INFLUENCE OF COMPETITIVE STRATEGIES ON PERFORMANCE OF LARGE SUPERMARKET CHAINS IN NAIROBI CITY COUNTY, KENYA

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DECLARATION

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

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

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DEDICATION

This study is dedicated to my family, dad Joseph Wambugu Munuhe, mum Monicah Gathoni Wambugu, my two sisters Immaculate Muthoni Wambugu and Jeddidah Wangechi Wambugu, my brothers-in-law David Gitau and Mark Nyabwari, my nephews George Mbugua, Geoffrey Wambugu,Gian Njuguna, Chris Alvin Nyabwari,Xavier Joe Nyabwari and my niece Leslie Ivy Nyabwari. Thank you for your support and encouragement, I love you all.

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ABSTRACT

This research study was on the various competitive strategies adopted by large supermarket chains in Nairobi City County. The study had one objective. It seeked to establish influence of competitive strategies on performance of large supermarket chains in Nairobi City County as well as determine the challenges encountered by the large supermarket chains in implementing competitive strategies. The study used a descriptive research design. Primary data was collected from 5 large supermarket chains in Nairobi County using questionnaires. The drop and pick method was used to collect data from the respondents. Descriptive statistics was used to summarize the data. These include percentages, frequencies, pie charts, tabulations and narratives. The study concluded that most of large supermarket chains in Nairobi City County had already adopted competitive strategies to respond to ever changing customer needs and competitive marketing nature whereby differentiation strategy, cost leadership strategy were the key competitive strategies adopted by most large supermarket chains which were surveyed with practices such as pricing products below that of competitors, strategic location of supermarkets to customers, offering unique customer service which is not easily imitated, continuously cutting cost across retail value chain, outsourcing and increased automation. The other competitive strategy also employed to little extent includes, focus strategy. Further the study concluded that there were various challenges faced by large supermarket chains in Nairobi County in applying the competitive strategies. Management style, inter-functional conflicts, need for compliance by Competition Authority of Kenya, resistance to change, poor communication and inappropriate strategy were established as the challenges facing large supermarket chains when implementing competitive strategies.

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CHAPTER ONE: INTRODUCTION

1.1 Background of Study

No single organization exists in a vacuum. All organizations lend themselves to the environment and therefore are regarded as environment sensitive. One of the challenges presented by a dynamic environment is increased competition. To ensure survival and success, firms need to develop capability to manage threats and exploit emerging opportunities. This requires formulation of strategies that constantly match capabilities to environmental requirements. Success therefore calls for proactive approach to business through formulation and implementation of competitive strategies (Wangari, 2012). A firm's competitive environment comprises of the following set of factors; threat of new entrants, suppliers, buyers, product substitutes and the intensity of rivalry among competitors that directly influences a firm and its competitive actions and responses (Chu, *et al.*, 2010).

The resource-based view theory emphasizes the firm's practices and resources as the fundamental determinants of performance (Ramos-Rodriguez and Ruiz-Navarro,2004). Knowledge-based theory considers knowledge as the most strategically significant resource of a firm as it is difficult to imitate and source of sustained competitive advantage and corporate performance (Ludwig and Pemberton, 2011).Contingency theory argues that competitive strategies used by firms and time to time contextual and not a 'one-size-fits-all' (Meilich, 2003).Thus, there is no one or single best way or approach to manage organizations.

Retail sector has always been a competitive sector and firms within it have to contend with the dynamics of a changing competitive environment (Stokke, 2009). Kenya is the second advanced country in terms of presence of supermarkets, after South Africa with over 494 supermarkets and 17 hypermarkets. The Kenyan supermarket sector is composed of five main domestic retail chains: Uchumi, Nakumatt, Naivas, Tuskys and the Ukwala Group. The Kenyan Supermarkets have also expanded to other countries within the East African region (Botha and Schalkwyk, 2007).

1.1.1 The Concept of Strategy

Strategy is the complete plan of an organization to achieve the highest goals or objectives. The concept of strategy originated in the study of success in war. Strategy was seen as one of the responsibilities of a leader in achieving planned objective of winning the war. Military thinking has great relevance on business strategy as it emphasizes on winning, the importance of leadership and on taking action to achieve desired outcomes (Macmillan and Tompoe, 2000). Strategy refers to the pattern of organization moves and management approaches used to achieve organization objectives and to pursue the organizations mission (Strickland and Thompson, 1993). According to Johnson and Scholes (2008), strategy is concerned with the long-term direction of the firm, scope of its activities, how to achieve some advantage for the organization over competition, search for strategic fit with the business environment and creating opportunities by configuring its resources and competences with the aim of fulfilling stakeholder expectations.

Thompson and Strickland (2005) observe that strategy is management’s action plan for running the business and conducting operations. They note that a strategy represents a managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations and improving the company's financial performance. Strategy is important for it defines the purpose of the organization and establishes realistic goals and objectives consistent with that mission in a defined time frame within the organization's capacity for implementation, communicates those goals and objectives to the organization's members, ensures that the most effective use is made of the organization's resources by focusing the resources on the key priorities, provides a base from which progress can be measured and establishes a mechanism for informed change when needed and provides clearer focus of organization, producing more efficiency and effectiveness and builds strong teams in the staff and the board (Mintzberg, Lampel, Quin and Ghosal, 2003). Firms respond to competition in different ways. Some may opt to product improvement, divestiture and diversification, entry into new markets or even merging.

1.1.2 Competitive Strategies

A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage which can only be realized through appropriate and relevant competitive strategies. An organization strategy describes how it intends to create values for its shareholders, customers, and citizens (Kaplan and Norton, 2003). An organization's strategy must be appropriate for its resources, circumstances and objectives.

Porter (1980) viewed competitive strategies as a two dimensional phenomenon with a supply side – strategic scope; and a demand side – strategic strength. He later simplified the scheme into three generic strategies, namely ‘overall cost leadership’, ‘differentiation’ and ‘focus’. According to Porter (1980), these combined with the scope of activities for which a firm seeks to achieve them, lead to the three generic strategies for achieving above average performance in an industry. Johnson *et al.* (2006) on the other hand, perceive competitive strategies from a business level perspective and believe that it is the achievement of competitive advantage by a business unit in its particular market. They advocate for a hybrid strategy which provides a market-facing element to Porter’s (1980) model in the form of price as a new dimension and its combination with differentiation. Sidorowicz (2007) on the other hand sees competitive strategies as more skill-based and involving strategic thinking, innovation, execution, critical thinking, positioning and the art of warfare.

According to Porter (2004), competitive strategies primarily evolve explicitly through a planning process or implicitly through approaches dictated by a firm’s professional orientation and the incentives of its directors. Although Porter (1980) pioneered thinking in this field, several scholars have questioned his ideas, thus leading to further research and debate on the topic, with key works coming from Faulkner and Bowman (1995), Hax and Wilde (1999), Treacy and Wiersema (1993). However it is Porter’s (1980) pioneering thinking and his “Five Forces Model” that has gained popularity and become the predominant framework for analyzing the competitiveness of firms within an industry.

1.1.3 Organizational Performance

Performance concept is multidimensional involving elements such as: economic performance (sales, productivity, profit), social performance (employee and customer satisfaction), legal performance (obeying of laws and law-like recommendations), or social performance (adoption of conduct norms based on ethical considerations) (Hernant, 2009). Performance measures provide the information necessary for decision makers to plan, control and direct the activities of an organization. This comprises of financial and non-financial indicators or metrics that are used to evaluate the growth of the organization, and are consequence of the interplay between environmental factors and internal factors. They also allow managers to measure performance, to signal and educate suppliers on the important dimensions of performance, and to direct improvement activities by identifying deviations from standards. Various frameworks have been developed to aid in these goals, including the balanced score card (Kaplan and Norton, 1992).

Supermarket outlets' managers are constantly faced with the challenge of making decisions and taking actions, in order to satisfy consumers' needs and wants, and respond to the actions of competitors (Chenet, *et al.*, 2010). Kim and Mauborgne (2005) set out to quantify the impact of creating competitive strategies on a company's growth in both revenues and profits in a study of the business launches of 108 companies. The research indicates that the 86% of the products that are provided are an extension of the product line, which means, improvement of the existing product in the Red Ocean market segment. Those improvements are responsible for the 62% of the total revenue and only 39% of the total profits. The other 14% of the products, that are provided, aim to create competitive strategies. This 14% is responsible of the 38% of the total revenue and 61% of the total profits. Because competitive strategies adopters immediately attract customers in large volumes, they are able to generate scale economies very rapidly, putting would-be imitators at an immediate and continuing cost disadvantage.

1.1.4 Large Supermarket Chains in Nairobi County

The retail stores industry is very dynamic with supermarkets ranging from sole proprietors and partnerships like Ebrahims, Jack n Jill, Tumaini, EastMatt, and limited liability companies (Nakumatt Holdings, Tuskys, Naivas, Ukwala) to public owned companies (Uchumi Supermarket Ltd). However, large supermarkets are: Nakumatt Holdings, Tuskys, Naivas, Ukwala and Uchumi Supermarket Ltd (Wangari, 2012). Kenya's retail market is getting crowded, so much that the big players are becoming uncomfortable. Nakumatt, Uchumi, Ukwala and Tuskys are the country's biggest supermarkets in terms of branch network and shopping traffic. In the past few years, these large supermarkets have engaged in rapid expansion, increasing competition for shoppers. Expansion included going into residential areas initially dominated by traditional channels like shops, kiosks and small supermarkets.

In Nairobi, the wars for market share have taken mainstream supermarkets from the usual commercial areas to residential places, where they are squaring off with newer and smaller entrants like Chandarana, Stagematt, Eastmatt and Naivas among others (Masinde,2013).Although the intense competition was favoured by the country’s expanding middle class expand, with more disposable incomes and a refined taste in consumer goods, since 2011, the Country has recorded double digit rise in inflation, putting strain on consumer buying power.

1.2 Research Problem

The organizational design behind the products/services development processes determine the success of a firm a great deal; with the ever changing business environment, firms need to respond effectively to the key environmental variables such as competition that determine the acceptance of their products/services in the contemporary market. With the rapid changes in consumer tastes, preferences and increased competition, there is need for firms to focus attention on the competitive strategy more than ever before. Competitive strategy determines to a great extent the success of a company amid competition.

However, Adair (2007) state that strategy development and implementation is an intricate process that requires co-ordination and input of key departments and individuals. Porter (1980) states that every industry has its own battles to fight, the quest to lead and maintain leadership in the market. Ludwig and Pemberton (2011) established that competitive strategies are used by supermarkets to attract buyers, withstand competitive pressure and improve its market position. Hernant (2009) stated that supermarkets use product, knowledge, cost relationship and structural advantage in being competitive thus improve their performance. Stokke (2009) study established that retail chains find difficulties utilizing rareness, value, inability to be imitated and inability to be substituted as a competitive advantage and rather focus on cost minimization.

Given that the intensity of competition in the supermarkets is increasing and the nature of this competition changing, it is important for all stakeholders to gain knowledge on how best to employ competitive strategies within it in a bid to improve the performance and survival of their firms (Nduati and Bowman, 2004). In Kenya, the battle for control of the retail market has intensified as both foreign and local megastores roll out expansion plans. This competition has forced some supermarket stores such as Woolmatt Supermarket to exit the Kenyan market in the wake of growing competition following a proliferation of supermarkets in Nairobi and its suburbs (Macharia, 2010).

Several studies have been done on retail chain stores in Kenya such as: Munyoki (1997) researched on pricing strategies of consumer goods in the retail market; Imbuga (2005) did a survey on determinants of brand loyalty to supermarkets in Nairobi; Kiilu (2008) developed a case study on corporate strategy at Nakumatt Holdings Ltd; Njiru (2010) studied factors that determine brand loyalty to supermarkets in Nairobi. Only Wangari's (2012) study looked at strategic responses to competition by the medium and large supermarkets and established that they use differentiation and focus strategies as exemplified in their customer service, strategic location, staff training, increased advertising and branding. However, none of these studies looked at how competitive strategies influence performance of large supermarket chains in Nairobi, Kenya. Therefore, knowledge gap exists. This study will attempt to fill the gap by answering the following: What are the competitive strategies adopted by the large supermarket chains in Nairobi? Do these competitive strategies lead to the large supermarket chains competitive advantage? How do these competitive strategies influence the performance of large supermarket chains?

1.3 Research Objectives

The study seeks to establish influence of competitive strategies on performance of large supermarket chains in Nairobi County.

1.4 Value of the Study

Creating a sustainable competitive advantage is the most important goal of any organization and the most important single attribute on which each firm must place its most focus. It examines the economics of a firm's business focussing primarily its ability to generate excess returns on resources employed. This study will add value to the theories of competitive strategies. It will determine how effective resource based view and contingency theories are applied by supermarkets for improved organizational performance.

In line with the contingency approach, effectiveness of competitive strategies is context based. Thus, organizational policy on strategy should adopt both standard strategies and should be flexible enough to develop their own to enhance competitiveness. The study's findings and recommendations will be a blueprint on what competitive strategies organizations should adopt for competitive advantage and performance. Policy makers include the government and the various legal institutions that are concerned with the operations and regulations of retail chain outlets. The policy makers will use the results of this study to come up with the required policies and laws that will be more productive to the economy as a whole as well as adding value to the industry itself especially with regards to the competitiveness of the Kenyan retail outlets in the Eastern African region.

Competitive strategies allow firms to earn excess returns for its shareholders and allow firms to produce or sell goods more effectively than another business. Managers develop business strategies in order to maintain a competitive advantage. The study will be invaluable for management practices especially with regards to competitive strategies and organizational performance. As such, the study will be invaluable to the management of supermarket chains in Nairobi and beyond.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the past or previous studies that have been done and theories advanced on competitive strategies. The chapter is hence broken down into theoretical review and competitive strategies.

2.2 Theoretical Foundation

Ramos-Rodríguez and Ruíz-Navarro (2004) categories competitive strategies theory into three roots of strategic management: economics, sociology and psychology. In their view, transaction cost theory, agency theory, evolutionary economics and the resource-based view of the firm derive from the economic roots of the discipline, while contingency theory, resource-dependence theory, and organizational ecology derive from the sociological roots (Furrer *et al*, 2008)

2.2.1 Resource-Based View Theory

The resource-based view of the firm (RBV) draws attention to the firm's internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment. During the early strategy development phase of Hoskisson's account of the development of strategic thinking (Hoskisson *et al*, 1999), the focus was on the internal factors of the firm. From the 1980s onwards, according to Furrer *et al*,(2008), the focus of inquiry changed from the structure of the industry, e.g., Structure-Conduct-Performance (SCP) paradigm and the five forces model) to the firm's internal structure, with resources and capabilities (the key elements of the Resource-Based View (RBV). Since then, the resource-based view of strategy (RBV) has emerged as a popular theory of competitive advantage (Furrer *et al*, 2008; Hoskisson *et al*, 1999). The origins of the RBV go back to Penrose (1959), who suggested that the resources possessed, deployed and used by the organization are really more important than industry structure. The term 'resource-based view' was coined much later by Wernerfelt (1984), who viewed the firm as a bundle of assets or resources which are tied semi-permanently to the firm (Wernerfelt 1984). Prahalad and Hamel (1990) established the notion of core competencies, which focus attention on a critical category of resource **–** a firm's capabilities. Barney (1991) also argued that the resources of a firm are its primary source of competitive advantage.

To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile; valuable resources that are neither perfectly imitable nor substitutable without great effort (Barney, 1991). If these conditions hold, the bundle of resources can sustain the firm's above average returns. Thus, to be competitive, a firm's resources must be: valuable (resource must enable a firm to employ a value-creating strategy, by either outperforming its competitors or reduce its own weaknesses); rare (resource must be rare by definition and of expected discounted future above-average returns); inimitable (competitors are not able to duplicate this strategic asset perfectly); and, non-substitutable (if competitors are able to counter the firm's value-creating strategy with a substitute, prices are driven down to the point that the price equals the discounted future rents) (Rumelt, 1984; Peteraf, 1993; Amit and Schoemaker, 1993; Ludwig and Pemberton, 2011).

Thus, true competitive advantage requires the firm's resource to display each of the four characteristics (valuable, rare, inimitable and non-substitutable) to be a possible source of a sustainable competitive advantage (Crook, Ketchen, Combs, and Todd, 2008; Ludwig and Pemberton, 2011).

2.2.2 Knowledge-Based Theory

Knowledge-based theory of the firm considers knowledge as the most strategically significant resource of a firm. Its proponents argue that because knowledge-based resources are usually difficult to imitate and socially complex, heterogeneous knowledge bases and capabilities among firms are the major determinants of sustained competitive advantage and superior corporate performance. This knowledge is embedded and carried through multiple entities including organizational culture and identity, policies, routines, documents, systems, and employees. Originating from the strategic management literature, this perspective builds upon and extends the resource-based view of the firm (RBV) initially promoted by Penrose (1959) and later expanded by others (Barney 1991, Conner 1991).

Although the resource-based view of the firm recognizes the important role of knowledge in firms that achieve a competitive advantage, proponents of the knowledge-based view argue that the resource-based perspective does not go far enough. Specifically, the RBV treats knowledge as a generic resource, rather than having special characteristics. It therefore does not distinguish between different types of knowledge-based capabilities. Information technologies can play an important role in the knowledge-based view of the firm in that information systems can be used to synthesize, enhance, and expedite large-scale intra- and inter-firm knowledge management (Alavi and Leidner 2001). Whether or not the Knowledge-based theory of the firm actually constitutes a theory has been the subject of considerable debate. See for example, Foss (1996) and Phelan and Lewin (2000). The characteristics of the current business scenarios in which enterprises operate, where their role is becoming more proactive in terms of gain, achieve, thanks to a competition for which they were prepared to offer their best products with the seal of a quality that turns to advantage, leads to consider the scope, role of contingency theory, an aspect that should be considered by management.

2.2.3 Contingency Theory

Contingency approaches are positioned within management as mid-range theories between the two extreme views which state either that universal principles of organization and management exist or that each organization is unique and each situation must be analyzed separately (Hambrick, 1983). The contingency theory draws the idea that there is no one or single best way or approach to manage organizations. Organizations should then develop managerial strategy based on the situation and condition they are experiencing. In short, during the process of strategy formulation, implementation and evaluation, these main strategic management theories will be applicable to management of organization as tools to assist them in making strategic and guided managerial decision.

The contingency approach entails identifying commonly recurring settings and observing how different structures, strategies and behavioural processes fare in each setting (Emery and Trist, 1965). Prominent contingency theories have been proposed and tested relating to organizational environments, characteristics and structures, competitive conditions and organizational strategies and organizational characteristics and behavioural processes (Hofer, 1975; Meilich, 2003). Meilich (2003) conceived of complex organizations as open systems faced with uncertainty that are, at the same time, subject to a rationality criterion. He argued that differences in technological and environmental dimensions result in differences in structures, strategies and decision processes. Hambrick (1983) argues that contingency approaches are particularly useful for competitive strategy because strategy is an art and an approach which lacked generality and appropriateness of strategy should emphasize contextual differences.

The contingency approach in strategy holds that the appropriateness of different strategies are contingent on competitive settings of businesses. The competitive setting is typically defined in terms of environmental and/or organizational contingencies, as evidenced by the following research thrusts: the appropriateness of pursuing alternative strategies under various environmental contingencies (strategies for competing in stagnant industries; declining industries; hostile environments; fragmented, mature and declining industries; different stages of the product's life cycle); appropriateness of pursuing alternative strategies under various organizational contingencies (strategies for high market share businesses; low market share businesses; effective low market share businesses; market leaders, challengers, followers and nichers); and, appropriateness of pursuit alternative strategies under various environmental and organizational contingencies (strategies for leaders and followers in low and high-growth markets; generic strategy options for varying levels of market attractiveness and relative competitive position) (Bloom and Kotler, 1975; Campos, 1996; Rogers, 2005).

2.3 Competitive Strategies

Competitive strategy as a topic is diverse with over 20 years of debate and enhancement (Ansoff, 1965; Hofer and Schendel, 1978; Porter and Miller 1985 and Barney, 1991). Competitive strategy may be viewed from two key paradigms, i.e. endogenous (inward looking) strategies and exogenous (outward looking) strategies. Early works focused on endogenous strategies describing a firm's strengths and weaknesses such as the resource based view of strategy.

2.3.1 Porters Generic Strategies

Porter's generic strategies describe how a company pursues competitive advantage across its chosen market scope. There are three generic strategies, either lower cost, differentiated, or focus (Porter, 1980). Porter claimed that a company must only choose one of the three or risk that the business would waste precious resources. A company chooses to pursue one of two types of competitive advantage, either via lower costs than its competition or by differentiating itself along dimensions valued by customers to command a higher price. A company also chooses one of two types of scope, either focus (offering its products to selected segments of the market) or industry-wide, offering its product across many market segments.

Porter described an industry as having multiple segments that can be targeted by a firm. The breadth of its targeting refers to the competitive scope of the business. Porter defined two types of competitive advantage: lower cost or differentiation relative to its rivals. Achieving competitive advantage results from a firm's ability to cope with the five forces better than its rivals. These strategies are applied at the business unit level. They are called generic strategies because they are not firm or industry dependent (Kiechel, 2010).

2.3.1.1 Cost Leadership Strategy

This strategy emphasizes efficiency (Porter, 1980). By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features.

To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labour, or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors (Johnson, Scholes and Whittington 2008). Successful implementation also benefits from process engineering skills, products designed for ease of manufacture, sustained access to inexpensive capital, close supervision of labor, have a tight cost control, and incentives based on quantitative targets. There are two avenues for achieving a cost advantage; one is to out-manage rivals in the efficiency with which value chain activities are performed and in controlling the factors that drive the costs of value chain activities. This happens through economies of scale, learning curve effects, the cost of key resource inputs, sharing opportunities with other organizational or business units within the enterprise, the benefits of first mover advantage, percentage of capacity utilization, and benefits of vertical integration. The second is to revamp the firm's overall value chain to eliminate or bypass some cost-producing activities. This happens through greater use of technology applications, using direct to end user sales and marketing approaches, simplifying product design, stripping away the extras or dropping the 'something for everyone approach'.

2.3.1.2 Differentiation Strategy

Aaker (1984) defines a differentiation strategy as one in which a product is different from that of one or more competitors in a way that is valued by the customers or in some way affects customer's choice. A successful differentiation strategy allows firm to earn above the average returns. Aaker (1984) further argues that a differentiation strategy is often but not always associated with higher price because it usually makes price less critical. It provides the organization with insulator to competitors because of the brand loyalty and the need to overcome the uniqueness. Differentiation strategy has successfully been used to build customer loyalty and compete effectively in the market. Differentiation involves creating a product that is perceived as unique.

The unique features or benefits should provide superior value for the customer if this strategy is to be successful (Porter, 1980). Because customers see the product as unrivaled and unequaled, the price elasticity of demand tends to be reduced and customers tend to be more brand loyal. This can provide considerable insulation from competition. However there are usually additional costs associated with the differentiating product features and this could require a premium pricing strategy.When using this strategy, a company focuses its efforts on providing a unique product or service (Hyatt, 2001). Since, the product or service is unique, this strategy provides high customer loyalty (Hlavacka *et al.*, 2001). Product differentiation fulfills a customer need and involves tailoring the product or service to the customer. This allows organizations to charge a premium price to capture market share. The differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support.

2.3.1.3 Focus Strategy

In this strategy the firm concentrates on a select few target markets (Porter, 1980). It is also called a focus strategy or niche strategy. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency (Porter, 1985). It is most suitable for relatively small firms but can be used by any company. As a focus strategy it may be used to select targets that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investments. Several commentators have questioned the use of generic strategies claiming they lack specificity, lack flexibility, and are limiting. In many cases trying to apply generic strategies is like trying to fit a round peg into one of three square holes: one might get the peg into one of the holes, but it will not be a good fit (McCracken, 2002).

Focusing begins by 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. 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. 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 (Berthoff, 2002).

2.4 Competitive Strategies and Organizational Performance

Parthasarthy (2007) describes strategy as a set of decisions and actions that managers make and take to attain superior company performance relative to rivals. Beard and Dess (1981) find both corporate-level strategy and business-level strategies are significant in explaining variation in firm profitability. The business strategy choices are found to be significant in explaining firm profitability (Beard and Dess, 1981) and its long-term performance. Allen and Helms (2006) find that cost leadership strategy has only one significant tactic- minimizing distribution costs that affect organizational performance. Dess and Davis (1984) find that the overall low cost cluster has the higher average return on assets. Differentiation strategy is an integrated set of actions taken to produce goods or services (at acceptable cost) that customers perceive as being different in ways that are important to them.

Porter (1998) and Phillips, Chang, and Hill (1983) suggest that differentiation can be a way of achieving a low-cost position. Porter (1985) suggest that the combination of cost and differentiation strategies will result in poor performance and unlikely to generate a sustainable competitive advantage except in the most exceptional circumstances that such a combination results in a sustainable competitive advantage.

Pongatichat and Johnson, (2008) confirm that there are some relationships between strategy and performance measures in various dimensions. Kaplan and Norton (1996) suggest that a performance measurement system have a critical role in translating strategy into action and also has a supporting role in the development of strategies.

Miles and Snow (1978) identified four competitive strategy alternatives: prospectors, analyzers, defenders, and reactors. Prospectors represent innovative businesses and perceive the environment as dynamic and uncertain, maintaining flexibility and employing innovation to combat environmental change and often becoming the industry designers (Miles & Snow, 1986). Defenders perceive the environment to be stable and certain, and they seek stability and control in their operations to achieve maximum efficiency (Brunk, 2003). Prospectors and defenders present innovative and low cost strategic alternatives (Morgan and Berthon, 2008). Prospectors, analyzers, defenders are associated with high performance if the organization's approach is aligned with the demands of its environment (Allen and Helms, 2006). A fourth strategy type—the reactor—does not represent a high-performing strategy, a conceptualization consistent with the notion of strategic simplicity (Lumpkin and Dess, 2006). Resource-based theory emphasizes unique firm capabilities, competencies, and resources in strategy formulation, implementation, and performance (Dutta, Narasimhan and Rajiv, 2005).David (2011) sums up strategy evaluation or performance measurement to entail three basic activities: an examination of the underlying bases of organization's strategic direction; comparison of the expected outcomes with the actual outcome; and taking of corrective measures to ensure that organizational performance falls in line with plans.

In order to achieve a performance that may be considered good relative to other firms in the industry, Porter (1990) proposes a strategy that requires a firm to identify growth segments, work at achieving operational efficiency and continuously enhance the quality of its products and services. The competitiveness of firms can greatly be improved if the chosen strategy is carefully executed by linking three processes: people, strategy and operation (Bossidy, Charan & Burck, 2002). Should a firm face difficulty in executing a particular strategy, then it is advisable for that firm to create an effective structure, enhance its communication, improve its information sharing, introduce incentives, control systems, institute adequate policies and procedures and employ an effective change management strategy (Hrebiniak, 2005). Kaplan and Norton (2006), also suggest the use of the balanced score card as a strategy map that can help translate the strategy into operational terms. Ungerer, Pretorius & Herholdt (2002), state that the template for operationalizing the strategy must include nine important items: setting strategic goals, developing strategic measurements, developing strategic initiatives, establishing business goals, action to be taken by members of the team, spelling out responsibility of each team.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter forms the blue print of how the research was conducted. It describes the research design, population of the study, data collection and data analysis techniques.

3.2 Research Design

This study was approached through the use of descriptive research design. Descriptive research design was chosen as it enabled the study generalise the findings to a larger population. This study, therefore, was able to generalise the findings to the large supermarket chains.

3.3 Population of the Study

The population of the study was the large supermarket chains in Nairobi. This study operationalized large supermarkets as those owning more than 5 branches. Currently, the large supermarket chains are: Nakumatt, Tuskys, Naivas, Uchumi and Ukwala.

3.4 Data Collection Methods

The study used primary data sources for the purpose of collecting data. Primary data sources were used as they exude scientific basis as primary data are non-manipulated. Primary data was collected using semi-structure questionnaires. The study used questionnaires owing to the ease with which it collects information and ease of analysis as they are standardized. The questionnaires were administered to the targeted sample. The questionnaires contained open and close-ended questions. Using five-point Likert scale, the respondents were asked to indicate their views on competitive strategies and their effect on performance.

3.5 Data Analysis

Descriptive analysis was used to analyze the primary data of quantitative nature (structured questions).Descriptive statistics such as frequencies and percentages augmented with measures of central tendency (means), dispersion (standard deviation) and correlation analysis were used.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The purpose of the research was to establish how competitive strategies influence performance of large supermarket chains in Nairobi County. The study was carried out successfully and the findings are presented in tables then followed by discussion. The results presented are based on the research questions. The primary data was gathered exclusively from questionnaire as the research instrument. Questionnaire was designed in line with the objectives of the study. The data is presented in qualitative research form followed by discussions of the data results. The chapter concludes with critical analysis of the findings.

4.2 Response Rate

The study targeted 10 respondents, 2 middle level managers from each large supermarket chain in Nairobi County in collecting data to determine how competitive strategies influenced the performance of their supermarket chains. However, out of 10 questionnaires distributed 8 respondents completely filled the questionnaires contributing to 80% response rate which is extremely good. This response rate was reached due to the data collection procedure, where the researcher personally administered questionnaires and picked them up later once fully filled as illustrated by the Table 4.1.

Table 4.1 Response Rate

Response	Frequency	Percentage (%)
Filled in Questionnaires	8	80
Un returned Questionnaires	2	20
Total	10	100

Source: Researcher (2014)

4.3 General Background of the Organization

This section was aimed to provide a profile of the organizations involved in the study in terms of type of ownership, age of the organization, number of employees and size of the organization in terms of annual sales turnover.

4.3.1 Type of Ownership

The respondents were requested to specify under which type of ownership of their business is registered. The results are as shown in the Table 4.2.

Table 4.2 Type of Ownership

Type of ownership	Frequency	Percentage (%)
Private Limited Company	4	80
Public Limited Company	1	20
Total	5	100

Source: Researcher (2014)

It can be seen from Table 4.3 above that majority (80%) of Large Supermarket Chains in Nairobi County are registered as Private Limited Companies and 20% as a Public Limited Company.

4.3.2 Age of the Organization

The respondents were requested by the researcher to indicate the number of years their large supermarket chain in Nairobi County had been in operation or in existence. The results are as shown in table 4.3.

Table 4.3 Age of the Organization

Duration of Existence	Frequency	Percentage (%)
11-20 Years	2	40
21-30 Years	1	20
Over 31 Years	2	40
Totals	5	100

Source: Researcher (2014)

From the study, 40% of the respondents indicated that their large supermarket chain had been in existence for a period of 11 to 20 years, 40% of those surveyed had been in existence for 31 years and the remaining 20% between 21 to 30 years. This therefore means that all the large supermarket chains in Nairobi County have been in operation for over a decade and hence been able to apply a number of competitive strategies in their operations to ensure survival and excellent performance thus being in a position to outdo their competitors in the retail industry. This has been supported by the Business Daily dated August 28th 2013 which linked the performance of these large supermarket chains to the number of years they have been in existence and made a conclusion that most of them have been able to perform well due to the economic lessons learnt over time.

4.3.3 Size of the Organization

The study also sought to establish the size of large supermarket chains in Nairobi County in terms of number of employees as shown in the Table 4.4.

Table 4.4 Size of the Organization

Number of employees	Frequency	Percentage (%)
501-1000	**1**	**20**
1001-2000	**2**	**40**
Over 2001	**2**	**40**
Totals	**5**	**100**

Source: Researcher (2014)

The respondents indicated that 40% of large supermarket chains in Nairobi County had between 1001-2000 employees, 40% of them had over 2001 employees while the remaining 20% had between 501-1000 employees. Due to the size of these large supermarket chains, majority of them have employed over 1000 employees. These findings show that there is a strong correlation between the size of the large supermarket chains and the number of employees. This is illustrated in The Business and Management Review Journal Vol 2 (5) of July 2012 that shows that retail industry is among the key sectors in offering employment opportunities for our economy.

4.3.4 Annual Sales Turnover

The study sought to find out the size of large supermarket chains in Nairobi County in terms of their annual sales turnover. The results of the findings are as shown in Table 4.5.

Table 4.5 Annual Sales Turnover

Annual Sales Turnover	Frequency	Percentage (%)
Less than 0.5 Billion	**1**	**20**
0.5 – 1.0 Billion	**1**	**20**
1.1 – 1.5 Billion	**1**	**20**
Over 1.6 Billion	**2**	**40**
Totals	**5**	**100**

Source: Researcher (2014)

From the study findings, 40% indicated that they had past year annual sales turnover of over 1.6 billion, 20% of them had annual sales turnover of between 1.1 and 1.5 billion, 20% of the respondents had annual sales turnover of between kshs 0.5 and 1.0 billion while the remaining 20% of the surveyed large supermarket chains had a turnover of less than 0.5 billion. This means that large supermarket chains are among the key contributors of our Gross Domestic Product (GDP).According to The Business and Management Review Journal Vol 3 of April 2013, the retail industry has been established to be one of the fastest growing sector in our country in terms of sales turnover due to the fact that most of the large supermarket chains are adopting the strategy of offering their products/services under one roof.

4.4 Competition in Retail Industry

In this section the respondents were requested to rate the retail industry competition in Nairobi County stating whether the competition was weak, strong or very strong. The results of the findings are in Table 4.6.

Table 4.6 Competition in Retail Industry

Type of competition	Frequency	Percentage (%)
Weak competition	**1**	**20**
Strong competition	**3**	**60**
Very strong competition	**1**	**20**
Total	**5**	**100**

Source: Researcher (2014)

The results indicated that majority 60% of the respondents viewed competition in the retail industry as strong while 20% felt that it was very strong while the remaining 20% of the surveyed large supermarket chains indicated that competition in retail industry in Kenya is weak. This means that with competition being strong, most of these retail chains have to adopt various competitive strategies that will ensure their survival in the increasing competitive retail industry environment. In The Business Daily for Monday December 31st 2012,this has been illustrated very well where these large supermarket chains took their competition to Thika Super highway with the establishment of new branches for all the large retail chains.

4.5 Competitive Strategies Adopted by Large Supermarket Chains in Nairobi County

The respondents were asked to indicate the extent to which large supermarket chains have adopted competitive strategy using a 5-point Likert scale ranging from no extent (1) to very large extent (5) questions. Standard deviations were used to determine the varying degree of the responses by the participants in the survey.

4.5.1 Differentiation Strategy

The respondents were requested to indicate the extent to which their large supermarket chains had adopted differentiation strategy. Findings are shown in Table 4.7.

Table 4.7 Differentiation Strategy

Differentiation Competitive Strategies	**Mean score**	**Standard deviation**
Pricing Products below that of competitors	**4.9234**	**0.96426**
Strategic Location of supermarket to customers	**4.63682**	**0.79763**
Offering unique customer service which is not easily imitated	**4.29651**	**0.66760**
Offering different services/products than the competitors	**3.93210**	**0.70662**
Being Innovative	**2.63013**	**1.06638**
Mean of Means	**4.083792**	

Source: Researcher (2014)

Most of the large supermarket chains that were surveyed indicated that to large extent had applied practice of pricing services below their competitors by mean of 4.92, strategic location of supermarket to customers by mean score of 4.63 and by offering unique customer service which is not easily imitated by mean score of 4.29 as a way of achieving differentiation strategy. Some of the large supermarket chains indicated that they offer different services or products than their competitors and are innovative as well. This indicates that differentiation competitive strategy has been applied to a very large extent with pricing products below that of competitors being the main strategy with a mean score of 4.92, strategic location of supermarket to customers is rated second with a mean score of 4.63.Innovation with a mean score of 2.63 plays a minor role in determining performance as a competitive strategy.

4.5.2 Focus /Niche Strategy

The researcher requested the respondents to indicate the extent they have applied various aspects of the focus strategy. The findings are shown in Table 4.8.

Table 4.8 Focus /Niche Strategy

Focus Competitive Strategies	Mean score	Standard deviation
Focusing on selling products/services to a particular market niche only	**3.13160**	**1.08694**
Devoting resources to maintain market leadership in this niche.	**3.02978**	**0.97185**
Innovate specific product/service for the niche	**2.64491**	**1.29497**
Mean of Means	**2.93543**	

Source: Researcher (2014)

Most of the large supermarket chains indicated that to a large extent had focused on selling the products or services to a particular market niche by a mean of 3.13, devoting resources to maintain market leadership in that niche by a mean of 3.02 and to a little extent had innovated specific products or service for the niche by a mean of 2.64. This indicates that focus competitive strategy has been applied to a moderate extent with selling products/services to a particular market niche with a mean of 3.13 being the main focus competitive strategy. Innovation with a mean score of 2.64 plays a minor role in determining performance as a competitive strategy.

4.5.6 Cost Leadership

The respondents were requested to indicate the extent to which their large supermarket chains had adopted cost leadership strategy as illustrated by table 4.9.

Table 4.9 Cost Leadership

Cost Leadership Competitive Strategies	**Mean score**	**Standard deviation**
Continuously cutting cost across retail value chain.	**4.11390**	**1.01931**
Use knowledge from past experience	**3.98803**	**0.92118**
Outsourcing and increased automation.	**3.92790**	**1.02397**
Exploiting all economies of scale	**3.86709**	**0.84308**
Operating facilities at full capacity	**3.49091**	**0.90689**
Maintaining overheads lower than the industry	**3.78082**	**0.87720**
Providing services at a low cost but of superior quality	**3.37397**	**1.01036**
Mean of Means	**3.79180**	

Source: Researcher (2014)

According to the study, most of the large supermarket chains indicated that continuous cutting of costs across retail value chain with a mean of 4.11, use of knowledge from past experience with a mean of 3.99, outsourcing and increased automation with a mean of 3.93, exploiting all economies of scale with a mean of 3.87 and maintaining overheads lower than the industry with a mean of 3.78 were employed as drivers to cost leadership strategy. To a moderate extent the survey indicated operating facilities at full capacity and providing services at a low cost but of superior quality to be less effective means of achieving cost strategy. This therefore means that cost leadership competitive strategy is largely used mainly through cutting of costs across retail value chain, use of knowledge from past experience, outsourcing and increased automation as well as exploiting all economies of scale and maintaining the overheads lower than the industry.

4.5.7 Correlation Analysis

Multiple regressions is a flexible method of data analysis that may be appropriate whenever a quantitative variable, the dependent or criterion variable, is to be examined in relationship to any other factors, expressed as independent or predictor variables. Relationships may be nonlinear, independent variables may be quantitative or qualitative, and it could examine the effects of a single variable or multiple variables with or without the effects of other variables taken into account (Cohen, 2003).

To evaluate marketing strategies which were adopted by supermarkets for competitive edge, a number of regressions were undertaken to determine the relationship that existed between strategies and were tabulated.

$$r = \frac{n(\Sigma xy) - (\Sigma x)(\Sigma y)}{\sqrt{[n\Sigma x^2 - (\Sigma x)^2][n\Sigma y^2 - (\Sigma y)^2]}}$$

Where;

r is the correlation coefficient

N is the number of elements

X is the independent variables

Y is the dependent variables

The study correlated large supermarket chains performance with competitive strategies. This was to establish whether there was any relation between large supermarket chains performance and competitive strategies. Performance was measured in terms of annual sales turnover. Results are presented in Table 4.10.

Table 4.10 Correlation of Large Supermarket Chains Performance with Competitive Strategies

	Sales	Low Pricing	Strategic Location	Superior Customer Service	Innovation	Outsourcing and Increased Automation
Sales	**1**					
Low Pricing	**0.892**	**1**				
Strategic Location	**0.784**	**0.980**	**1**			
Superior Customer Service	**0.632**	**0.692**	**0.598**	**1**		
Innovation	**0.328**	**0.429**	**0.391**	**0.383**	**1**	
Outsourcing and Increased Automation	**0.563**	**0.612**	**0.586**	**0.579**	**0.573**	**1**

Source: Researcher (2014)

The correlation matrix indicates that the choice of competitive strategies was positively related to annual sales turnover of large supermarket chains. The competitive strategies that were highly correlated to performance included low pricing (0.892), strategic location (0.784) and superior customer service (0.632).Outsourcing and increased automation (0.563) and innovation (0.328) had a low correlation.

4.5.8 Strategy Implementation Challenges

Wessel (1993) stated that most of the individual barriers to strategy implementation fit into one of the following categories; poor communication, too many and conflicting priorities, top down management style and inter-functional conflicts. The results are as shown by table 4.11.

Table 4.11 Strategy Implementation Challenges

Competitive strategies implementation challenges	**Mean score**	**Standard deviation**
Management Style	**4.64329**	**0.68081**
Need for compliance by Competition Authority of Kenya	**3.85080**	**0.80619**
Inappropriate Strategy	**3.60978**	**1.07608**
Inter-functional Conflicts	**4.53189**	**0.95465**
Resistance to change	**3.78393**	**0.87964**
Poor Communication	**3.59060**	**1.60821**
Insufficient financial resources	**3.49662**	**0.92809**
Mean of Means	**3.92956**	

Source: Researcher (2014)

According to the study, most of the large supermarket chains indicated management style with a mean of 4.64, inter-functional conflicts with a mean of 4.53 as the major strategy implementation challenges. Need for compliance by Competition Authority of Kenya with a mean of 3.85, resistance to change with a mean of 3.78, inappropriate strategy with a mean of 3.60, poor communication with a mean of 3.59 and insufficient financial resources with a mean of 3.49 were rated moderate. These findings concur with the findings of a study by Reardon (2009) which was carried on supermarkets in Urban Kenya. This study indicated that fast paced technological changes, changing consumer preferences and rising cost of living were the major challenges that supermarkets in Kenya are forced to deal with on a daily basis.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter addressed the summary of the data findings on how competitive strategies influence performance of large supermarket chains in Nairobi County, conclusions and recommendations are drawn thereof. The chapter is structured into summary of the findings, conclusions, limitation of the study and suggestion for further research.

5.2 Summary of the Findings

The objective of this study was to establish the influence of competitive strategies on performance of large supermarket chains in Nairobi County and to determine the challenges they face in implementing their strategies. From the study findings, most large supermarket chains have developed various competitive strategies in order to remain competitive in the market where by differentiation and cost leadership strategies are mostly adopted. The study found that focus or niche strategy has not been emphasized to a large extent by the large supermarket chains in Nairobi County.

On differentiation strategy as a competitive strategy, the study found that majority of large supermarket chains in Nairobi County which were surveyed applied the strategy to a large extent through pricing their products lower than their competitors, strategic location of supermarkets to customers and offering unique customer service which is not easily imitated. The aspect of differentiation strategy was applied to a moderate extent through offering different services or products than the competitors as well as being innovative.

On cost leadership strategy the study found that just like differentiation strategy, it was applied to a large extent. The cost leadership aspect which the majority adopted includes continuously cutting cost across the retail value chain, outsourcing and increased automation, operating facilities at full capacity, use knowledge from past experience and maintaining overheads lower than industry. The other aspect of cost leadership applied by large supermarket chains to a moderate extent included exploiting all economies of scale and providing services at a low cost but of superior quality. The researcher also sought to find out the nature of competition in the retail industry in Kenya and a large percentage of the respondents indicated that there was strong competition in retail industry in Kenya. With regards to the challenges faced or encountered by large supermarket chains in implementing competitive strategies, the study found that management style, inter-functional conflicts, need for compliance by Competition Authority as the major challenges. Poor communication, inappropriate strategy and insufficient financial resources were the other challenges encountered to a moderate extent.

5.3 Conclusions of the Study

The study sought to find out how competitive strategies influence performance of large scale supermarket chains in Nairobi County. The essence of competitive strategy is to enable them cope with competition. The purpose of competitive strategy is to establish a profitable and sustainable position against the forces that determine industry competition. Based on the findings, the study concluded that most of large supermarket chains in Nairobi County had already adopted competitive strategies to respond to ever changing customer needs and competitive marketing nature. Differentiation and cost leadership strategies were the key competitive strategies adopted by large supermarket chains with practices such as strategic location of supermarkets to customers, pricing products below that of competitors and offering unique customer service which is not easily imitated being employed to a large extent. Offering different services or products than the competitors and being innovative were used to a moderate extent. Focus or niche strategy was used to a little extent through practices such as focusing on selling products or services to a particular market niche, devoting resources to maintain market leadership in this niche as well as innovating specific product or service for the niche.

Further the study concluded that there were various challenges faced by large supermarket chains in Nairobi County in implementing the competitive strategies. These were management style, inter-functional conflicts, need for compliance by Competition Authority of Kenya, resistance to change, poor communication, inappropriate strategy as well as insufficient financial resources

5.4 Recommendations of the Study

The study recommends that for large supermarket chains to overcome competition from new entrants, social reforms, technological advancements and globalization challenges, entire management should emphasize on various competitive strategies to ensure that they are focused towards the organizational objectives and aligned to the need of the market environment. Further the study recommends that large supermarket chains in Nairobi County should re-look on their competitive strategies in terms of opening more braches and increasing their asset base in order to reach the ever growing consumer numbers as well as creating awareness of the various products and services they offer. The owners, partners and managers of large supermarket chains need to develop and adopt strategies that will ensure survival of their supermarket chains in the retail industry and make it a priority. The large supermarket chains should know that customer satisfaction always comes first. The study also recommends other imperative competitive strategies that may be applied by the large supermarket chains which include diversification of product lines, expansion to new markets as well as efficient and timely service to customers.

5.5 Limitations of the Study

The main objective of the study was to identify how competitive strategies influence performance of large supermarket chains in Nairobi County and the challenges they face in implementing the strategy. There were some limitations for this study. First, the study included only a small portion of the large population of supermarket chains in the retail industry because of time limit. Second, the competitive strategies pursued by large supermarket chains in other towns as well as the challenges they face could be quite different as opposed to Nairobi. Third, the study did not identify reasons why strategies fail in their implementation stage. Finally, the researcher encountered other challenges such as non-cooperation by some of the respondents targeted for fear that information might be used for other purposes other than for academic purposes despite the assurance by the researcher that the findings would be used solely for the intended purpose hence not reaching the targeted sample size.

5.6 Suggestion for Further Research

Since the study targeted large supermarket chains in Nairobi County, future research should be focused to other Counties. Since there are other large supermarket chains in other Counties, it is possible that they do adopt different competitive strategies and indeed encounter different challenges. The study aimed at establishing how competitive strategies influence performance of large supermarket chains in Nairobi County. The study did not link specific drivers with corresponding strategies. Future studies should seek to establish various specific drivers that lead to adoption of certain strategies particularly in retail industry.

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APPENDICES

Appendix I: Letter of Introduction

UNIVERSITY OF NAIROBI
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MBA PROGRAMME

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DATE 22/9/2014

TO WHOM IT MAY CONCERN

The bearer of this letter VINCENZA NGIMA WAMBUGU

Registration No. D61/73616/2009

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

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

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
22 SEP 2014
P.O. Box 30197 – 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Appendix II: Questionnaire

The purpose of this study is to establish how competitive strategies influence performance of large supermarket chains in Nairobi County. You participation is key to the success of this study. Your response will be treated with utmost confidentiality. You are therefore highly encouraged to participate in this study.

Instructions: (*Please read the instructions given and answer the questions as appropriately as possible*). It is advisable you answer or fill in each section as provided. Make an attempt to answer every question fully and correctly. Please provide honest and candid answers to the questions. Your name is not required in the questionnaire

SECTION A: GENERAL INFORMATION

1. Name of the supermarket…………………………………......

2. What is the legal name of the supermarket?

   a) Partnership ( )

   b) Public Limited Company ( )

   c) Private Limited Company( )

   d) Other ( )

3. What is the number of years the supermarket has been in operation?

a) 0-10 Years ( )

b) 11-20 Years ( )

c) 21-30 Years ( )

d) Over 31 Years ( )

4. What is the Annual Turn Over of the supermarket?

a) Below 500 Million ( )

b) 500 Million-1 Billion ( )

c) 1.1 Billion-1.5 Billion ( )

d) Over 1.6 Billion ( )

5. What is the number of employees in the supermarket?

a) Below 500 ( )

b) 501-1000 ( )

c) 1001-2000 ( )

d) Above 2001 ( )

SECTION B: COMPETITIVE STRATEGIES

Competition in Retail Industry.

Type of competition	**Frequency**	**Percentage (%)**
Weak competition		
Strong competition		
Very strong competition		

Differentiation strategy

8. To what extent does your supermarket use differentiation strategy in a bid to remain competitive? (please tick one)

a) To a very large extent ( )

b) To a great extent ( )

c) To a moderate extent ( )

d) To a little extent ( )

e) To no extent ( )

9. Rate the level of application of the following differentiation strategies in your company by placing a check mark in the appropriate box in a scale of 1-5. where 1=to no extent; 2=little extent; 3=moderate extent; 4=great extent; 5=very great extent)

	1	2	3	4	5
Product Pricing below competitors					
Strategic Location to Customers					
Unique Customer Service					
Offer different Products/Services					
Innovation					

Focus strategy

10. To what extent does your supermarket use focus strategy in a bid to remain competitive?(please tick one)

a) To a very large extent ( )

b) To a great extent ( )

c) To a moderate extent ( )

d) To a little extent ( )

e) To no extent ( )

11. To what extent do the following inform focus strategies in your company? Please rate in a scale of 1-5 by placing a check mark in the appropriate box. where 1=to no extent; 2=little extent; 3=moderate extent; 4=great extent; 5=very great extent.

	1	2	3	4	5
Focus on selling Products/Services to a particular market niche					
Devoting resources to maintain market leadership in this niche					
Innovate specific Product/Service for the niche					

Cost Leadership Strategy

12. To what extent does adoption of cost leadership as a competitive strategy affect the performance of the company?(please tick once)

a) To a very large extent ( )

b) To a great extent ( )

c) To a moderate extent ( )

d) To a little extent ( )

e) To no extent ( )

13. To what extent do you use each of the following cost leadership options in response to changes in the market? Please rate by ticking the appropriate box in a scale of 1-5 where (1=to no extent; 2=little extent; 3=moderate extent; 4=great extent; 5=very great extent).

	1	2	3	4	5
Continuosly cutting cost across retail value chain					
Use knowledge from past experience					
Outsourcing and increased automation					
Exploiting all economies of scale					
Operating facilities at full capacity					
Maintaining overheads lower than industry					
Providing services at a low cost but of superior quality					

Section C: Challenges in Competitive Strategy Implementation

14. What are the challenges faced by your supermarket in implementing the formulated competitive strategies?

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THANK YOU FOR YOUR RESPONSE AND COOPERATION