and restructuring as key turnaround strategies adopted by Uchumi Supermarket. Kinyua (2011), in her study on competitive strategies adopted by small supermarkets notes that pricing and choice of location are critical success factors. Atieno (2011) studies the factors contributing to quality of customer service in Nakumatt supermarket in East Africa notes that technology leverage and trained staff have played a crucial role in making the brand customer friendly. Mbithi (2011) study on Strategy Implementation at Nakumatt Holdings Limited highlights how strategy implementation process at the supermarket and the challenges thereof.

The above indicate that different players in the retail sector may use the same strategies but achieve varying level of success on account of how the strategies are deployed. Consequently, it also means that all strategies cannot work uniformly across all organizations because each organization has its uniqueness in terms of its leadership, availability of resources, structure and organizational culture which can impact on the success of the strategy.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of findings in relation to objectives of study. It also highlights the importance of the study to the stakeholders earlier identified. Limitations of the study are highlighted and further research also suggested.

5.2 Summary of findings

5.2.1 Competitive strategies that Nakumatt has adopted in Kenya

From the study, it is evident that Nakumatt Holdings has employed strategy to position itself as a dominant force in the retail sector. The study revealed that strategic planning is a key component of the retailers business with key strategies such a customer-orientation, differentiation of service offer, staff development, technology leverage, innovation and learning culture, visionary leadership, good governance practices, the mall location strategy and centralized quality measures having given the retailer an edge.

The study revealed that Nakumatt has adopted Porters differentiation model of competitive advantage by targeting the middle income population, offering superior quality in products, service and experience and then pricing its products commensurate to world-class service as giving it an advantage over the other supermarkets.

The study also revealed that the huge wealth of experience of the Shah family, the majority stakeholders of Nakumatt as well as the passion and visionary leadership they have given the retailer as critical unique resources that it has used to gain competitive

advantage. These internal resources are the assets that the retailer has leverage for business growth and competitive advantage as per RBV theory. The above strategies may derive their uniqueness based on how they are deployed hence giving the retailer an edge in the market.

5.2.2 How the strategies have given Nakumatt competitive advantage

The study revealed that customer-orientation, people development, mall strategy location, departmental stall model, branch expansion strategy, technology leverage, branding and brand positioning and centralized quality control and management system are the key differentiated strategies that give the retailer competitive advantage. The study further established that these strategies have been carefully deployed to give the supermarket an edge.

The study established that the retailer is leading in annual turnovers (KES.38 billion and a profit of to KES.312 million in the year to June 2012 compared to its rival Uchumi Supermarkets which achieved a profit of KES.273 million on revenues of KES.14 billion for the year ended June 30, 2012) has the highest market share of 20%, has lower employee turnover which currently stands at less than 8% and low pilferage levels at less than 3%, key indicators of growth and competitive advantage.

5.3 Conclusions

From the results of the study, it is evident that to favorably compete in the retail sector, strategy plays a critical role. However, of greater importance is how strategy is deployed to create a superior product and brand that resonates with the changing needs of the customers and amid intense competition.

This study concludes that developing a customer centric organization, superior products and experience, investing in staff welfare and development, leveraging technology, brand positioning, strategic business location, supply chain management, strategy partnerships and innovation as key strategies that have succeeded in growing Nakumatt's business but equally giving it competitive advantage. The same can be innovated and deployment enhanced to sustain that advantage.

5.4 Implications

For players in the retail sector to grow and achieve competitive advantage, competitive strategy is very central. As such developing a customer centric organization, superior products and experience, investing in staff welfare and development, leveraging technology, brand positioning, strategic business location, supply chain management, strategy partnerships and innovation become every core to the success of the business and growth of the brand. Critical is how these strategies are deployed which is a key differentiating factor in who has competitive advantage and who does not.

Further, the retail sector is a critical one in the micro and macro facets of the Kenya's economic growth and development. The government has a stake in supporting this sector to grow. This study provides insights to policy makers on what can make this sector flourish. Giving the players tax incentives and acknowledging retailers such as Nakumatt as national brands can go a long way in supporting increased growth and more benefits to the economy in terms of provision for job opportunities, enhanced value-add and manufacturing through the supply chain and more taxes revenue payable to the government. Further the government needs to take a keener interest in promoting the

family-business model as a key model of promoting wealth creation in this country. As such, the government has a stake in the findings of this study.

To the managers of Nakumatt, it is evident from the study that strategy has played a critical role in the growth of the retailer as well as giving competitive advantage. Critical for the managers is to see how such competitive strategies can continuously be re-engineered for long term gains.

From the study, it is evident that the above strategies might not be a preserve of the retail sector only. Any other business can adopt them for growth and competitiveness. The findings therefore have a wider application beyond the case study and the retail sector. For researchers, the study provides insights on competitive strategy and the link to competitive advantage.

5.5 Limitations of the study

Time was a critical limitation in this study in view of the fact that the CEO and senior managers were the targeted interviewees. This was further complicated by the fact that just before data was collected, Nakumatt suffered in the Westgate Terrorism attack where the retailer had one of its key hypermatts located. This tragedy not only led to loss of three of its staff but also loss of stock worth billions of shillings as mentioned elsewhere in this study. This became an immediate priority of the CEO and senior managers hence delaying the scheduled interviews. The researcher exercised empathy, understanding and patience which ultimately led to managers creating time to respond to this study.

Nakumatt being largely a family business meant that the CEO and senior managers had to be very careful with information shared as part of this study. Getting trends on financial

data was not forthcoming from the interviewees and hence the researcher had to rely on secondary data. The information shared could as well be subjective. Verifying information given with other staff, suppliers and possibly customers would have made the findings more objective but time and resources were not allowing.

The fact that the study sought to establish competitive strategies that the retailer has used and how such strategies had given it competitive advantage meant an interrogation of how the retailer conducts its business and mostly likely a discussions on potential trade secrets. As such finer details of the strategies may have been omitted during the interview. The study endeavored to overcome this limitation by using secondary data as well as using persuasive techniques during the interviews.

5.6 Suggestions for further research

This was a case study on competitive strategies that Nakumatt has adopted in Kenya and how such strategies have given it competitive advantage. It therefore limited itself to Nakumatt only.

The study recommends a countrywide comparative study that includes all the major players in the retailer sector. The comparison will give a better understanding of how the competitive strategies established and discussed in this study have been scaled by the various players and to what advantage.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION TO THE RESPONDENT

University of Nairobi

School of Business

P.O. 30197, NAIROBI

Dear Respondent

RE: DATA COLLECTION FOR MBA RESEARCH

I am a post graduate student at the University of Nairobi School Of Business currently undertaking my Master of Business Administration (MBA) degree studies. In order to fulfill the requirements, I am undertaking a management research on **‘Competitive strategies adopted by Nakumatt holdings limited to develop competitive advantage’**.

You have been selected as a respondent in this study. By this letter, I am hereby requesting that you facilitate the research through a face-to-face interview guided by the attached questionnaire guide. The information collected in this study will be used **exclusively for academic purposes** and will be **held in strict confidence**.

Yours faithfully,

.....

MIRIAM M. CHEGE

STUDENT

.....

PROF. EVANS AOSA

SUPERVISOR

APPENDIX II: INTERVIEW GUIDE FOR SENIOR MANAGERS

COMPETITIVE STRATEGIES ADOPTED BY NAKUMATT HOLDINGS LIMITED IN KENYA

This is an academic research paper in partial fulfillment of the requirements of Masters Degree in Business Administration at the University of Nairobi, School of Business. The objective of the study determine the strategies that Nakumatt has deployed to achieve competitive advantage within the retail sector in the region. The responses will be treated with utmost confidence.

SECTION I: GENERAL INFORMATION

1. What is your title in the firm?
2. Length of service
3. Department/section
4. Does Nakumatt have the following?
 - a. Strategic plan
 - b. Vision statement
 - c. Mission statement
 - d. Departmental/section plans
5. Which competitive growth strategies has Nakumatt adopted?
6. How has such competitive growth strategies given Nakumatt competitive advantage?
7. Is Nakumatt's advantage guided by its internal resources and their configuration for growth or by the market and competitive forces? Explain?

8. How is strategy formulated? And who is involved? And what is the criteria for their inclusion
9. What are the key considerations in formulating the strategy (Industry analysis, SWOT/PESTEL/GAP analysis, Resources?)
10. How is the strategy reviewed and how frequently and what guides this review
11. How is the strategy monitored to ensure effective implementation?

STRATEGIES

STRATEGIC PARTNERSHIPS

1. What key partnerships has Nakumatt invested in?
2. What determined that choice of those partnerships?
3. How have they benefitted the company?
4. How have they been included in the strategy?

TECHNOLOGY LEVERAGE

1. What strategic technological strategies has Nakumatt invested in?
2. What determined their choice?
3. What benefits have the company reaped from these investments (customer service, supplier relations, decision making, performance tracking,
4. What factors do you consider in choosing which technology to deploy?

TRAINING AND DEVELOPMENT

1. What is your strategy in staff training?
2. How often do you train staff and in what areas? and what cadres of staff?

3. How has training contributed to the growth of the company?
4. What has been the success of your training strategy and how do you measure such impact?
5. How do you allocate resources to training?
6. What challenges have you faced in training?
7. How else do you develop staff other than training?
8. How do you involve staff in decision making?

HUMAN RESOURCE

1. What is your strategy in employee sourcing?
2. Do employees have well defined deliverables? How are those determined and assessed?
3. What key attributes do you look for in potential employees?
4. What key skills and competences do you look in potential employees?
5. How has recruitment impacted in your growth?
6. What challenges have you faced in employee recruitment?
7. What motivation programmes do you have for employees?
8. Describe your reward system and how it has impacted on your growth as a firm

BRANDING AND BRAND POSITIONING

1. What Nakumatt's strategy in regards to branding and brand positioning?
2. How has branding and brand positioning contributed to the growth of the company?

BRANCH NETWORK AND REGIONALIZATION

1. What Nakumatt's strategy in regards to branch network in the region?
2. How has it contributed to the growth of the company?
3. What strategic considerations determine new markets?

EXCELLENT CUSTOMER SERVICES

1. What is your strategy for customer service? What key strategies have you adopted to ensure superior customer service?
2. What has informed these strategies?
3. What challenges have you faced in implemented these strategies?
4. How has these strategies facilitated business growth?

VERTICLE INTERGRATION

1. How has Nakumatt used vertical integration to grow its business?
2. What strategy considerations went into adopting vertical integration as a growth strategy?

OTHERS: What other competitive strategies has Nakumatt adopted to achieve competitive advantage? What considerations went into those strategies?

INTERVIEWEES OF THE STUDY

NO	NAME OF RESPONDENT	DESIGNATION	YEARS WITH ORGANISATION
1.	Atul Shah	Managing Director	22
2.	Vijay Kumar	Group Finance Controller	8
3.	Thiagarajan Ramamurthy	Regional Director Strategy and Operations	13
4.	Neel Shah	Business Development Manager	1
5.	Francis Kimotho	Human Resource Manager	3