

**COMPETITIVE STRATEGIES ADOPTED BY LOCAL ADVERTISING  
FIRMS TO GAIN COMPETITIVE ADVANTAGE IN THE INDUSTRY**

**LEONIDA ASIKO ETALE**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS  
ADMINISTRATION SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

**OCTOBER, 2015**

## **DECLARATION**

I declare that this research is my original work and has not been presented to any organization or institution for academic purposes, and accreditation. No part of this works may be reproduced without my consent or that of university of Nairobi.

Name: \_\_\_\_\_ Sign \_\_\_\_\_

Reg. No. \_\_\_\_\_ Date \_\_\_\_\_

### **Declaration by the supervisor**

This research proposal has been submitted with my approval as the University of Nairobi supervisor.

Mr. \_\_\_\_\_ Sign \_\_\_\_\_

Date: \_\_\_\_\_

## **DEDICATION**

To my family for the support and encouragement, and for giving me the reason to study and work hard.

## **ACKNOWLEDGEMENT**

The successful completion of this MBA program has been as a result of the support of God, His grace was sufficient all through, Glory and Honor to Him.

Special thanks to my supervisor Mr. Victor Ndambuki for advise, guidance and suggestions throughout the project.

Special thanks to my family for constant support, encouragement and prayers throughout my MBA programme.

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## **ABSTRACT**

A central objective of any organization in the present century is to establish sustainable competitive advantage. This requires a building of resources, internal strengths and capabilities; The firm must be able to cope up with external challenges as well as capitalize on emerging opportunities. Capabilities are critical for realizing the present and future goals of the company. The capabilities and strengths do not constitute a stable or static state of system viability, a turbulent and intensely competitive global market environment requires firms to cope up with new and sudden changes in a continuous manner. This calls for flexibility adaptability and efficiency. The study main objective was to investigate on how competitive strategies enhance competitiveness of the firm in the local advertising in Kenya. The target population all firms in the advertising industry in Kenya. The results of the study were both qualitative and quantitative. Quantitative data collected using a questionnaire and presented through percentages, means, standard deviations and frequencies. The information was also represented by use of bar charts, graphs and pie charts and in prose-form. This was done by tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives. In assessing competitive forces and the context within which a company operates, choice of strategy can indeed seem like a search for a myriad forces pushing and pulling an organization to change and little by way of established principles to determine what the choice should be. The research findings were quite universal in nature, it was noted that the firm in the industry adopted quite similar strategies relative to differentiation focus and cost leadership. The rules and regulations of the industry also dictate use of other strategic options. The findings revealed the adoption of modern techniques of advertising replacing or in supplement with the traditional methods. The study also examines various constraints impending on successful strategy implementation. The study recommended various options in terms of managerial applications, it advocated for strategic alliances formations to enable them complete as one block it also recommended the wide use of technology in respective target audiences.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the Study**

Globalization and its consequences have opened doors of competitiveness borderless business transactions and trade globally. Firms are focusing more on modern methodologies of relationship marketing practices, customer retention, customer care and priorities being given to customer research, all these are current innovative pressures to edge out the competition in each sector of business today. In an ever changing competitive global arena (Rastogi 2008) business are dynamically structuring their strategies towards survival and success despite a huge onslaught from competitors , mere strategies will not make the firm a success but the uniqueness in the products and service plus unique position strategy will spell success for the firm. Competitive advantage no longer a guarantee for success. It must be coupled with a high degree of innovation and compatibility with the market environment and this makes the critical issue in success (Kleen et al 2001), This has resulted in each firm to adapt and enhance unique strategies which will deliver results and enable the firm to achieve its targets, obligations and reflect its overall mission and vision. All these will be possible through adoption of most profitable methods to differentiate the firm from industry players who pose the greatest threat to its survival and prosperity.

Competitive strategies are tools firms use to withstand competitive pressure in their business environment. Scholarly contribution to the competitive structures is immense. Porter (1998) propounded generic strategies which include focus, differentiation and cost leader ship to gain competitiveness. Pearce and Robinson (1997) grand strategy also becomes relevant in

competitive circles. Other theories include to resource based theory which capitalizes in uniqueness of organizational capabilities and resources. The agency theory applications may also enable the firm to understand the kind of relationship structure and develop methodologies of survival and success. The Mckinsey 7's model becomes also relevant in the study.

Kenyan advertising firms have many challenges related to innovation and strategy formulation, failure to implement relevant strategy may also spell doom for the firm, implementation hitches may be coupled with lack of frequent or regular appraisal of their strategic plans, thus crippling the firm in terms of its liability to monitor and take on opportunities in the business environment and lack of not knowing how its fairing on in the industry (Slack and Lewis 2002).

### **1.1.1 Concept of Strategy**

Strategy is a pattern or plan integrating a unit of an organizations major policies, goals and action into a compact and cohesive whole (porter 1980). Johnson and Scholes (2000) defines strategy as the direction and scope of an organization over a long-term which achieves advantage for the organization through its configuration of resources within a dynamic environment so that it can meet its obligations an meet stakeholder expectations. He observes that strategy should match the resources and capabilities as well as activities of the firm and the immediate environment where it operates. Varadajan et al (1990) argues that the extent of market orientation in a firm must be congruent with the competitive strategy adopted. There's need to match the marketing strategy and overall organization strategy (Slater & Hunt 2005)

According to Pavitt (2005) innovation is the implementation of a new significantly improved

process, product, service or coming up with a new marketing method or new organizational business practices. Innovations stem from an organization adapting new methods/practices and technologies. Firms should adapt innovative management practices which can easily breed innovative responses to accommodate their business needs and challenges in the business environment. Rogers (1983), Zhuang et al (1999) classifies an innovation as an invention, an improvement, on an existing product or processes and the diffusion or adoption of a change developed elsewhere. The diffusion or adoption of a change developed elsewhere though often excluded by narrow treatments of innovation, accounts for a large proportion of innovative activities in many business organizations and is constituent with treatment of innovation as something new to an organization sub unit (Zuange et al 1999).

A company strategy consist of the competitive moves and business approaches that managers employ to attract and please customers, compete successfully grow the business, conduct operations and achieve targeted objectives. (Thompson et al 2005). Strategy clarifies the way a firm undertakes corporate choices which are reflected in short term and long term organizational activities and endeavors. Changing circumstances and ongoing management efforts to improve strategy causes a company strategy to emerge and evolve over time, a condition which makes the task of crafting a strategy a work in progress not a one time event.

### **1.1.2 Competitive Strategy**

Strategy is about competition and related activities in the business world. Competition is inevitable in corporate circles because all firms are struggling to meet ever changing customer expectations, challenges from the competition, among the rest of potential small and large corporations. According to Jones (2004) defines strategy as the basic long term goals and objectives of an enterprise and determination of relevant course of action and

resource allocation to meet the goals. Strategy of a corporate entity defines the way business will compete through focusing on resources to convert distractive competence into competitive advantage (Robinson Jr. 1998) Competitive advantage arises out of skills and processes which makes it unique in the business arena. Competitive advantage is created, localized and nurtured towards the business goals of the firm. It always involves investment in skill and knowledge as well as in physical assets and brand reputations Porter (1985)

Competitive strategy is the aspect of strategy which is concerned with how to do better than your competitors. Rumelt (2000) describes it as an art of creating or exploiting those advantageous that are most telling, enduring and most difficult to copy or terminate. He attributes competitive advantage to one of the three roots, superior resources, superior skills or superior position the concept of competitive strategy has been developed in depth by Michael/Porter (1980), He emphasized the need to analyze the nature of competition and market structure in the industry in question and the likely reaction of competitors to a firms strategic moves. Porter seeks to explain differences in returns between industries in terms of five factors leading to divergences from economists classical concept of free competition, these are as follows, the barriers to entry (and exit) the degree of comparison among existing firms, the pressure from substitute products, the bargaining power of buyers and bargaining power of suppliers

### **1.1.3 Advertising and Marketing Communications**

Advertising can be defined as any form of non-personal presentation of goods services or ideas for action openly paid by an identified sponsor. Advertising is a communication tool/link between buyer and seller. The role of advertising is informative, educative, remindal of goods and services in the market or segment markets where the firm is operating.

Advertising is a five port business. It consists of advertisers, advertng agencies, support organizations, media (mass) and consumers. Effective advertising should focus on the knowledge of customers, products and markets. Marketers and specialized firms in the advertising filed use multiple channels to convey their communication to their target audience (Sardageet, 2004).

#### **1.1.4 Advertising Industry in Kenya**

THE Kenyan Advertising industry comprises of major and minor players in the sector. The major players are groups like scan group which has several affiliate agencies due to mergers and alliances to make business firms competitive. WPP/Scan group comprises of Ogilvy Kenya, Ogilvy Africa, Mediacom, Mec Africa, Mindshare world, Red Sky, JWT, Scanad and Blue print. Other firms who are independent comprise of Saracen, Media edge, Access Leo Burnett, Creative Y/R, TAC, Transcend Media, Brainwave, Spread Marketing, Shekele, Nurtun Bates and Dentsu Aegis Network Kenya.

#### **1.2 Research Problem**

Innovation has immensely changed the way firms are competing in the global market place. Innovative products and services, innovative technologies, innovative management and business approaches have all been largely witnessed and have caused profound impact on organizational strategies and plans. Firms globally have embarrased strategies enabling them to be competitive, innovative and responsible to business demands in the environment (Rostagi, 2008) Organizational assets and capabilities become the cornerstone of success for a modern organization. These competencies enable the firm to be a performer in the industry, leading to efficiency and affordability a higher level of quality of service and subsequent customer satisfaction. Strategies need match with organizational resources, both human and

financial, hence compliance with every organizational systems becomes a priority.

Smith (1990) asserts that the main aim of making an assessment of the capabilities of the firm is to use the same to determine the directions which the new strategy would take. Firms have to make the move as objective as possible, and consider the implications of the same on the future strategy and environmental trends and changes. Investment in new facilities acquisition of another company, in order to be competitive through product/service expansion programme(s). This can be achieved through diversifications strategy. Competitiveness can also be achieved through this methodology as the firms' company product mix is to include products differing significant from the current one(s) or original product lines. Basic motivations of diversification are to make the firm more competitive through spreading risks of products and trying to extend their respective life cycles. Ansoff (1976) the progenitor of doctrine of increasing turbulence asserts that during the 20<sup>th</sup> century changes in the environment have become more and this dynamic which requires firms to be competitive in their strategies changes is experienced from all the spheres of PEST framework. (The political, economic, social & technological progression).

The advertising industry in Kenya is greatly undergoing a major transformation in terms of their operations. Mergers and acquisitions have recently been witnessed; this makes the firm to enter the competitive market as a big one. Regulatory frameworks have also contributed to the current shifts of mergers unions and buy-outs. Large industry plays take lead because of enormous resources they acquire in the process miles and snow (1978) typology of firms response to the market place can be classified under different aspects, such as prospectors; analyzers, or defenders. The advertising industry in Kenya has similar characteristics, whereby local firms are in pursuit of growth despite the challenges and global competition, competitor orientation can also be seen to be a road map to shaping the destiny of local firms;

The market share element also need attention if the firms need to grow and prosper, this has led to the concept of customer orientation to take care of loyalty and retention needs of the business firms. Kenyan firms have great challenges trying to meet with the industry challenges and constraints. Ansoff (1984) indicates that for a firm to be competitive and sustain profitability it need match its competitive innovative strategies with its immediate business conditions.

Local studies have been undertaken on the field of innovative strategies on different firms. Odhiambo (2008) under took a study on innovative strategies at standard chartered bank (K) Ltd. the results of his study and research indicated that in order to be innovative, there need to be creative, in the learning process. So that creativity can lead to value addition in service and tangible level of quality. Mwikali (2011) studied/researched on innovative strategies/processes within insurance firms in Kenya. The outcome of the study was that insurance companies have similarities in innovation processes. Within the industry, Gathai (2009) researched on innovative strategies adopted by Equity bank; he found that to be innovative as a firm top level management philosophy towards innovation should be positive and supportive; the firm should also have the necessary infrastructure to facilitate the innovation. From the above research no scholar has undertaken a study on the impact of innovative competitive strategies of adverting firms in the local industry. The research question is what are the competitive strategies adopted by local advertising firms to enhance their competitiveness?

### **1.3 Research Objective**

To establish how competitive strategies enhance the competitiveness of the firm in the local advertising industry.

#### **1.4 Value of the Study**

To the management of respective individual firms the research will enable these firms to understand their competitive strengths in the market. The study will highlight specific innovative responses which could be adopted to strengthen the firm's ability to capitalize on opportunities in the market.

The study will enable the industry participants, stakeholders, and even clients to understand the influence of environmental and other controllable and non-controllable factors leading to a firm success through innovative approaches. This will enable them undertake elaborate decision making framework to enrich their business and operations.

To the scholars/academicians the study will facilitate further research and development of knowledge, in pursuit of deeper understanding of the general and specific innovative responses which could be incorporated to decision making processes. Further research could lead to extensive publishing of guidelines, and policy papers for the government, stakeholders, and the general industry

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter outlines the relevant Literature, it covers the theoretical frame work , the 7's model Approach, Resource based view model ; Porters theory of competitive advantages; other areas covered include, Managerial Process of Crafting Organizational Strategy; Strategy analysis of the firms in the industry and competitive environment; Marketing Planning , Strategy and Ethical behavior ;Strategy & Innovative responses to competitive pressures ; Beyond competitive Strategy [Strategy Alliances and Collaborative Partnerships.]

#### **2.2 Theoretical Foundations**

The study is based on any of the following theories, the Mckinsey 7s Model; Resource Based view theory; porters' theory of competitive advantage:

##### **2.2.1 The Mckinsey 7s Model Approach**

Mckinsey 7s model is a product of a consulting organization and company Mckinsey and company in the mid of 1980's. The framework of the Model is has seven levers which bear letter 's' hence '7s' year origin. These seven variables include system, skills, structure, style, shared values strategy, staff (7s). The strategy is designed to guide an organization in resource allocation and Strategy to formulation through organized planning so that goals can be achieved at the prescribed period. The way on which management conducts itself in the organization is referred as style behavioral; the systems are routine process and procedures followed within the organization. Staff is the human resource element in the organization; the systems are routine process and procedures. One follows while undertaking tasks skills variable which represent capabilities of the staff in the firm. The style variable also

incorporates the organizational culture and underlying philosophies and mindset of top management.

The seven components explained above are sometimes referred as soft and hard components. Classification of hard components encompasses of systems, strategy and structure which are feasible and easily noted or acknowledged in the organization setup ; they are also easily documented and steers in the form of reports like corporate plans , strategy and statements organizational chats and other related documents . The other four are hard to understand issues of capabilities; elements of culture and values are continuously being altered and changed at work place by employees and management (Slackland, 2002). Organizations can only be learnt or understood through various methods like observing, interviewing; there is need to have linkage between hard and soft elements. Organization differs in many ways others have bureaucratic cultures, where power is welded on specific levels at the top. Or Soft elements of model are presumed difficult to be altered or change and then cases a challenge to any organizational management. People attitude and difficult in managing change, culture issues and rigidity of hierarchies becomes difficult to manage. It's presumed that if they are changed they can influence the organizations strategies systems and structure (Ansoff, 1990).

### **2.2.2. Porters Theory of Competitive Advantage**

Founded by Porters (1980) the competitive approach views the existence of competitive responses to a dynamic organization(s) business environment .The business environment generates the competitive pressures experienced by business firms. Industry structures can influence the parameters or rules of the game which will automatically reflect the kind of strategies enforce. In these porters five forces model, the five industry level forces are entry barriers , rivalry among firms bargaining power of suppliers , bargaining power of buyers ,

threats of substitution; industry participants will dictate the nature and level of success especially the profit margins of each different market segments (Porters 1980]. This approach can be used to help the firm find a favorable position in a participating industry where it is capable of survival and growth despite the competitive environment. The competitive forces framework exhibits a number of underlying assumptions on the sources of competition and strategy related processes. The framework also indicates or provides a systematic way of analyzing how competitive forces operate in the industry and how these forces control /dictate /the profit margins of these individual organizations : The industry structure contributes to the nature of strategic actions to undertake some industry might turn to be attractive due to structural adjustments to competitive forces [e.g. entry barriers ] the facilitates the organizations better opportunities , for creating a suitable competitive advantages.

### **2.2.3. Resource Based View Theory**

Initially developed by Birge Wenefelt is a version / approach of assessing the firm's strategy advantages based on its specific distinct combination of Assets, skills, capabilities, and intangibles as an organization. Rastogi (2008) asserts that core competences on a firm can be identified on these basis criteria, first a core competence can provide potential access to a wide range and variety of markets competency on specific areas enables firms to excel. Secondly core competence should make a significant contributions to the perceived customers' benefits of the end products; finally a core competence should be difficult for the competition to copy or imitate in so far a competency should possess complex harmonies of different technologies and production skills, it cannot duplicated easily . A competing firm may acquire some of the Technologies that comprise the core comprehensive patterns of their coordination and harmonization may be required for reproducing the competence or its functionality.

In RBV school of thought as indicated by Pearce and Michael (2006), a firm's competitive advantage lies in mainly on the bundles of and resources which it commands and the way the firm can manage the same to achieve competitive advantages. Core competencies powerful /influence the strategic Hamking of firms (Rostogi, 2008). The latter has first to conceive of itself as a portfolio of business or strategic business units. Conceiving the company in terms competencies wideness the domain of innovation leads to a constituent conceptualization of its strategic architecture. The latter becomes a road map of the future that identifies which core competencies a firm needs to build and their constituent technologies.

The resource based approach sees the organization as one with very superior resources systems and structures which are profitable because they competitively outran the competitor in those market segments the firm as operating. Teece (2007) applies the concept of the theory interns of the firms' ability to cope up with environmental challenges. In today dynamic environment such issues 1 like recession and severe competitive pressures, the idea of dynamic capabilities explains why explain reasons why other firms prosper while others are driven out of business in the same industry. Strategic responses is the reaction of a firm or an organization to environmental changes of turbulence (Dwevi, 2001) the tactics& resources and activities of the firm to the environment which it operates.

Pearce & Robison (2005) asserts that through strategic responses the firm is able to position and reposition its self to ensure it continued existence and sustainable success despite the challenges and environment turbulence (s). The destiny, success, survival of the firm depends on how the organization creates, and maintains match between its strategy and environment also its internal capability and its strategy (Grant, 2002).

### **2.3 Managerial Process of Crafting Organizational Strategy**

According to Thompson et al (2005), developing and grafting a firms strategy is a five managerial process, it starts with crafting and organizations vision, setting of objectives, Grafting of strategy to achieve desired outcome, implementing and monitoring the process while making corrective and adjustments along the course of operation(s). Porter (1997) asserts that strategy is all about competition and the means a firm try(s) to gain competitive advantage. He explains that Strategy is a scheme consisting of three general types of strategies mostly adopted by business firms. The three generic strategies are as follows, strategic scope and strategic strength. Strategic scope is a demand sided aspect and focuses on the size and composition of the market to be targeted. Strategic decisions deals with the way the firm wishes to match its resources with environmental requirements to achieve long term objectives. Strategy formulation, execution, is a critical management process dealing with how the firm will generate and sustain competitive advantage in order to be profitable and dominate the market share in the industry. Environmental scanning, evaluation of capabilities, and assessing the opportunities and constraints of strategy (German, 2006).

Strategy occupies a central position in the determination of the organizations current and future orientations. The emphasis of strategy creation as vital for a firm to be and remain competitive through configuration of its resources and capabilities to match the environment. Since the business environment is not static, there is also need for strategy to be flexible to suit the ever shifts in the business arena, Ansoff (1988) indicates that strategy helps firms cope with change which is precipitated through environmental factors. Thompson and Strickland (1995) states that strategy need be well matched with external environment as change evolve, in the environment so must strategy. Firms should always be prepared for winds of change, opportunity and treat openings and pursue aggressive strategies to elect the

challenges(s).

Strategy enables the firm with a 'game plan' for future management actions and decisions (Pearce & Robinson 2002) strategy is viewed as laying down a source on how, when, where the firm should compete against whom and for what purpose (Porter 1980) explains that strategy becomes a formula of how business will compete what objectives should be and what policies will be needed to realize these goals. Therefore firms have developed core competences and invest in tangible as well as intangible resources and managerial resources & capabilities so as to match and counter affect the external threats and opportunities, and establish right objectives and strategies to see the firm through in storm & turbulences.

#### **2.4 Strategic Analysis of the Firms Industry and Competitive Environment**

Industries differ widely in their economic features competitive character, the profit margins, (Thompson & Strickland 2005). To gain a deep understanding of the company's industry and competitive environment management must be focused and scan the competitive environment. Answers to the following issues need be right, the nature of competitiveness the dominant economic features, forces of change in the industry position of rival firms, strategic moves by competitors, future factors of competitive success. And the future attractiveness of the industry (Thomposon Strickerland 2005)

The business environment means a pattern and combination of internal and external conditions of business entity operation areas it is a total collection of both controllable and uncontrollable factors. According to Pearce and Robinson (1991) describes external environment as all conditions that affect strategic options but which are beyond the firms control. The advertising industry has witnessed tremendous changes in the recent past

involving branding ; repositioning Mergers and acquisitions , image change all those require an understanding of the environment to make the business competitive

Porters (1985) states that a firm environment is divided into two categories, the external environment and internal environment. External factors are non-controllable issues. The general environment consists of the political socio -cultural , economic , technical environment all these environments affects the firm as it interact with all sorts of stakeholders , like influencing group, clients, competitors suppliers regulators. Burton and Thakur (1988) indicates that every organization needs to be perceived as operating in an environment that reaches beyond its optical limit. Regard less of six, firms cannot afford to ignore trends in the business environment they are expected to be strategic in their operations. McDonnell (1990) argues that increased competition has created fundamental shifts in economic circles whereas no organization can afford to stay put or maintain status few position but be prepared with relevant responsive strategies

Due to unpredictability of the business environment and lack of competitive insights, management of any organization should struggle to influence the business environment, this will ease the impact of change; Even government can influence and be also influenced by the determined of competitiveness (Pearce, 2005).

## **2.5. Marketing Planning, Strategy and Ethical Behaviour**

Marketing planning is the genesis of all marketing and business activities of an enterprise. The purpose of marketing planning is to guide facilitate marketing activity (Kotter, 2000). The planning function is a critical interface between the market and consumer & evidently the interface is deeply rooted in the customer satisfaction marketing planning is the process in which various inputs of the organization are managed and fitted with the outside interface of

customers (Saakashi et al., 2004). Characteristic of marketing planning encompasses many areas of marketing applications the product life, the market sales forecasting, packaging, pricing, inventory and distribution, sales and advertising, customer service, credits and collections, competitor actions (Saakashi et al., 2004).

The marketing mix strategy is processes where various marketing elements are combined to achieve the ultimate organizational objectives to satisfy its target market .Firms utilize various tools to achieve their predetermined goals Kotler (2000) price place promotion. Distribution and price, people process, (for service organizations). Marketing effectiveness of the organization in serving customers in the face of existing and potential competition is reflected by the degree to which it exhibits five major attributes, market orientations, demonstrated customer philosophy, integrated marketing orientation, possess adequate marketing information, adoption strategy orientations, adopts to strategic orientation and experiences, a high level of operational efficiency; the examination of these factors indicates well for the organization to identify the area of deficiency and work on the same orientation with relevant corrective measures (Barons, 2003).

Evolution of reward effective communication services has been influenced by new technological breakthrough in the technological environment (Turban, 2004) Promotion strategy is critical component of today's business firms, target audience need information on products / services customer education. Promotion is persuasive and informative (Evans & Berman 1994).

A total marketing communications programme is referred as the "promotion mix" and consists of a blend of advertising, personnel selling, brand management, public relations tools. Many companies apply this promotion mix to increase sales revenues (Strauss 2006). Decline in sales is usually attributed to poor implementation of the most effective promotion

elements. Each of the applied promotional mix elements has strength and weakness and it should be at the firms' responsibility determine the most pro-motion mix elements relevant to organizational resources translate revenue increase (BIythe, 2006).

## **2.6. Strategic Innovative Responses to a Competitive Environment**

These are managerial decisions that facilitate the formulation and implementation of predetermined plans meant to attain organizational objectives (Pearce and Robinson 2010). Ansoff and Macdonnel (1990) discuss them as management practices and systems adopted by organizations to determine the component of firms' responsiveness to environmental changes. Strategic responses are mainly concerned with decisions meant to achieve business objectives (Johnson and Scholes, 2006). Firms operates in diverse business environment and the same firms have different resources and capabilities these calls for different approaches towards their environmental challenges in the industry decisions made should be accommodative of the various constraints in the market (the product life cycle stage), the organizations resources as will the level of competitive advantage (Pearce and Robinson). Porter (1980) outlines the generic strategies firm can adopt to respond to the serious challenges in the industry. They can respond through cost leadership strategy, focus strategy and differentiation or a combination of any of them or a combination of all of them as per the need of the firm and the competitive pressure experienced.

Cost leadership involves a firm appealing winning the market share through low cost conscious or price sensitive customers. To achieve cost advantage , a firm must make sure that: its accumulative cost across in its overall value chain are lower than competitors cumulative costs through revamping the firms overall value chain , and out manage rivals efficiency in which value chain activities are performed and controlling the factors that drive

cost of value chain activities. Notable cost drivers include economies or diseconomies of scale; cost of key resource inputs, links with other activities in the company or industry benefits of vertical integration, strategic choices and opening decisions (Thompson and Strickland 2005).

Firms must assess situations when cost provider strategy works best (Thompson Strickland 2005) asserts that price competition among rivals should be vigorous; these are a few way of achieving product differentiation. Buyers are large and can bargain downwards; industry new comers using low prices to attract buyers and build a customer base; most buyers using the product in the same ways.

Products / services differentiation appeal to the element of uniqueness or unmatched choice, this achieved through the resource based view (Porter, 1985). It simply translates that the organization has the capabilities and required resources through innovative. Differentiation strategy targets a mass market; it's used to add customer added value, rather than the reduced cost, lower price of a cost leadership strategy. Differentiation can be actual and real or merely perceived by the customer. Real differentiation occurs when the company products or services which are different and distractive from others in the market. Differentiation is achievable through higher quality and improved input and processes.

Focus is a specialization and meant to achieve maximum sales and benefits of the said markets the firm serves a market not well attended by competitors focus as a strategy is bound to succeed if it centers its efforts in a number of niche markets and serves them well to the exclusion of other broad market segments. According to Capon (2008) porter's three competitive strategies centre on two issues; the scope of the market to be served and the basis of competition. The scope of the market can be either narrow or broad; on basis criteria it can

be cost based or value added based.

Firms considering new initiatives involving diversification a useful analytical tool for considering critically the relation between the capabilities required from the new initiative and existing capabilities of the company is the concept of synergy. Synergy is said to exist where its more advantageous to combine two or more activities than to undertake them separately. Synergy may be sales & distributions; production and investments. Research and development, purchasing, corporate relations, management. Majority of firms store to remain competitive through cost effective avenues and through cost effective avenues and through customer satisfaction practices. Competitive and innovative strategies becomes key in achievement of all the above goals. Failure to be innovative can be disastrous for the firm (Iacovok and dexter 2005) notes, resulting effects range from loss of business to the competition, loss of opportunities which could have led to organizational growth and create strong presence in the market place. Management can minimize the impact of these consequences through an elaborative innovation policy guidelines plus a revised strategy approaches to keep pace with the change in the business environment.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter outlines the research methodology which was utilized in the study. It highlights on the research design, population of the study, data collection methods & instruments, it also incorporates data analysis.

#### **3.2. Research Design**

According to Kerlinger (1973) the research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research question and control variances. The study adopted a cross sectional survey approach. Cooper and Emory (1985) content that the surveys are more efficient and economical than observations. It allows for comparative analysis in order to achieve rational conclusions. According to Cooper and Schindler (2000) a descriptive research design is concerned with finding out the who, where, when, how much; the method is ideal as it provide quantitative information from a cross section of the chosen population. The design was deemed appropriate because the main interest is to explore the viable relationship and describe how the factors supported matters under investigation. According to Hopkins (2000) quantitative research is all about quantifying various relationships between variables using statistics and other scientific applications.

#### **3.3. Population of the Study**

A population of study is the total number of subjects or the total environment of interest to the researcher. The population of the study was all advertising firms in the industry which number eighteen in total (18) as per Appendix II. Therefore the study will be a census study.

### **3.4. Data Collection**

The study utilized primary data which was collected through a questionnaire. Kothari (2004) indicates that primary data is information gathered directly from respondents. The administration of the questionnaire was done by drop and pick method and email; the respondents of this exercise were marketing managers, advertising managers, and brand and sales executives of respective firms in the advertising industry. The semi structured questionnaire was divided into three parts; Section A comprising of demographic and respondents profile; Section B was competitive advantage, strategies; Section C comprised of generic strategies (focus / differentiation / cost)

### **3.5. Data Analysis**

The data collected was quantitative and qualitative in nature; quantitative data was analyzed through techniques of measures of central tendency (averages), the relevant measure of dispersion (the range and standard deviation) where relevant. To facilitate conceptualization of the research outcome and findings, the data were presented in tables, bar graphs, pie charts and through percentages and proportions. Qualitative data was summarized and categorized according to common themes used to explain qualitative findings; such as data interpretation and analysis.

## **CHAPTER FOUR**

### **DATA ANALYSIS, FINDINGS AND INTERPRETATION**

#### **4.1 Introduction**

This chapter provides an analysis of data collected from the field to establish how competitive strategies enhance the competitiveness of the firm in the local advertising industry. The results are presented in pie charts, bar graphs and tables to highlight the major findings. They are also presented sequentially according to the research questions of the study.

#### **4.2 Demographic Characteristics**

The study sought to establish the information on the respondents employed in the study with regards to the gender, age, the level of education and duration of work in that industry.

##### **4.2.1 Gender**

The respondents were asked to indicate their gender, this was expected to guide the researcher on the conclusions regarding the degree of congruence of responses with the gender characteristics and also to find out whether the organizations observed the gender provisions as per the constitution as presented in figure 4.1 below.

**Figure 4.1: Gender**

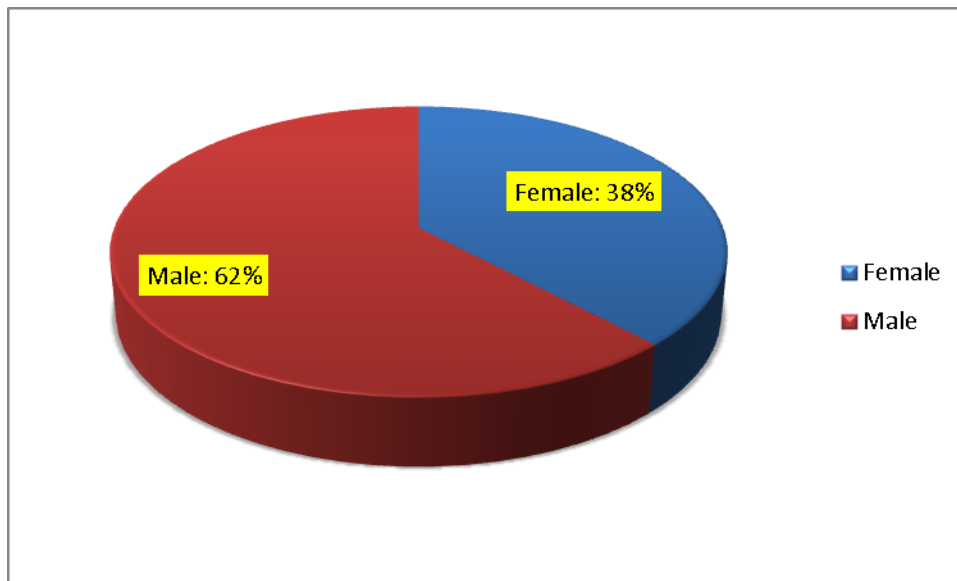
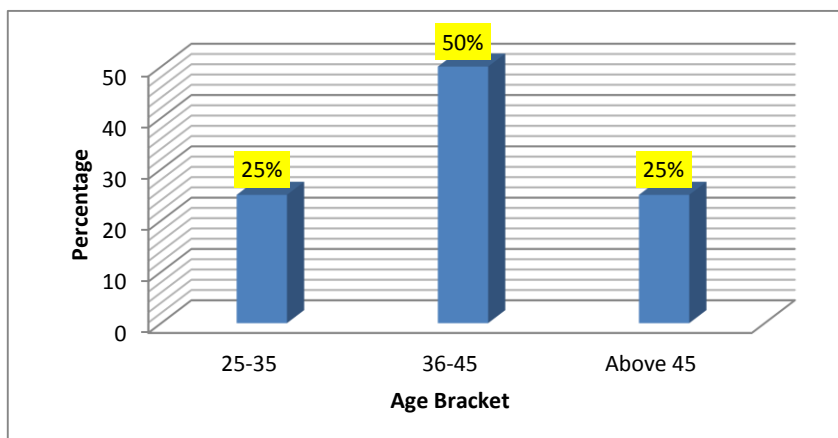


Figure 4.1 above shows, 62% were males while 38% were females. The findings therefore indicate that majority of the respondents in local advertising industry are males.

#### **4.2.2 Respondents' Age Category**

This area of the study, the researcher sought to know the age category of the respondents. This was expected to guide the researcher on understanding the most active age group in regards to the competitiveness of local advertising firms in Kenya as figure 4.2.

**Figure 4.2: Age category**

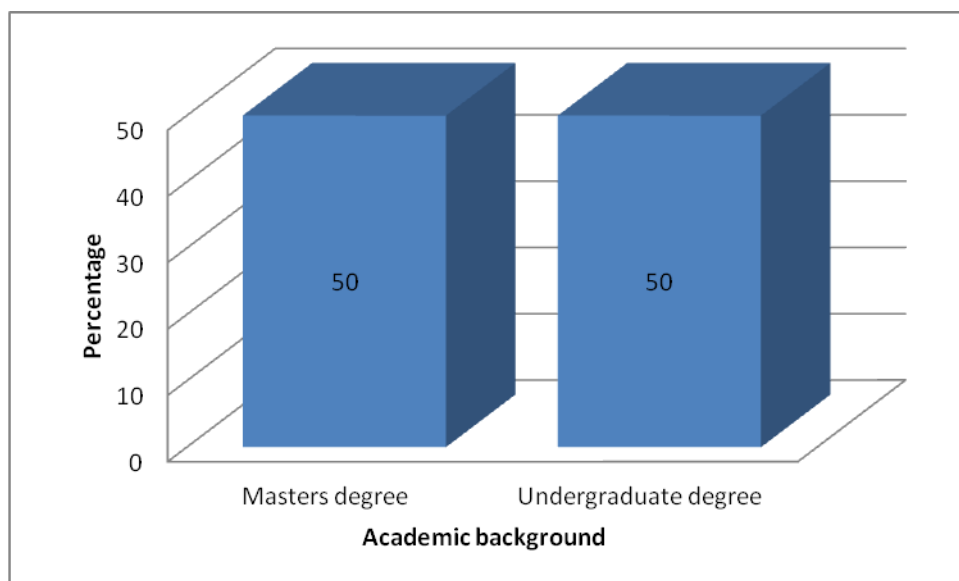


On age category, the research found that 25% of respondents were between the ages of 25 to 35 years, 50% were aged 36-45 years and 25% were aged 45 years and above. From these findings, most of the marketing managers, advertising managers, brand and sales executives of advertising firms in Kenya belong to an age category of 36-45 years. This is the most active age group hence they are actively involved in management, therefore they had rich experiences, could also appreciate the dynamics of the industry.

#### 4.2.3 Academic Background

The table below indicates the study results of the respondents' academic background. This was to help the researcher understand the level of education of the marketing managers, advertising managers, brand and sales executives of advertising firms in Kenya.

**Figure 4.3: Academic background**

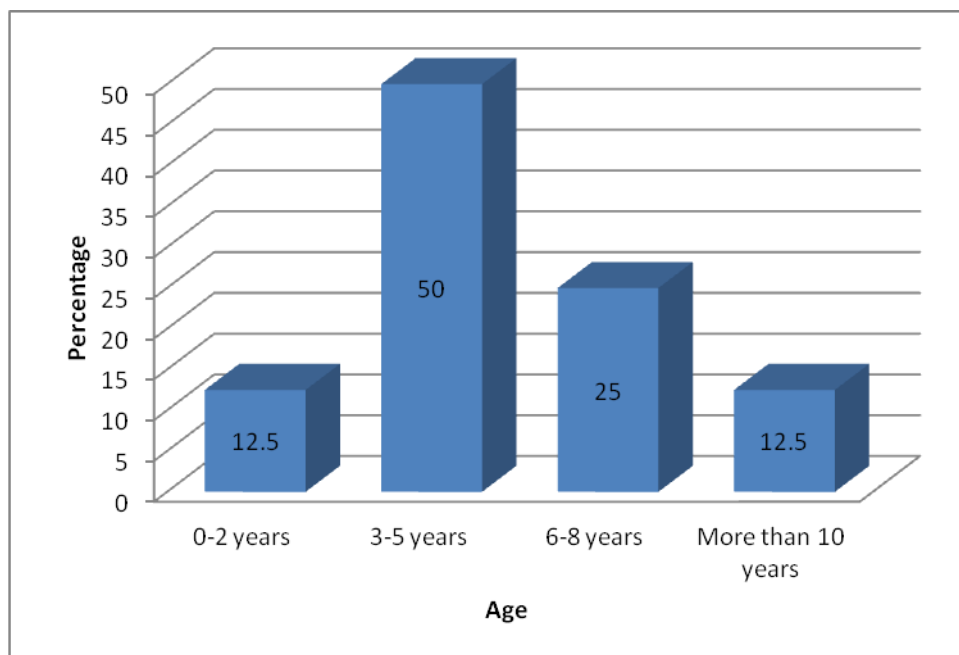


The study findings indicate that 50% of the respondents are undergraduates and another 50% are master's degree holders. All of the respondents are degree holders therefore, were competent enough to make informed decisions and give leadership on issues affecting the industry.

#### 4.2.4 Working Experience

The respondents were asked to indicate the number of years they had worked in the running of the business. This was expected to help the researcher know the kind of experience the respondents had and how effective they would be able to give information about the advertising industry. The results are shown in table below.

**Figure 4.4: Working experience**



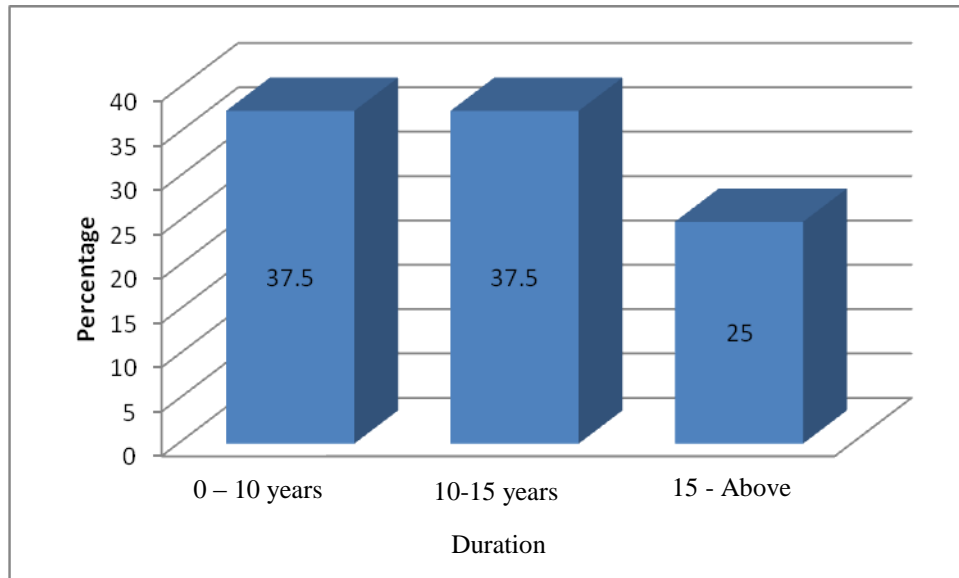
From the table above, 12.5% of the respondents has been employed for less than 2 years, while majority of the respondent 50% have been working for 3-5 years, 25% had worked for a period of 6-8 years while only 12.5% had worked for more than 10years. The findings therefore indicated that majority of the respondents had worked for a considerable period of time and thus were familiar with competitiveness issues of local advertising firms in Kenya.

#### 4.2.5 Duration of Firms Operations Locally

The respondents were asked to indicate the number of years the company had been in the industry. This was expected to help the researcher know the number of years the company

had been in the operation and relate to its competitive strengths and weaknesses. The results are shown in table below.

**Figure 4.5: How long have the companies been in the advertising industry**



From the table above, 37.5% of the firms have been in the industry between 0-10 years, 37.5% of the firms have been in the industry for 10-15 years, and the rest of the firms (25%) had been in the advertising industry between over 15 years. The findings therefore indicated that majority of the firms have been in business for a long period of time hence stable.

### **4.3 Competitive Advantage**

#### **4.3.1 Competitive Advantage in the Industry**

Respondents of the study agreed that competitive advantage can be categorized into the following five categories: product advantage, knowledge advantage, cost advantage, relationship advantage and structural advantage. Advertising firms will gain product advantage if it is able to create a superior product value higher than competitors. Advertising firms will also gain cost advantage if its cumulative operating costs are lower than

competitors'. This advantage allows the enterprise to be able to offer products or services at a lower price than competitors, to control its cost and capacity utilization, to access unique sources of input cheaper than competitors, to gain economies of scale and to gain experience curve economies which support the enterprise to reduce cost over time.

Advertising firms are said to comparative advantage if it has adequate knowledge than competitors. There are three types of knowledge which support an enterprise to take advantage over competitors: product knowledge, market knowledge and customer knowledge. In addition, the enterprise will gain sustainable competitive advantage if it has patents or other intellectual property which prevents competitors from replicating. Other factors that are critical in local advertising firms include differentiation strategies, innovation differentiation strategies, pricing strategies, cost leadership strategies and promotion strategies.

#### **4.3.2 Strategies Firm has used in establishing Competitive Advantage**

Respondents outlined cost leadership, differentiation, niche strategies as competitive strategies that are vital to a firm while developing its fundamental approach to attaining competitive advantage, the size or market position it plans to achieve, and its focus and method for growth (sales or profit margins, internally or by acquisition). Competitive strategy is aimed at giving the company competitive advantage - a relative competitive position that an enterprise establishes and implements by offering superior value to customers and also sustains its competitive edge in the long run by encouraging barriers to replications.

#### **4.3.3 Strategies adopted by industry leaders as a basis of establishing Competitive Advantage**

Respondents outlined a numbers of strategies aimed at establishing competitive advantage, besides watching industry trends, at the level of strategy implementation, competitive

advantage grows out of the way firms perform discrete activities - conceiving new ways to conduct activities, employing new procedures, new technologies, or different inputs. Porters "Value Chain" and "Activity Mapping" concepts help us think about how activities build competitive advantage. The value chain is one of the systematic way of examining all the activities a firm performs and how they interact. It scrutinizes each of the activities of the firm (e.g. development, marketing, sales, operations,) as a potential source of advantage. The value chain maps a firm into its strategically relevant activities in order to understand the behavior of *costs* and the existing and potential sources of differentiation. Differentiation results, fundamentally, from the way a firm's product, associated services, and other activities affect its buyer's activities. All the activities in the value chain contribute to buyer value, and the cumulative costs in the chain will determine the difference between the buyer value and producer cost. The study noted that industry leaders have adopted strategic alliances strategy whereby they have strategically aligned a number of firms in their operations.

They have also adopted the strategy of outsourcing services especially where the parent firm has no technological knowhow especially in adoption on modern advertising medium. Other strategies in outsourcing trends were witnessed in provision of advertising programmes to certain clientele, the firms also contracted other to undertake the advertising programmes on their behalf. Mergers and acquisitions was also noted as one of the competitive strategy of market as one of the competitive strategy of market leaders. The respondents were asked to rank the statements according to the level of agreement/disagreement the following ways of achieving competitive advantage by their firm. Study findings are shown in the table below.

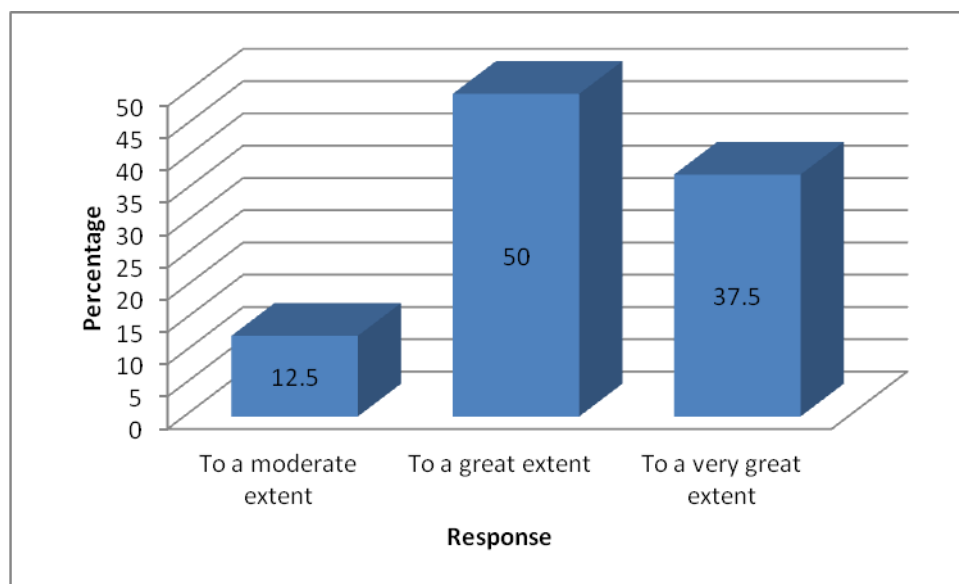
	<b>Mean</b>	<b>Standard deviation</b>
The strengths of an organization are grounded in its resources, capabilities and competencies that help a company attain a competitive advantage based on superior efficiency, innovation, and quality and customer responsiveness.	4.3750	0.70484
Technology development, human resource management, procurement and firm infrastructure enhance the performance of the primary activities.	4.2500	0.66986
Competitive advantage is gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices.	4.5000	0.71611
Competitive advantage is built upon a well planned and executed strategy that is sustainable.	4.1250	0.60712
Competitive advantage is more likely to be based on support considerations, such as service quality, distribution channels or image and reputation factors, pertaining to the organization as a whole rather than any individual service offering.	4.5000	0.71611
Strategy and operational effectiveness are essential for a firm in order to gain competitive advantage.	4.5000	0.71611

From the findings respondents strongly agreed with the statements that; Competitive advantage is gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices, Competitive advantage is more likely to be based on support considerations, such as service quality, distribution channels or image and reputation factors, pertaining to the organization as a whole rather than any individual service offering and Strategy and operational effectiveness are essential for a firm in order to gain competitive advantage all were supported with a mean of 4.5000. The statement on Competitive advantage is built upon a well planned and executed strategy that is sustainable was however, the least supported with a mean of 4.1

#### 4.4 Focus, Differentiation, Cost Leadership as Competitive Advantage Strategies

The study sought to establish the extent at which the company uses any or a combination of the above competitive strategies in the market. The figure below shows the study findings.

**Figure 4.6: Extent at which the company uses any or a combination of the above competitive strategies**



On the descriptive statistics on table above shows that 12.5% of the respondents gave a moderate extent, whereas a majority of the respondents agreed to a great extent 50% that company uses any or a combination of the above competitive strategies to gain competitive edge in the market.

Competitive strategies are critical factors on entry strategies adopted by local advertising firms. The entry strategy in adopting competitive strategies in a company's performance measurement system. The study shows that in companies where product advantages provide very strong competition there was increased marketing. Other factors that are critical in local advertising firms include differentiation strategies, innovation differentiation strategies,

pricing strategies, cost leadership strategies and promotion strategies. It was established that competitive advantages were in place. These strategies were to ensure the local advertising firms were able to give quality output, increased quantity production, customers' satisfaction and amount of sales brought.

#### **4.4.1 Challenges and difficulties encountered in adoption of Competitive Strategies**

The challenges of strategy implementation are illustrated by the unsatisfying low success rate of planned strategies. The primary objectives are somehow dissipated as the strategy moves into implementation and the initial momentum is lost before the expected benefits are realized. Successful implementation is a challenge that demands patience, stamina and energy from the involved managers. They also cited lack of strategic fit between strategy and structure; inadequate information and communication systems; resource allocation and failure to impart new skills. He identified most challenges as concerning connecting strategy formulation to implementation; resource allocation; match between structure with strategy; linking performance and pay to strategies; and creating a strategy supportive culture. Other challenges included regulatory framework, stakeholder business terms and conditions.

#### **4.4.2 Managerial Measures to Overcome the Challenges**

Respondents argued that management can use the nature of the resistance as an indicator of the underlying problems rather than inhibiting it at once. Such challenges include communication (the language of change), skepticism by stakeholders based on previous experience with failed change programs, an unsupportive organizational culture and ineffective change agents. The successful management of strategy implementation requires thoughtful planning on the part of change leaders and the involvement of those to be affected by it. A common challenge to strategy implementation is resistance from those who feel that

the implementation is being forced on them. Managerial responses should encompass of creation of various memorandum of associates with clients whom firms have collaborations with; Resources capacity building; and more open approach to management of change. This approach fits well with Porter (1980) beyond competitive advantage strategy which advocates for acts like alliances mergers and acquisitions to enable firms performs better in their competitive environment; technological capabilities through innovativeness and combination of older technologies (technology fusion) to create a new powerful hybrid technology (Rastogi 1996)

#### **4.5 Discussion**

It was established that the main factors affecting market of local advertising firms products were size of the market. It was noted that there is only a small market for the products. The market for local advertising companies' products is growing at a moderate pace. Due to inflation and taxation the prices are high and thus a small market for the high priced products.

The investment climate is not conducive as a result of inflation and high exchange rates of currencies. The key elements underpinning a successful market strategy in Africa are similar to that elsewhere in the world: choice of location, operational strategy and portfolio selection. When selecting target markets, a consideration for economic strength, the adequacy of the advertising environment, demographic transitions towards a larger population of working age, and therapy potential are critical. From an operational perspective, both market entry and optimization strategies should align with company commitment, consider a decentralized decision-making approach and strategically engage key stakeholders. Operationally, an entry and/or expansion strategy will include consideration for the degree of local investment from manufacturing to licensing. Market characteristics, such as disease burden and ability to pay

across public and private payers, should be assessed in determining product portfolio.

However, there are three differentiating attributes to Africa when it comes to assessing what it takes to succeed. Firstly, to really fulfill local advertising opportunity potential, a strategy needs to be tailored for different areas within a large, heterogeneous market. Local advertising companies need to understand the similarities and differences across the continent that hinge on geographic, economic and cultural attributes. Secondly, unlike Western and other advertising markets, most African markets have nascent market access capabilities. This is predominantly manifested in the hurdles companies must overcome when registering, pricing and distributing their product (e.g., path to market). Finally, African markets are still poorly understood: information on advertising is not systematically collected, resulting in fragmented and patchy data.

Consequently, market players need to work with local partners to strengthen and leverage data collection to inform the opportunity. Information is also crucial to sustain and build the opportunity moving forward, just as robust data has become a cornerstone of care provision and quality improvements in traditional markets. For advertising we are worried about too much competition from generics in India.

## **CHAPTER FIVE**

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

#### **5.1 Introduction**

This chapter presents summary of findings as discussed in chapter four and interpretations of the data analysis, conclusions and recommendations based on the findings.

#### **5.2 Summary**

The study targeted local advertising companies in Kenya. The study main objective was to investigate on how competitive strategies enhance competitiveness of the firm in the local advertising in Kenya. Competitive strategies are critical factors on entry strategies adopted by local advertising firms. The entry strategy in adopting competitive strategies in a company's performance measurement system. The study shows that in companies where product advantages provide very strong competition there was increased marketing practices. Other factors that are critical in local advertising firms include differentiation strategies, innovation differentiation strategies, pricing strategies, cost leadership strategies and promotion strategies. It was established that competitive advantages were highly practiced. These strategies were to ensure the local advertising firms were able to give quality output, increased quantity production, customers' satisfaction and amount of sales brought. Challenges identified include resources organization fitness, regulatory framework or globalization.

#### **5.3 Conclusion**

In some ways, harnessing the available opportunity requires a similar approach to one applied in traditional markets: general determinants of market attractiveness and assessment for

location, operations and portfolio selection are key. However, the specific complexity and heterogeneity of the African opportunity requires companies to identify innovative ways to overcome hurdles in the path to market and path to patient. Some best practices can be gained from market-leading companies. For example, a decentralized strategy with locally-led decision making and stakeholder engagement contributes to operational success and sustainability.

Hurdles notwithstanding, there is a very real opportunity for the advertising industry in Africa. This will require long-term commitment and willingness to navigate the complexities and make difficult decisions to optimize margins, volumes and the investment required to build the path to market and patient. Engagement with this market now and in the long term will provide a robust platform for companies to shape the local advertising industry dynamics alongside the broader environment in Africa.

#### **5.4 Limitations of the Study**

The study cannot be used in general since it only covers one aspect of competitive advantage while local advertising in Kenya is a broad industry compounding several factors of marketing in Kenya there could therefore be other factors limiting competitive strategies in the sector. A recommendation is for studies to be done on other aspects of marketing strategy. Due to time limitations the study was not able to identify all the policies in place in regards to advertising industry. The bias in this study is on competitive edge. Since the sector deals with local consumers there could be some limiting policies that needs to be identified and can help the stakeholders as well as the government in coming up with effective policies to be put in place to increase performance.

## **5.5 Recommendations for Policy and Practice**

These recommendations are mainly to the Kenyan government. Kenya needs to expand domestic and regional markets for local advertising services, integrating the bulk of the country's population demands into profitable supply chains that satisfy these markets.

There is need to address the local advertising sector critical constraints that require the government to adopt an overarching vision of partnering with private sector and donors to expand demand and value added within the advertising sector and facilitate entire population participation in this growth. Government must see its role as a facilitator and not a controller of economic activity. There is need for initiatives to be taken for us to create a sustained and stable competitive strategy and for regional demand to be able to adjust to foreign technologies needed in the industry. There is need for competitive advantage as an entry strategy for competitive strategies on advertising industry.

## **5.6 Suggestions for Further Studies**

This study focused on the challenges and constraints that local advertising industry face that results to not participating competitively in the market. This study will help in exploring the possibility of more rapid growth in domestic demand and foreign demand of all products. These will also asses the competitiveness of local production and marketing systems in place. The study recommends that management of the individual firms regularly seek feedback regarding the competitive pressures in the industry. This action will enable them to keep abreast with the current trends, and manage opportunities. This should be achieved through continuous appraisal, implementation, and monitoring of key indicators within the industry. Finally the industry participants need to maintain an effective database of the operations, the competition, trends, challenges and opportunities.

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## APPENDICES

### Appendix I: Questionnaire

Dear Sir / Madam please provide the required information as per question needs:-

#### PART A. DEMOGRAPHIC AND RESPONDENTS PROFILE

Name of the firm \_\_\_\_\_

1. Male (                      )                      Female (                      )
2. Age of respondents
3. What is your age bracket?

Below 25	[   ]	25-35	[   ]
36-45	[   ]	Above 45	[   ]
4. What is your highest level of education?

Masters degree	[   ]	Undergraduate degree	[   ]
College Diploma	[   ]	others (specify.....)	[   ]
5. Duration of continuous service with the firm

0-2 years	[   ]	3-5 years	[   ]
6-8 years	[   ]	More than 10 years	[   ]
6. How long has your organization been in Kenya
7. 0-2 years                      [   ]                      3-5 years                      [   ]
8. 6-8 years                      [   ]                      More than 10 years                      [   ]

#### PART B: COMPETITIVENESS ADVANTAGE

9. Comment whether your firm has gained competitiveness advantage in the industry

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10. Explain the strategies your firm has used as a basis of establishing competitive advantage.

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11. To what extent do you agree on the following regarding ways of achieving competitive advantage by your firm? Use 1 – Strongly Disagree, 2 - Disagree, 3 - Moderate, 4 – Agree and 5 – Strongly agree.

	1	2	3	4	5
The strengths of an organization are grounded in its resources, capabilities and competencies that help a company attain a competitive advantage based on-superior efficiency, innovation, and quality and customer responsiveness.					
Technology development, human resource management, procurement and firm infrastructure enhance the performance of the primary activities.					
Competitive advantage is gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices.					
Competitive advantage is built upon a well planned and executed strategy that is sustainable.					
Competitive advantage is more likely to be based on support considerations, such as service quality, distribution channels or image and reputation factors, pertaining to the organization as a whole rather than any individual service offering.					
Strategy and operational effectiveness are essential for a firm in order to gain competitive advantage.					

**FOCUS / DIFFERENTIATION / COST / AS COMPETITIVE ADVANTAGE STRATEGIES**

12. To what extent does your firm adopt any or a combination of the above competitive strategies.

Very great extent ( )

Great extent ( )

Moderate extent ( )

Very low extent ( )

13. To what extent does your organization use the following strategies (focus/differentiation) cost to achieve competitive advantage

1. Not at all

2. Small extent

3. Moderate extent

4. Great extent

5. Very great extent

14. Give your opinion on the most popular strategy and briefly state reasons.

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.....  
.....

15. Briefly explain some of the challenges and difficulties the firm has encountered in adoption of any of the above strategies.

.....  
.....  
.....  
.....

16. What managerial measures does your organization teach to overcome the challenges mentioned

.....  
.....  
.....

Thank you for your cooperation and support!!

## **Appendix II: List of Advertising Firms in Kenya**

1. WPP comprises of the following firms:

- a. Ogilvy Kenya
- b. Ogilvy Africa
- c. Mediacom
- d. Mindshare World
- e. Red sky
- f. JWT (J. Walter Thomson Jet)
- g. Scanad and Blue print

2.

- a. Saracen
- b. Media edge
- c. Access leo burnett
- d. Creative Y/R (Young and Rubican)
- e. Transcend media
- f. Spread marketing
- g. Brain wave
- h. Shekele
- i. Nurtun bates
- j. Dentsu Aegis Network Kenya
- k. TAC (The Advertising Company)