

**COMPETITIVE STRATEGIES ADOPTED BY K-REP BANK IN
KENYA**

BY

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DECLARATION

This research project is my original work and has not been presented for an examination in any other University

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

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DEDICATION

This project is dedicated to my family who has all endeavored to see that I have reached this far in my academic journey. In addition, I dedicate this project to my colleagues at work place whose support enabled me to balance work and study.

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ABSTRACT

The banking industry has experienced a rapid growth in terms of profits, deposits and revenues in the recent past. This trend has triggered a lot of competition in the banking industry. This study sought to establish the competitive strategies adopted by the K-Rep bank and the challenges faced in adopting such strategies. The study used the case study approach. Interview guides were used as a data instrument to collect primary data from the targeted four respondents in each department. Interview guides was administered to Heads in specific department in K-Rep Bank in the department of operations, credit and K-Rep Bank Foundation Group. Specifically, the study targeted 4 respondents in each department. In this case data was evaluated and presented in form of content analysis. The study found out that K-Rep bank has employed both cost leadership and differentiation competitive strategies. In addition, the study found out that there are a number of challenges that K-Rep Bank face in its efforts to adopt competitive strategies that will make them respond well to the competitive environment. Among the challenges outlined in this research are high expectations from customers, high rate of competition, government rules, bureaucracy, marketing and high cost of operation. The researcher recommends that K-Rep Bank should focus on developing and implementing effective strategies that will enable the bank survive in the competitive environment. In addition, the bank should focus on greater development of the bank's intermediary role so that it can provide a more complete set of financial services to micro-enterprises; improve the Management Information System; develop simple but comprehensive processes and instruments to guide its lending operations; identify alternative forms of collateral and ways to incorporate that collateral into its lending schemes; and devise ways to access funds from the financial markets.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The demands and needs of the environment are constantly evolving and management is about adjusting the company according to the needs and demands of the environment. One of the environmental influences to a business arises from competition. Increased competition threatens the attractiveness of an industry and reducing the profitability of the players. It exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment.

Firms therefore focus on gaining competitive advantage to enable them respond to, and compete effectively in the market. By identifying their core competences, firms are able to concentrate on areas that give them a lead over competitors, and provide a competitive advantage, according to Johnson and Scholes (1997) core competences are more robust and difficult to imitate because they relate to the management of linkages within the organizations value chain and to linkages into the supply and distribution chains.

A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson and Strickland, 2002). Sustainable competitive advantage is born out of core competencies that yield long-term benefit to the company. To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will, perceive as superior value. This entails either a

good quality product at a low price, or a better quality product that is worth paying more for. Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson and Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (1980) outlines the three approaches to competitive strategy these being striving to be the overall low cost producer, (that is, low cost leadership strategy), seeking to differentiate one's product offering from that of its rivals, (that is, differentiation strategy) and lastly focus on a narrow portion of the market, (that is, focus or niche strategy).

1.1.1 Competitive Strategy

Porter (1998) described 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 (1998) competitive strategy is about being different. This means deliberately performing activities differently and in better ways than competitors.

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson and Strickland, 2002). It concerns what a firm is doing in order to gain a

sustainable competitive advantage. Porter outlined the three approaches to competitive strategy these being Striving to be the overall low cost producer, that is, low cost leadership strategy, secondly Seeking to differentiate one's product offering from that of its rivals, that is, differentiation strategy and lastly Focus on a narrow portion of the market, that is, focus or niche strategy.

It was argued that competitive strategy enables a firm to define its business today and tomorrow, and determine the industries or markets to compete. Grant (2000) suggested that the intensity of competition in an industry determines its profit potential and competitive attractiveness. Competitive strategy will assist a firm in responding to the competitive forces in these industries or markets (from suppliers, rivals, new entrants, substitute products, customers). Owiye (1999) argued that competitive strategies will be vital to a firm while developing its fundamental approach to attaining competitive advantage (low price, differentiation, niche), the size or market position it plans to achieve, and its focus and method for growth (sales or profit margins, internally or by acquisition)

1.1.2 Competitive Strategy and Performance

Competitive advantage is an advantage over competitors gained by offering consumers greater value either by means of lower prices or by providing benefits and services that justify higher prices (Thompson et al, 2007). Sources of competitive advantage include high quality products, superior customer service and achieving lower costs than rivals. To succeed in building a sustainable competitive advantage, a firm must try to provide

what buyers will perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth paying more for.

A fundamental objective of marketing strategy research is to examine and better understand how firms develop and sustain competitive advantage, and how this leads to better firm performance outcomes (McNaughton *et al.*, 2002). However, as Vorhies and Morgan (2003) indicate, implementation is a critical issue requiring much more attention with regard to competitive advantage and firm performance. Previous studies have examined the relationships among differentiation strategy, cost-leadership strategy and new product activity and firm performance (Homburg *et al.*, 2004).

Frank (1970) argues that competitive strategy enables a firm to define its business today and tomorrow, and determine the industries or markets to compete. Grant (2000) suggest that the intensity of competition in an industry determines its profit potential and competitive attractiveness. Competitive strategy will assist a firm in responding to the competitive forces in these industries or markets (from suppliers, rivals, new entrants, substitute products, customers). Owiye (1999) argues that competitive strategies will be vital to a firm while developing its fundamental approach to attaining competitive advantage (low price, differentiation, niche), the size or market position it plans to achieve, and its focus and method for growth.

Successful strategies lead to superior performance and sustainable competitive advantage. The ability of a bank to command a competitive advantage depends on the sustainability of the competitive advantages that it commands (Thompson, 2003). Although

competitive strategies is key to profitability, it is not known to what extent K-Rep has put in place strategies aimed at ensuring that optimal strategies are deployed on its areas of its operation and the effect of the strategies on the bank performance. Poor strategies have huge negative impact on the bank profitability. K-Rep has deployed a number of competitive strategies overtime including cost reduction, product differentiation, branch expansion and extensive promotion and advertising.

1.1.3 The Banking Industry In Kenya

Kenya currently has 43 licensed commercial banks and one mortgage finance company. Of these 44 institutions, 31 are locally owned while 13 are foreign owned. Citibank, Habib Bank and Barclays Bank are among the foreign-owned financial institutions in Kenya. The government of Kenya has a substantial stake in three of Kenya's commercial banks. The remaining local commercial banks are largely family owned. Commercial banks in Kenya accept deposits from individuals and turn a profit by using the deposits to offer loans to businesses with a high interest rate (www.centralbank.go.ke).

The Central Bank notes that advancement in Information and Communications Technology (ICT) in the banking industry has enhanced efficiency and improved customer service. This is reflected particularly in the increased use of ATM cards resulting from broadening of ATM network, including additional ATM machines and a wider network of merchants that accept payment through credit/debit cards. Several banks have also entered into the Internet Banking and established websites. Internet banking however is still at its infancy and more in terms of utilization is expected in this sector. The level of competition between banks is therefore very high to attract the retail

customers as just their numbers there comes in a big chunk of business either in form of deposit or loans. There has been a shift from waiting for the customers to come to the banks, to now the bank going out of its way to look for the customers (www.centralbank.go.ke).

1.1.4 K-Rep Bank

K-Rep Bank is a commercial bank in Kenya, licensed by the Central Bank of Kenya, the national banking regulator. K-Rep was founded in 1984 as USAID project. In the beginning, the organization provided grants and technical assistance to NGOs. The NGOs then made loans to micro-enterprises. In 1989, K-Rep changed its strategy from making grants to NGOs to lending to the NGOs. The technical assistance that had been hitherto provided for free now attracted a fee. In 1999, K-Rep re-organized itself into four entities: K-Rep Group, this is the parent company. It owns, either wholly or partially, the other three subsidiaries, K-Rep Bank; this is the lending arm of the Group. It is the core business of the Group. In addition to K-Rep Group, the bank has several International strategic shareholders as outlined below, K-Rep Development Agency-this company carries out research and developmental assistance work for the Group. K-Rep Advisory Services – This is a consulting company, which provides consultancy services for a fee. The bank is a small-sized microfinance bank serving the urban and rural poor in Kenya, as well as financing their small-to-medium business enterprises. As of June 2014, the total asset valuation of K-Rep Bank was approximately US\$161 million (KES:13.9 billion), with shareholders' equity of approximately US\$44 million (KES:3.79 billion).

1.2 Statement of the Problem

In order to survive and remain profitable in the competitive environment, it becomes necessary for companies to be aggressive in their search and development of strategies that provide competitive advantage as they step up defensive strategies to protect their competitive advantages held (D'Aveni, 1994). Strategic deployment of competitive strategies is a fundamental function for every company. Any company that fail to adopt a competitive strategies will continuously experience heavy financial loses. Banks with strong financial background have long realized this key operational aspect and their strategy is to deploy various based on prevailing demands. Success of any bank depends on implementation of deployed competitive strategies.

A number of studies have been done on competitive strategies but under different contexts in Kenya. Murage (2001) analyzed the competitive strategies in the petroleum industry and found that service stations use differentiation as a method of obtaining competitive advantage over other service stations. Gathoga (2001) focused on competitive strategies by commercial banks in Kenya. The study revealed that banks in Kenya use various means in order to remain competitive, he also concluded that expansion into other areas by opening new branches has also, been used as a strategy. Karanja (2002) did a survey of competitive strategies of real estate firms in the perspective of Porter's generic model. These studies reveal that firms in different industries adopt different competitive strategies which are unique in each context. The current study aims to investigate competitive strategies adopted by K-Rep Bank. The study therefore seeks to answer the following research questions, what are the

competitive strategies adopted by the K-Rep bank? What are the challenges faced in adopting such strategies?

1.3 Objectives of the Study

The study was guided by the following objectives:

1. To determine the competitive strategies adopted by K-Rep bank to cope with competition in banking industry in Kenya
2. To establish the challenges faced by K-Rep bank from competition in the banking industry in Kenya

1.4 Value of the Study

First and foremost, the findings of this study will be most useful to management on understanding of the various strategies adopted by commercial banks in responding to competition within the sector and also competitive strategies they could adopt so as to ensure that they stay competitive. This will help in improving their performance in form of returns.

To government institutions, the study will aid in policy formulation to improve productivity, setting up of appropriate institutional infrastructure geared towards improving the sector and acquisition and provision of appropriate technology and premises, including research and development.

To researchers and academicians, this research will provide an understanding of the nature of competitive strategies adopted by small commercial banks in Kenya. This will be vital for future reference and will contribute to the available body of knowledge.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter looks at the past studies on competitive strategies adopted by organization. The chapter also presents literature and previous studies that have been conducted on the competitive strategy adoption.

2.2 Theoretical Review

This study is grounded on two theories, that is competitive advantage theory and resource based theory. Competitive advantage theory suggests that states and businesses should pursue policies that create high-quality goods to sell at high prices in the market. Porter emphasizes productivity growth as the focus of national strategies. Competitive advantage rests on the notion that cheap labor is ubiquitous and natural resources are not necessary for a good economy. The other theory, comparative advantage, can lead countries to specialize in exporting primary goods and raw materials that trap countries in low-wage economies due to terms of trade. Competitive advantage attempts to correct this issue by stressing maximizing economies of scale in goods and services that garner premium prices (Stutz and Warf, 2009).

The Resource-based theory has become one of the most influential and cited theories in the history of management theorizing. It aspires to explain the internal sources of a firm's sustained competitive advantage (Kraaijenbrink, Spender, & Groen, 2010). According to the resource-based view, in order to develop a competitive advantage the firm must have

resources and capabilities that are superior to those of its competitors (Clulow, Gerstman and Barry, 2003). Without this superiority, the competitors simply could replicate what the firm was doing and any advantage would quickly disappear. Resources are the firm-specific assets useful for creating a cost or differentiation advantage and that few competitors can acquire easily (Passemard, 2000).

2.3 Concept of Strategy

Strategy is a deliberate search for a plan of action that will develop a business's competitive advantage and enhance it. For any organization, the search is an iterative process that begins with recognition of where you are now and what you have now. The differences between a firm and its competitors are the basis of its advantage. If a firm is in business and is self-supporting, then it already has some kind of advantage, no matter how small or subtle. The objective is to enlarge the scope of the advantage, which can only happen at some other firm's expense (Clayton, 1997).

Thus, strategy development is a multidimensional process that must involve rational analysis and intuition, experience, and emotion. But, whether strategy formulation is formal or informal, whether strategies are deliberate or emergent, there can be little doubt as to the importance of systematic analysis as a vital input into the strategy process. Without analysis, the process of strategy formulation, particularly at the senior management level, is likely to be chaotic with no basis for comparing and evaluating alternatives. Moreover, critical decisions become susceptible to the whims and

preferences of individual managers, to contemporary fads, and to wishful thinking (Denton and White, 2000).

A strategy serves as a vehicle for achieving consistent decision making across different departments and individuals. Hambrick and Cannella (1989) view organizations as composed of many individuals all of whom are engaged in making decisions that must be coordinated. For strategy to provide such coordination it requires that the strategy process act as a communication mechanism within the firm. Such a role is increasingly recognized in the strategic planning processes of large companies. The shift of responsibility of strategic planning from corporate planning departments to line managers and the increased emphasis on discussion the businesses units and the corporate headquarters (as opposed to the formal approval of written plans) are part of this increased emphasis on strategic planning as a process for achieving coordination and consensus within companies (Chakravarthy and White, 2001).

2.4 Competitive Strategies

Today's dynamic markets and technologies have called into question the sustainability of competitive advantage. Under pressure to improve productivity, quality, and speed, managers have embraced tools such as TQM, benchmarking, and reengineering Safford (2005). Dramatic operational improvements have resulted, but rarely have these gains translated into sustainable profitability. And gradually, the tools have taken the place of strategy. Njau (2000) argues that as managers push to improve on all fronts, they move further away from viable competitive positions. Michael Porter argues that operational

effectiveness, although necessary to superior performance, is not sufficient, because its techniques are easy to imitate. In contrast, the essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match.

Hitt et al (1997) holds that a winning competitive strategy is always founded on consistently understanding and predicting changing market conditions and customer needs. The goal of much of business strategy is to achieve a sustainable competitive advantage. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself (Kombo, 1997). Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation. A resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation.

2.4.1 Cost Leadership Strategy

This is Porter's generic strategies known as cost leadership (Malburg, 2000). This strategy focuses on gaining competitive advantage by having the lowest cost in the industry (Porter, 1987, 1996; Cross, 1999). In order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost manufacturing, and a

workforce committed to the low-cost strategy (Malburg, 2000). The organization must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing activities to other organizations with a cost advantage (Malburg, 2000). For an effective cost leadership strategy, a firm must have a large market share (Hyatt, 2001). There are many areas to achieve cost leadership such as mass production, mass distribution, economies of scale, technology, product design, input cost, capacity utilization of resources, and access to raw materials (Malburg, 2000). Porter (1985) purports only one firm in an industry can be the cost leader (Sy, 2002) and if this is the only difference between a firm and competitors, the best strategic choice is the low cost leadership role (Malburg, 2000).

Lower costs and cost advantages result from process innovations, learning curve benefits, and economies of scale, product designs reducing manufacturing time and costs, and reengineering activities. A low-cost or cost leadership strategy is effectively implemented when the business designs, produces, and markets a comparable product more efficiently than its competitors. The firm may have access to raw materials or superior proprietary technology which helps to lower costs.

Cost leadership strategy seeks to achieve above-average returns over competitors through low prices by driving all components of activities towards reducing costs. To attain such a relative cost advantage, firms will put considerable effort in controlling and production costs, increasing their capacity utilization, controlling materials supply or product distribution, and minimizing other costs, including R&D and advertising.

Firms do not have to sacrifice revenue to be the cost leader since high revenue is achieved through obtaining a large market share (Porter, 1987). Lower prices lead to higher demand and, therefore, to a larger market share (Helms et al., 1997). As a low cost leader, an organization can present barriers against new market entrants who would need large amounts of capital to enter the market (Hyatt, 2001). The leader then is somewhat insulated from industry wide price reductions (Malburg, 2000). The cost leadership strategy does have disadvantages. It creates little customer loyalty and if a firm lowers prices too much, it may lose revenues (Cross, 1999).

This generic strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. In the event of a price war, the firm can maintain some profitability while the competition suffers losses. Even without a price war, as the industry matures and prices decline, the firms that can produce more cheaply will remain profitable for a longer period of time. The cost leadership strategy usually targets a broad market, (Davidson, 2001).

Cost leadership is based on lower overall costs than competitors. Firms that achieve low cost leadership generally make low cost relative to competitors the theme of their business strategy. The firm opens up a sustainable cost advantage over competitors and uses that lower cost as a basis for either under pricing the competitors and gaining a larger market share at their expense or earning a higher profit margin by selling at the going price.

A low cost leader's basis for competitive advantage is lower overall costs than competitors. This requires the firm to: be better than rivals on efficiency and cost control and continuously seek creative and innovative ways of cutting costs. Successful low cost producers achieve cost advantages by exhaustively pursuing cost savings throughout the activity cost chain. A cost leadership strategy is designed to produce goods or services more cheaply than competitors by stressing efficient scale of operation. When a firm designs, produces, and sells a comparable product more efficiently than its competitors as well as its market scope is industry-wide, it means that the firm is carrying out the cost leadership strategy successfully (Brooks, 1993).

Firms often drive their cost lower through investments in efficient-scale facilities, tight cost and overhead control, and cost minimizations in such areas as service, selling and advertising (Porter, 1980). They often sell no-frills, standardized products to the most typical customers in the industry. Thus, the primary thing for a firm seeking competitively valuable way by reducing cost is to concentrate on maintaining efficiency through all activities in order to effectively control every expense and find new sources of potential cost reduction (Dess and Davis, 1984).

Hambrick (1983) argues that the main dimension of the cost leadership strategy is efficiency, the degree to which inputs per unit of output are low. Efficiency can be subdivided into two categories: cost efficiency which measures the degree to which costs per unit of output are low, and asset parsimony which measures the degree to which assets per unit of output are low. Together, cost efficiency and asset parsimony, capture a

firm's cost leadership orientation. To the extent that firms following an efficiency strategy succeed in deploying the minimum amount of operating costs and assets needed to achieve the desired sales, they would be able to improve their financial performance. Such firms pay great attention to asset use, employee productivity and discretionary overhead. Their customers buy their products primarily because they are priced below their competitors' equivalent products, an advantage achieved through minimizing costs and assets per unit of output (Hambrick, 1983). To the extent that a cost leadership strategy is built on such generic solutions related to operational efficiency, we expect that such a strategy would be more susceptible to imitation by competitors and peers, implying that the comparative cost advantages would dissipate over time, (Abarbanell and Bushee, 1998).

2.4.2 Market Focus

The focuser's basis for competitive advantage is either lower costs than competitors serving that market segment or an ability to offer niche members something different from competitors. Focusing is based on selecting a market niche where buyers have distinctive preferences. The niche is defined by geographical uniqueness, specialized requirements in using the product or by special attributes that appeal to members, (Stone, 1995).

A focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy than the rest of the market. On the other hand, a focus strategy based on differentiation depends on there being a buyer segment that demands unique

product attributes. In the focus strategy, a firm targets a specific segment of the market (Porter, 1996). The firm can choose to focus on a select customer group, product range, geographical area, or service line (Martin, 1999). For example, some service firms focus solely on the service customers (Stone, 1995). Focus also is based on adopting a narrow competitive scope within an industry.

Focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements. A successful focus strategy (Porter, 1980) depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy. Midsize and large firms use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies. But, focus strategies are most effective when consumers have distinct preferences and when the niche has not been pursued by rival firms (David, 2000).

2.4.3 Differentiation

Differentiation strategies are marketing techniques used by a firm to establish strong identity in a specific market; also called segmentation strategy. Using this strategy, a firm will introduce different varieties of the same basic product under the same name into a particular product category and thus cover the range of products available in that category. Differentiation strategy can also be defined as positioning a brand in such a

way as to differentiate it from the competition and establish an image that is unique, (Davidow and Uttal, 1989). Differentiation strategy aims to build up competitive advantage by offering unique products which are characterized by valuable features, such as quality, innovation, and customer service. Differentiation can be based on the product itself, the delivery system, and a broad range of other factors. With these differentiation features, firms provide additional values to customers which will reward them with a premium price.

Firms that succeed in a differentiation strategy often have access to leading scientific research, highly skilled and creative product development team, strong sales team with the ability to successfully communicate the perceived strengths of the product and corporate reputation for quality and innovation, (Baum and Oliver, 1992). Successful differentiation is based on a study of buyers' needs and behaviour in order to learn what they consider important and valuable. The desired features are then incorporated into the product to encourage buyer preference for the product. The basis for competitive advantage is a product whose attributes differ significantly from rivals' products. Efforts to differentiate often result in higher costs. Profitable differentiation is achieved by either keeping the cost of differentiation below the price premium that the differentiating features command, or by offsetting the lower profit margins through more sales volumes, (Grant, 2000).

With the differentiation strategy, on the other hand, the unique attributes or perceptions of uniqueness and characteristics of a firm's product other than cost provide value to

customers. The firm pursuing differentiation seeks to be unique in its industry along some dimension that is valued by customers, which means investing in product R&D and marketing (Porter, 1980). It is the ability to sell its differentiated product at a price that exceeds what was spent to create it that allows the firm to outperform its rivals and earn above-average returns, (Dess and Davis, 1984). A product can be differentiated in various ways. Unusual features, responsive customer service, rapid product innovations and technological leadership, perceived prestige and status, different tastes, and engineering design and performance are examples of approaches to differentiation (Porter, 1980). Rather than cost reduction, a firm using the differentiation needs to concentrate on investing in and developing such things that are distinguishable and customers will perceive. Overall, the essential success factor of differentiation in terms of strategy implementation is to develop and maintain innovativeness, creativeness, and organizational learning within a firm (Ireland et al., 2001; Porter, 1985).

2.4.4 Grand Strategies

Firms may respond to increased competition by entering new markets with similar products. These could be markets they are currently serving or new geographical markets. Firms may also react to competitive forces by developing new products. This will be aimed at reducing risks through diversification as a means of responding towards competitive forces and could be related or unrelated. Related diversification may take the form of vertical or horizontal integration. In the face of increased competition, this has the benefit of cost reduction, defensive market power and offensive market power. Backward integration takes a firm closer to suppliers while forward integration moves it

closer to its customers. Forward diversification may involve acquisitions of business not within the current product and market scope (Pearce and Robinson, 2007).

Firms can also respond to competition by collaborating with other players in the industry. Such collaborations take the form of strategic alliances, mergers and acquisitions, licensing, franchising among others. As argued by Harrigan (2002) strategic alliances are more likely to succeed when partners possess complimentary assets and thus a firm will seek knowledge it considers lacking but vital for the fulfilment of its strategic objectives. One traditional view is that in seeking and applying this relevant knowledge, a firm will furthermore need to possess a knowledge base in the same or similar area, since only such similarity will allow for an understanding of the intricacies of the new knowledge as well as of its applicability to the firm's unique circumstances (Cohen and Levinthal, 1990). Differentiation is used by firms as a response technique to increased competition. A firm can also result to creating entry, mobility and substitute barriers to strategic groups. Such barriers can be in the form of differentiation that makes it difficult to imitate products.

2.5 Porter's Five Forces Analysis

The Porter's Five Forces Model illustrates how the competitive landscape in an industry is impacted by five prominent forces. These forces are: Supplier power, Threat of new entrants, Buying power, Threat of substitutes, and Rivalry. The degree of rivalry is the center of this model as the other 4 forces branch off of this. Each of the forces influences the nature of competition in the industry. Additionally, organizational strategies are often

impacted as companies formulate their strategies in order to respond to the dominant competitive forces in any particular industry.

The bargaining power of suppliers is a reversal of the power of buyers. This force can also be described as the market of inputs. The suppliers of raw materials, labor, and expertise services provide industries and have power over industries. The bargaining power is in the price for the materials or services provided (Chipotle, 2011). Many industries have a plethora of suppliers that offer these things needed, but some don't. Some industries only have one or two suppliers and those suppliers can put any price on the materials/services they offer. The bargaining power of customers certainly plays an important role. When buyer power is strong, the buyer can essentially set the price. The customers of the fast casual markets demand high quality food and a unique experience, coupled with a reasonable price. Although fast casual restaurants may raise prices, the industry must do so in ways that do not significantly exceed that of competitor's or violate customer expectations (Lauron, 2009).

The threat of new entrants is extremely high in the banking segment. The reason existing fast casual chains must understand that there is a threat of new entrants is because there are very few barriers to entry. If someone can revolutionize the experience, it would be extremely easy to enter into the banking industry This is perhaps the biggest reason banks must take note of any potential competition that could threaten their business. Firms can obtain a competitive advantage by one or more of the following four ways: Changing prices, improving product differentiation, creatively using channels of distribution and

exploiting relationships with suppliers. The rivalry in an industry will be increased with a large number of firms because they are competing for the same customers and the relatively the same market share (Kosas, 1998). A firm can increase their revenues simply because of the expanding market.

The bargaining power of customers certainly plays an important role. When buyer power is strong, the buyer can essentially set the price. The customers of the banking sector demand high quality services and a unique experience, coupled with a reasonable price. If the interest rates become too high, customers would unquestionably leave this bank and venture to other banks.

The threat of substitutes refers to products outside of the industry. A threat of substitutes exists when a products demand is affecting by a price change in a substitute product. In the Porter model, the threat of substitutes usually impacts an industry through price competition. The threat of new entrants is extremely high in the banking industry. The reason existing banks must understand that there is a threat of new entrants is because there are very few barriers to entry. This is relatively inexpensive for starting up a new business, making it rather easy for individuals to acquire the funds to start their own bank. Another important subject worth noting is the fact that it is the experience that sets banks from its competition. Thus, if someone can revolutionize the experience, it would be extremely easy to enter into the industry. This is perhaps the biggest reason banks must take note of any potential competition that could threaten their business.

Competition among firms is high in this industry. It comes down to gaining a competitive advantage over the other companies in an industry. Firms can obtain a competitive advantage by one or more of the following four ways: Changing prices, improving product differentiation, creatively using channels of distribution and exploiting relationships with suppliers. The rivalry in an industry will be increased with a large number of firms because they are competing for the same customers and the relatively the same market share; people who eat food. There are a total of 44 banks that compete, as well as other micro finance organizations and shylocks that lend money just like banks.. Slow market growth also causes companies to compete for market share. However, a firm can increase their revenues simply because of the expanding market

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is a general approach to studying a research topic. This chapter, therefore, explores how the research was carried out. It involves a blueprint for the collection, measurement and analysis of data. Specifically the following subsections are included; research design, population, sample, data collection and data analysis.

3.2 Research Design

This research problem was studied through the use of a descriptive research design. However some qualitative approach was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the quantitative study. The study was case study approach. A case study is an in-depth investigation of an individual, institution or phenomenon (Mugenda & Mugenda, 2003). This justifies why a case study is chosen as it enables the researcher to have an in-depth understanding of the facts of the competitive strategies adopted by the K-rep bank.

3.3 Data Collection

The study was purely primary data. Interview guides was used as a data instrument to collect primary data from the respondents' targeted. Interview guides are issued to Heads in specific department in K-Rep Bank in the department of operations, credit and K-Rep Bank Foundation Group to collect primary data. Specifically, the study targeted 4 respondents in each department.

3.4 Data Analysis

The data that was collected from the respondents was qualitative in nature. The researcher used content analysis to analyze the data through describing phenomena, classifying it and seeing how the concepts interconnect as was indicated by the respondents. This approach of analysis was preferred because it gave results that were predictable, directed, or comprehensive. Content analysis also enabled the researcher to shift through large volumes of data with relative ease in a systematic fashion.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the findings, analysis, interpretation and presentation of data collected. Data was analyzed using content analysis.

4.2 Respondents profile

This section presents the profile of the respondents. Out of the targeted four (4) respondents in operations, credit and K-Rep Bank Foundation Group departments, eight of them were available for the interview. Those head that did not respondent either declined to participate in the study, or were engaged in responsibilities outside the country. The researcher was interested in establishing the highest level of education, designation of the respondents in the Bank and number of years worked for K-REP bank of Kenya. The detailed finding of the respondents demographic is presented in the paragraph that follows.

All the respondents declined to mention their names and even insisted that the researcher should not include their names in the study findings. Regarding highest level of education, all the respondents had a master's level of education. The eight respondents were Head of Department, Senior Managers, Assistant Managers, and Lower Level Managers in each department. Four respondents had worked in the bank for 6 years and

above, two had worked between three (3) to five (5) years while three had worked for less than two years for K-REP bank.

4.3 Competitive strategies adopted by K-Rep bank

This section presents information on the competitive strategies adopted by K-Rep bank to cope with competition in banking industry in Kenya. All the respondents noted that K-Rep bank had adopted strategies to enhance its competitive advantage. Most respondents indicated that in articulating the bank strategic plan, they identified a clear value proposition to their clients that will guide the Banks competitiveness. According to the respondents, some of the activities that the bank engages in to enhance its competitive advantage include: branch network expansion; innovation; tailoring financial products to meet diverse client needs; capacity building for clients; drop-out rates for women. One respondent noted that K-REP Bank's primary innovations include client input, monitoring and group cohesiveness.

According to the respondents, the bank charges interest rates sufficient to cover operating and financial costs. The decision was informed by lessons learned from poor performance in a few of its lending schemes. Also, the respondents asserted that the bank has adopted strong branch network, the IT strategy and even offering their services through the internet to counter competition. From the respondents' views, K-REP Bank faces increasing competition for clients from other MFIs such as Faulu Kenya and Kenya Women's Finance Trust among many others due to the success of the micro-finance industry in Kenya. The respondents noted that the competitors are constantly developing

new products and innovating in other ways. One of the common example respondents indicated is the Faulu Kenya recent product of “chini kwa chini” loan financing. Further, most of the respondents indicated that the unique loan product offered by the bank has greater development impact in the following sectors; the small and micro-business activity, household development, education and healthcare.

Most of the respondent indicated that the Bank has distinguished from other commercial banks or financial institutions by its social mission of addressing poverty by supporting employment, income generation and savings mobilization among low-income and poor people. The respondents further noted that the bank has diverse range of products, namely; Microfinance group based loans, special projects, personal banking and business banking. Ansoff and McDonnell (1990), describe a market environment where no organization can hope to stay afloat if it fails to come up with proper strategies to counter competition.

In the World Bank case study entitled “The Case of K-REP Bank Nairobi, Kenya” the authors lists institutional commitment to pro-poor policies, political commitment to poverty alleviation, ability to adapt to change and external catalysts as the main success factors for K-REP Bank. The respondents emphasized that K-REP Bank has learned valuable lessons along the way as it evolved from a small micro finance institution to a pro-poor commercial bank.

The respondents mentioned that the bank stiff competition from other banks, competition from microfinance organizations, mobile banking and SACCOs. All the respondents expressed concern on the increased mobile banking services and SACCOs considering their margins and range of customers/client. From the one of the respondents view, micro-enterprise finance serves primarily commerce, trade, manufacturing and the service sectors. However, K-REP Bank also serves a wide variety of other clients ranging from non-governmental organizations, government agencies, and international organizations to private sector clients.

Despite the challenging macroeconomic environment characterized by high interest rates, high inflation and volatile exchange rates, the K-Rep Bank will need to position itself strategically in order to survive in this fragile economy and to continue to provide the services without inconveniencing the customers. One respondent emphasized that increased competition within the financial sector has been one of the biggest challenges that K-Rep Bank has faced is competition. He further noted that with the liberalization of the central bank rules to the financial institution has caused competition in the financial sector to rise at a phenomenal rate.

The respondents indicated that they use a combination of cost leadership and differentiation strategies to compete in the market. According to Porter (1987), 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 the low cost producer. A firm may gain cost advantage through economics of scale, proprietary technology, cheap raw material,

among others. The strategy of differentiation involves offering a different product, a different delivery system, or using a different marketing approach. And it is up to the management of the company to decide which factors it wants to emphasize in order to gain competitive advantage (Porter, 1987).

Respondents noted that the bank applies more differentiation strategies than cost leadership. According to the respondents, the K-Rep bank seeks to achieve industry wide recognition and superior products and services through differentiation approach. The respondents further noted that differentiation strategy is useful whenever buyer's needs and preference are too diverse to be fully satisfied by standardized products or by sellers with identical capabilities.

Most of the respondents, the bank applies low prices through pricing below the competitors and keeping lower overheads than the competitors. Also, the respondents mentioned that the bank employs cost leadership strategy through good management of their overhead costs, ensuring that they employ competent employees, and giving good training to its staff in customer care and product knowledge issues to ensure that they understand their customer and product well in order to enforce customer satisfaction and ensure customer loyalty to the products and services offered by the bank.

The respondents further noted that K-Rep Bank focuses on the development and refinement of existing products, invested in technology to drive down the costs, employed highly trained/experienced personnel, and invested in training and

organizational learning. Most respondents were of the view that the Bank targets many market segments, namely; micro– finance based loans, personal banking, business banking and special projects such as water project financing.

Most of the respondents emphasized the Bank’s philosophy that describe banking and financial services as basic human rights, and every Kenyan, especially low-income people, must have adequate access to these services. Also, the respondents expressed that the bank believes that the micro-entrepreneurs are bankable and that accessible banking and financial services are commercially viable. K-REP Bank also believes that low-income people do not need handouts; what they do need is access to appropriately delivered financial services.

The respondents asserted that bank continuously modernize equipment, adopt the latest information technology, develop human resource, improve management styles, create efficient and low cost innovative services and provide services that are differentiated from the competitors other than the usual services so as to attain customer loyalty. In addition, the respondents noted that the bank employs the following differentiation strategies; Economies of scale through merger and consolidation, new product/services development, Strong branch network, and Broad service/product range. The application of the new product/services development was highly mentioned as the best strategy of differentiating K-REP bank from the competitors.

It should be noted during the interviews with respondents, it was established that commercial banks all offer almost the same products all through and the only way in which K-REP bank attempt to make their products/services different (differentiation) is in the brand names, offering spectacular products and the packaging of the services or the products. Another area that all respondents noted the bank use product differentiation is in the use of the technology for instance the ATMs, the M-pesa banking and the Mobile Banking platforms. Most of the respondents noted that the bank targets many market segments namely; namely; micro– finance based loans, personal banking, business banking and special projects such as water project financing.

Most respondents agreed that the banks performance has improved based on the competitive strategies adopted that is, cost leadership and differentiation strategies. Also, majority of the responses indicated that these strategies had increased their chances of achieving more customers base, the strategies also enabled K-Rep Bank to gain presence in all the counties as well as improving their services through these strategies. Customer consistence deposits, creation of strong information technology platform services, increased performing loans, and excellent customer service were among the benefits that the bank had gained through these competitive strategies. Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson and Stickland, 2002). Competitive strategy therefore earns competitive advantage by establishing a favourable and sustainable position against the forces that determine industry competition (Porter, 1985).

Competitive advantage is obtained when an organisation develops or acquires a set of attributes (or executes actions) that allow it to outperform its competitors. Researchers subscribing to the RBV argue that only strategically important and useful resources and competencies should be viewed as sources of competitive advantage (Barney 1991). Competitive strategy of the firm is the roadmap that shows the way to gaining sustainable competitive advantage by the firm. Thus, competitive advantage depicts a company's competencies and its capability to survive against the factors prevailing in the firm's external environment. Therefore, gaining competitive advantage entails a set of specialized skills, assets, and capabilities for the organization. Majority of the respondents noted that they chose to use the competitive advantage strategies due to increased competition in the banking industry. Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies (Pearce and Robinson 2005).

4.4 Challenges faced by K-Rep bank from competition

Most respondents were of the view that entry of new firm in the industry affects the profitability of K-REP bank. According to the respondents entry of new firms erodes profits by reductions in sales and shares, and reductions in market concentration, which greater internal (industry) rivalry, and often reducing cost-price margins. Pearce and Robinson, (2007) the threats to new entrants refer to the possibility that the profits of established firms in the industry may be eroded by new competitors. The respondents indicated that the Bank engaging in branch expansion to counter the effects of entrance of new players. Currently, the Bank has 38 branches across the country. Competition

determines the appropriateness of a firm's activities that can contribute to its performance such as innovations, a cohesive culture, or a good implementation (Porter, 2005). Competition erodes profitability; as competition increases the interest of different stakeholders converge around the goal of survival (Grant, 2005). Competition, according to the micro-economic theory causes commercial firms to develop new products, services, and technologies.

According to most of the respondents' competitive pressures intensify most powerfully when competition develops from outside the traditional industry as entry barriers decline. One of the respondents attributed this to new entrants often have different cost structures, are less bound by fixed costs, and are often more prepared to challenge traditional industry practices. Also, the respondents indicated that the need to continuously improve the services and offer low cost innovative services is a great challenge to K-Rep given the dynamic nature of the business environmental factors and competition in the industry.

The respondents asserted that there are a number of challenges that the Bank face in their efforts to adopt product differentiation strategies. Among the challenges outlined by the respondents include high expectations from customers, cut throat competition in terms of pricing of the products in the market, brand confidence among the prospective customers, government rules, bureaucracy, marketing, high cost of operation, difficulty in accessing qualified and experienced staff and the increased competition in the industry from other entrants in the banking sector.

Majority of the respondents asserted that entry of a new firm in the banking industry impacts greatly on customer loyalty with K-Rep's Bank products and services. Some of the respondents gave an example of licensing of Gulf African Bank Limited in 2007 and First community Bank limited in 2008 reduced K-Rep's Muslim customer base due to religious inclination of customers. In addition, two respondents pointed out that Faulu Microfinance Bank Limited (the first registered DTM in Kenya under the Micro-Finance Act and is regulated by the CBK in May 2009) reduced K- Rep's customer deposits especially from Small and Medium Enterprises, groups and women/youth welfare organizations. One respondent indicated that entry of a new firm has forced K- Rep Bank to improve and expand their current business operations to ensure profitability and maintain customer relationships.

Most of the respondents asserted that the banking industry is flooded by the other financial service providers like the MPESA, SACCOS, insurance companies that are providing almost the same services to the customers as the commercial banks provide. According to the respondents, this has increases the propensity of customers to switch to alternatives. Some respondents noted that to compete successfully in markets where products are the same or very similar, and prices are basically the same, service is often the only competitive advantage available.

Most respondents were quick to point out that relative low price of substitutes limit the potential returns of an industry by placing a ceiling on the prices that firms in that industry can profitably charge. From the interviews with the respondent, it was evidenced

that the threat of substitute was highly intense and this pose a major threat to the bank. The respondents mentioned that currently they are many financial service providers in the industry competing for the same customers causing intense competition in the industry and K-Rep Bank needs to improve their services to reduce the force of competition caused by the threat of substitute products.

According to the respondents, the 43 licensed commercial banks in Kenya offer similar services and products. From the findings, the respondents asserted that K-Rep Bank has to focus on differentiating its products and services as well as a number of activities in their value chain to create a perception of having unique value in the eyes of the customers. One respondent further explained that, in differentiating its products, the bank is be able to charge a premium price for its products and services, attract new customers and investors, penetrate new markets with relative ease, attract new talented people seeking employment, attract reliable, reputable suppliers and also draw the attention of strategic partners seeking business alliances. In time, the strategies employed by banks and their various capabilities may allow banks to achieve a position of sustainable competitive advantage, which will in turn lead to increased revenues for the bank and will ultimately meet all stakeholders' needs.

All the respondents noted that dependency upon existing channels of distribution by K-Rep's affected competitive strategies adopted. Some of them proposed a complete remodeling of the channel of distribution due to increased competition, advances in technology and changes in customer tastes and preferences. Most respondents noted that

K-Rep Bank respond to the new operating environment by adapting their strategies, seeking new distribution channels and changing their organizational structures.

From the interview with respondents, each one of them had different opinion on the impact of inputs on cost at competitive strategies adopted by K-Rep bank. Some respondents were of the view that in the recent past, the bank had high operational costs due to low interest rates charged on loans, and poor performance of its lending schemes. The respondents indicated that the Bank had to change its competitive strategies in order to achieve the company targets. One such measure mentioned by the respondents was to charge interest rates sufficient to cover operating and financial costs.

The researcher asked the respondents to indicate whether sustainable competitive advantage through innovation affects the competitive strategies adopted by the Bank. Most of the respondents agreed that sustainable competitive advantage through innovation affects the competitive strategies adopted by K-Rep Bank. One of the respondents mentioned that the Bank put a lot of emphasis on employees marketing knowledge so as to enhance innovation in the marketing techniques methods.

4.5 Discussions

The findings of the study have broadened the viewpoint of the various perspectives provided by the competitive advantage and resource based theories. In addition, the findings of the study provide a systematic method: for identifying, understanding, operational zing and evaluating the various perspectives of the theories used in this study.

Also, the findings of this study is beneficial to management on understanding of the various strategies adopted by commercial banks in responding to competition within the sector and also competitive strategies adopted to ensure that they stay competitive. This in turn helps in improving their performance in form of returns. In addition, the findings of the study provide literature to researchers and academicians provide a better understanding of the nature of competitive strategies adopted by commercial banks in Kenya. This is vital for future reference and contributes to the available body of knowledge. The study will also assist other bank managers make appropriate decisions following the sample strategies that have been implemented by K- Rep bank to have a competitive advantage.

The study findings will guide policy formulation to improve productivity, setting up of appropriate institutional infrastructure geared towards improving the sector and acquisition and provision of appropriate technology and premises, including research and development.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings, conclusion, recommendations, limitation of the study and suggestions for further study.

5.2 Summary

The objective of this study was to determine the competitive strategies adopted by K-Rep bank to cope with competition in banking industry in Kenya. In addition, the study sought to establish the challenges faced by K-Rep bank from competition in the banking industry in Kenya. From the findings product differentiation and cost leadership are some of the strategies adopted by the bank in response to the competitive environment. Regarding differentiation strategy, all the respondents emphasized on the development of a strong branch network, on investment in technology to differentiate services and products, on providing a broad range of products/services to customers, and on the development of new products and services.

Most of the respondents noted that K-Rep Bank use the cost leadership strategies in their efforts to gain competitive advantage through good management of their overhead costs, ensuring that they employ competent staffs, and giving good training to its staff in customer care and product knowledge issues to ensure that they understand their customer and product well in order to enforce customer satisfaction and ensure customer loyalty to the products and services offered by the bank. The Bank uses the following

strategies to respond to competition in the banking industry: product offering diversification, branch and regional expansion, relationship marketing, financing, customer-care, innovation, and information technology strategies.

The study found out that K-Rep Bank to be a very adaptive bank with a versatile reactionary mechanism to exploit any emerging gaps in the banking industry. In addition, it is evidenced that strategies were very effective and were successful in responding to the competitive environment, as most of the respondent agreed that it is important that K-Rep Bank responds strategically so that it can have a competitive advantage and survive in the harsh competitive environment. Responding strategically to the competitive environment is very vital and important in the banking industry because currently the industry is becoming very competitive.

In order to maximize its capabilities and organization must effectively exploit its core competencies. Organizations must also focus on achieving competitive advantage that can be preserved over a long period of time. From the study, the respondents noted that the Bank spends a major part of corporate expenditure on technology to differentiate their services and products to the customers and also improving their banking systems to ease their operating costs. There are a number of challenges that K-Rep Bank face in its efforts to adopt competitive strategies that will make them respond well to the competitive environment. Among the challenges outlined in this research are high expectations from customers, high rate of competition, government rules, bureaucracy, marketing and high cost of operation.

5.3 Conclusions

.Porter (1980) defined competitive strategy in terms of the three generic strategies of cost leadership, differentiation and focus. Through cost leadership, K-REP bank aims to achieve overall lower costs than its competitors without reducing the products comparable quality. The respondents noted through the cost leadership strategy, the bank needs to be more vigorous pursuit of cost reduction, right cost and overhead control, avoidance of marginal customer accounts and cost minimization in areas such as research and development, service sales force, and adverts.

The findings concur with the existing literature on strategies to achieve competitive advantage. Competitive edge can be through changes in the firm's strategic behaviors to assure success in the transforming future environment (Ansoff and McDonnel, 1990). Thompson (1999) asserted that any business strategy capable of success must be grounded in competitive advantage wherever it has an edge over its rivals in securing customers and defending itself against competitive forces (Thompson & Stickland, 2002). Barney (1991) argued, a firm can only attain competitive advantage when it implements a value creating activity not being simultaneously implemented by other competitors and when other firms are unable to duplicate the benefits of this strategy.

Strategies adopted by K- Rep Bank have a direct effect on its operation since the strategies respond to the competitive environment. Competitive strategies like product differentiation and cost leadership play a vital role in enabling the bank adapt to the competitive environment under which it operate and have competitive advantage over

other financial service providers. It is therefore important for K-Rep Bank to fully implement these strategies in order to properly cope with the competitive environment.

5.4 Recommendations

The researcher recommends that K-Rep Bank should focus on developing and implementing effective strategies that will enable the bank survive in the competitive environment. The banking sector is currently facing lots of challenges and new products like Mpesa and Slim Sim technology from Equity Bank Limited seem a threat to the industry but if proper strategies are put in place, K-REP Bank will stay operational in the competitive environment. Other recommendations that K-REP Bank can increase its competitive position in the market ,include: re- engineer the group-lending model to exploit the existing opportunities among groups in Kenya; increase client outreach; refine products on the basis of client inputs; and develop different methodologies and varied loan terms to deal with the larger loans needed by micro-enterprises that need such loans. In addition, the bank should focus on greater development of the bank's intermediary role so that it can provide a more complete set of financial services to micro-enterprises; improve the Management Information System; develop simple but comprehensive processes and instruments to guide its lending operations; Identify alternative forms of collateral and ways to incorporate that collateral into its lending schemes; and devise ways to access funds from the financial markets. One respondent emphasized the need for K-REP Bank to continually seek client and stakeholder input to improve its products and monitor its own performance to stay competitive.

Based on the study findings, it is important as a manager to be familiar with the five-force model because it helps managers to decide whether their firm's remain in or exit an industry, it also provides the rationale for increasing or decreasing resource commitments and helps the managers assess how to improve the firm's competitive position with regard to each of the five forces.

5.5 Limitations of the study

Some respondents were of the opinion that some of the information sought was confidential and hence they did not provide adequate feedback. Also, there was inadequate representation from other departmental heads in the Bank who could have provided a different view on the research topic.

Finally, the sample studied restricted to differentiation and cost leadership strategies. However, competitive strategies not only include the two strategies but others such as, Market focus and customer focus strategy.

5.6 Areas for further research

The study investigated the competitive strategies adopted by K-Rep Bank in Kenya. The researcher recommends that similar studies be carried out in other commercial banks in Kenya. This will assist in comparison of the findings.

Competitive strategies involve many theories including Market-Based View (MBV), Knowledge-based theory of the firm, Ansoff Product-Market Growth Matrix and five-force model. Future research on adoption of competitive strategies could move beyond these two theories, namely; competitive advantage theory and resource based theory, and

consider the use of Market-Based View (MBV), Knowledge-based theory of the firm, Ansoff Product-Market Growth Matrix, Blue Ocean Strategy, and five-force model to name but a few of the possible alternative paradigms for the study of the concept of competitive strategy.

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APPENDIX I: INTERVIEW GUIDE

COMPETITIVE STRATEGIES ADOPTED BY K-REP BANK IN KENYA

Part A: Background Information

1. Name of the respondent (optional).
2. What is your highest level of education?
3. What is your designation in this Bank?
4. How long have you worked for K-REP bank of Kenya?

Part B: Competitive Strategies

6. Has K-Rep bank adopted some strategies to enhance its competitive advantage?
Elaborate
7. How would you describe those strategies in relation to the competitive environment?
Explain
8. How do you compete? Do you use Cost leadership, Differentiation or both?
9. How are you doing it? Are you lowering your prices or offering unique products or both?
10. If you are using lowering of prices how are you applying it? Are you targeting a small market segment or many market segment
11. If you are using Differentiation how are you applying it? Are you targeting a small market segment or many market segment
12. Do you find the above mentioned strategy effective?
13. Why did you choose to use the competitive advantage strategies you are currently using?

Part C: Challenges

1. Does entry of new firm in the industry affects the profitability of your bank?
Explain
2. Does your organization face any challenges to cope with the magnitudes of new firm entry in market? Explain
3. Does your organization face challenges in product differentiation in the market?
Explain
4. Does entry of a new firm in the market effects customer loyalty with your products and services? Explain
5. Does existence of products outside of the realm of the common product boundaries increases the propensity of customers to switch to alternatives?
Explain
6. Does relative low price of substitute affects your organization competitive advantage? Explain
7. Does your organization face challenges from the number of substitute products available in the market? Explain
8. Does degree of dependency upon existing channels of distribution affects your organization competitive strategies adopted? Explain
9. Does impact of inputs on cost affects your organization competitive strategies adopted? Explain
10. Does sustainable competitive advantage through innovation affects your organization competitive strategies adopted? Explain

THANK YOU FOR YOUR COOPERATION