DECLARATION

I declare that this is my original work and has not been presented for a degree in any other university or college for examination/academic purposes.

Signature ........................................ Date ......................................

IRENE NYAKUNDI

D61/60671/2013

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

Signature ........................................ Date ......................................

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DEDICATION

This research project is dedicated to my family for their inspiration, encouragement, understanding and prayers towards the successful completion of this course.
ACKNOWLEDGEMENTS

My special and sincere thanks go to my supervisor Professor Justus M. Munyoki and moderator Mr. Victor Ndambuki for their guidance, support, suggestions, useful comments and constructive critique which were all instrumental to the successful completion of this research project. I also wish to appreciate the support and encouragement from my friends and family during the tough time that I had to strike a balance between the demands of a rigorous academic program and an equally demanding work environment. My gratitude to God Almighty, who renewed my strength at every single stage of this study.

God bless you all.
ABSTRACT

As the level of competition intensifies, many business units continue to seek profitable ways in which to differentiate themselves from competitors and the small enterprises are not exceptional. This is because the ability of firms to survive in the business environment is dependent upon their selection and implementation of a competitive strategy that differentiates the firm from competitors. Hence, all small and medium enterprises should continuously monitor and adapt to the environmental change through employment of various strategies to survive in the industry.

The research objective was to establish the competitive strategies adopted by manufacturers of hair products in Nairobi County and its effect on the performance of the firms. The research adopted a descriptive research design whereby ten of the hair product manufacturing firms in Nairobi were surveyed. Data was analyzed using statistical package for social sciences based on the questionnaires. In particular mean scores, standard deviations, percentages and frequency distribution was used to summarize the response and results were presented in tables. The findings of the study were that the competitive strategies employed by the hair product firms were found to be delivery and distribution strategy, pricing, cost leadership, quality of product and the differentiation strategy. The findings also revealed that the utilization of internal resources by a firm, using a broad category of product range was found to be an effective strategy that a firm can utilize in staying competitive. Organizations were able to achieve competitive advantage as a result of pursuing pricing strategy and that the differentiation strategy among the firms was found to increase the customer market share due to realization of a wide customer base. In conclusion, sustainable competitiveness of a firm was found to be crucial to any business and therefore the use of the various strategies by the firms to deal with threats resulting from entry by competitors, power of substitute products, bargaining power of buyers and suppliers and the competition from existing competitors indicates the firms’ willingness to ensure that they protect their business territory.
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CHAPTER ONE

INTRODUCTION

1.1 Background

Today’s dynamic business environment is continuously changing because of globalization, regulatory changes, increasing intensity of competition, increasingly demanding customers, new information technology, and mergers and acquisitions (Ngonga, 2011). This has resulted in markets been characterized as increasingly turbulent and volatile, as well as causing many organizations to seek competitive capabilities that enable them to exceed customers expectations and enhance market and financial performance. The firms need to have contingencies to this change by implementing strategies that permit quick alignment and redeployment of assets to deal with environmental changes. Firms have always sought ways to gain a competitive advantage over their competitors; however, with the increased movement towards a single globalized economy, this desire is even more prevalent for businesses today. One way that firms have pursued to improve their competitive position in this new business environment has been to increase the role of competitive strategies in their operations, which has been found to provide a competitive advantage to these firms (Raiborn, 2009).

The performance of any business organization is affected by the strategies that the organization has chosen. Strategies, which are a set of managerial decisions and actions, determine the long-term performance of a corporation. Performance in an organization may take many forms depending on whom and what the measurement is meant for. Different stakeholders require different performance indicators to enable them make informed decisions.
The resource-based theory argues that any firm is essentially a pool of resources and capabilities which determine the strategy and performance of the firm; however if all firms in the market have the same pool of resources and capabilities, all firms will create the same value thus no competitive advantage is available in the industry (Barney, 1991). Therefore, the basis of the resource-based view is that successful firms will find their future competitiveness on the development of distinctive and unique capabilities. It argues that superior performance rests on resources and capabilities that are valuable and rare, that strategies based on these resources are costly to imitate, and finally that procedures and policies are organized to exploit the resources and capabilities. Firms’ competitive strategies represent strategic capabilities that guide (strategic) actions for superior performance (Day, 2011)

Hair manufacturing industry has grown significantly over the last few years. Competition has increased with the introduction of new companies that are competing for the same market share resulting to a price drop for the last few years. The growth of hair products manufacturers in Nairobi County has been attributed to the increase of the demand of the hair products and thus high competition within the market resulting to most firms being affected by environmental forces. Scholes and Johnson (2000) noted that industries are responding to customer's demand by becoming more innovative in their new ways of approaching the changed environment. The firms adopt strategies such as improved customer services, credit facility, advertisements and provision of convenience goods and services. Therefore, to survive and thrive, the firms has to make greater efforts to acquire or improve constantly its competitive advantages, and as a result, their level of competitiveness because it can provide them a higher level of growth and performance. The firms will benefits in cost effective, quality conscious and highly competitive in the contemporary market and thus in order to achieve their objectives, the company must
evaluate its internal and external factors and formulate appropriate strategy congruent to the present situation.

1.1.1 Concept of Strategy

Strategy consists of the analysis, decisions and actions an organization undertakes in order to create and sustain competitive advantages. This definition captures two main elements that go to the heart of strategy. First, the strategy of an organization entails three ongoing processes: analysis, decisions, and actions. That is, strategy is concerned with the analysis of strategic goals (vision, mission, and strategic objectives) along with the analysis of the internal and external environment of the organization and leaders must make strategic decisions (Porter, 1980). The essence of strategy is how firms can outperform others. Thus, managers need to determine how a firm is to compete so that it can obtain advantages that are sustainable over a lengthy period of time. That means focusing on two fundamental questions: How should we compete in order to create competitive advantages in the marketplace? For example, managers need to determine if the firm should position itself as the low-cost producer, or develop products and services that are unique which will enable the firm to charge premium prices-or some combination of both (Porter, 1985). Strategy represents managerial commitment in setting of actions in growing the business, attracting and pleasing customers, and improving the company’s financial performance. Organization need a well formulated strategy to guide and allocate an organization’s resources into a unique and possible condition based on internal competencies and shortcomings (Rhee et al. 2010).

A conquering strategy must fit business’s external and internal environment, build sustainable competitive advantage and improve company performance (Thompson & Strickland, 2005). A
good strategy is well matching to industry and competitive state, company’s best market opportunities, durable and powerful, boost performance of organization in profit and financial strength. Strategy mirrors a company’s awareness of how, when and where to compete and for what purpose, most of the business does through following path and making decisions to achieve their intended objectives. A strategy is a classification of long-term goals and objectives of an organization, adoption of courses of action and the allocation of resources (Rhee et al. 2010). Thompson and Strickland (2005) point out that a strategy 5ps includes a plan, ploy, pattern, position and/or perspective that an organization uses to adapt to the environment.

1.1.2 Competitive Strategies

Competitive strategy refers to how a company competes in a particular business. It is concerned with how a company can gain a competitive advantage through a distinctive way of competing (Aaker, 2011). Competitive strategy is that part of business strategy that deals with management’s plan for competing successfully- how to build sustainable competitive advantage, how to outmaneuver your rivals, how to defend oneself against competitive pressure or how to strengthen the firm’s market positioning. Thompson and Strickland (2002) found that competitive strategy comprises of all moves and approaches that a firm posses and action taken to attract buyers, withstand competitive pressure and improve its market position. It concerns with what a firm is doing in order to gain a sustainable competitive advantage. Porter (1980) asserts that there are three approaches to competitive strategy. One is striving to be the overall low cost producer, therefore being a cost leader, another is seeking to differentiate one’s product offerings from that of one’s rivals, which is a differentiation strategy while the third involves focus on a narrow portion of the market, - niche strategy. Shapiro (2009) stated that competitive
strategy encompasses a wide variety of strategic and tactical decision making, from pricing of products to investment in production and distribution facilities to contracting practices with customers and input suppliers to research and development expenditures.

The goal of competitive strategy for a business is to find a position in the firm; where the firm can best defend itself against competitive forces or can influence them in its favour. An effective competitive strategy takes either offensive or defensive action in order to create a defendable position against the five forces and thereby yield a superior return on the firm. Competitive strategy therefore emphasizes the improvement of the competitive position of a firm’s products or services in the specific industry or market segment and thus competitive strategies adopted by a firm result in a competitive advantage (Welch and Welch, 2005). The strengths of an organization are grounded in its resources, capabilities and competencies that help accompany attain competitive advantage based on-superior efficiency, innovation, and quality and customer responsiveness. Profiting from competitive advantage requires that the firm first establishes a competitive advantage, and then sustain its advantage for long enough to reap its rewards.

1.1.3 Organization Performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs or goals and objectives. The performance of an organization can be measured in various ways which include qualitative and quantitative. Firstly, how efficient the organization utilizes its resources to produce a profit and secondly is to set of measure based on the prevailing price of an organization’s stock (Delaney and Huselid, 2006).
The organization performance is affected by the strategies that the organization has chosen, thus performance may take many forms depending on whom and what the measurement is meant for. Organizational performance encourages three specific areas of firm outcomes: financial performance (profits, return on assets and return on investment), product market performance (sales and market share) and shareholder return (total shareholder return and economic value added) Richard et al., (2009). Organizational performance can also be used to view how an enterprise is doing in terms of level of profit, market share and product quality in relation to other enterprises in the same industry. Consequently, it is a reflection of productivity of members of an enterprise measured in terms of revenue, profit, growth, development and expansion of the organization.

Organizational performance is the final achievement of an organization and contains a few things, such as the existence of certain targets are achieved, period of time in achieving the targets and the realization of efficiency and effectiveness (Gibson et al., 2010). Organizational performance is affected by myriad factors including: the lines of communication and command connecting these individuals (organizational authority structure and the degree of centralization), the resources and information to which the individuals have access, the nature of the task faced by the individuals, and the type and severity of the crisis under which the individuals operate. Ultimately, performance lies at the heart of any managerial process and organizational construct and is therefore considered as a critical concept in the strategic management field.

1.1.4 Beauty Product Industry

The beauty product industry in Kenya dates back to the 1960’s when multinationals; Johnson and Johnson, PZ Cussons, Beiersdorf, Unilever, and Sara Lee first entered the country. They have
since been established after many years of trading and contribute. Lack of direct representation by these multinationals provided the local companies with the opportunity for growth and enabled them market their products more aggressively. Players in the beauty product industry admit that the market has grown in leaps and bounds from what it was three years ago (Muthoni, 2013). Consumers are now more sophisticated and have become experts at using beauty products. They are also seeking more knowledge through industry experts (Situma, 2013).

Beauty product Multinationals have noticed the increasing demand for quality beauty products and are now scrambling to get a cut in the market. With the entry into the Kenyan market by multinational companies like L’Oreal, Estee’ Lauder, Revlon and Oriflame in a span of less than three years (Situma, 2013), joining the industry giants; Unilever Kenya Limited, Beiersdorf, East Africa limited and PZ Cussons East Africa limited, it is evident that the demand for beauty product industry is on the rise hence the market is not fully tapped. Local companies such as Style industry, Haco Industries, Interconsumer Products Limited and etc. have not been left behind either. There is a big and growing market for their products.

1.1.5 Hair Product Manufactures

The global hair product manufacturing industries have witnessed moderate growth during the last few years. In Kenya it falls under fast moving consumer goods (FMCG) industry which is an important sector that makes a substantial contribution to the country’s economic development. It has the potential to generate foreign exchange earnings through exports and diversify the country’s economy. The key players in the firms are adopting corporate and marketing strategies
such as research and innovation strategies in order to compete effectively through development of various hair care products customized for consumers in different parts of the world.

The hair product industry is a very lucrative and innovative fast-paced industry. Innovation is the key to success, as product life cycles tend to be short hence companies should adopt best practices in order to remain competitive and to ensure on-time supply (short life cycle) of products. The Strong brand recognition enables the firms to increase customer base and market share due to strong marketing and advertising strategies. The increase of demand for innovative products in Nairobi County provides an opportunity for players to gain profitability by leveraging their brand and local presence such as Sister, style and Sana industries in the hair industry.

The firms admit that the market has grown in leaps and bounds from ten years ago. Consumers are now more sophisticated and have become experts at using hair products. Kenyan women are becoming increasingly aware of the hair product which improves their beauty and there is need for the industry to cater for the needs of both the old and the young.

1.2 Research Problem

The economic environment is becoming more competitive and introduction of new brands is more costly and consequently, companies must find new strategies to increase their capacity and competitiveness (Lipponen et al., 2004). Organizations need to have constant customer experience as a strategy that will ultimately separate one’s firm from the competitors. It thus calls for all organizations regardless of the sector in which they are; to formulate competitive
strategies in response to this turbulent environment in order to cope with competition. Most business firms exist in an open system, such that they impact and are impacted by the external conditions largely beyond their control, thus managers should look beyond the limits of the firm’s own operations (Pearce & Robinson, 2002).

The demand of manufacturing firms in the market has stemmed the need to bring modern hair fashion and products to the market. The local businesses face competition from counterfeit products and stolen authentic products that penetrate into the market at a lower price than the market price. There is need therefore for the local firms to come up with appropriate strategies that will see them come up with appropriate strategies that will see them fend off the high competition level and at the same time grow their business performance. The need to respond to market changes on a daily basis and the difficulty of predicting the direction of such changes mean that organizations must focus on their core competences and capabilities (Mantravadi & Reddy 2008).

Studies have been done regarding competitive strategies adopted by different firm. For instance Kinyua (2010) conducted a study on competitive strategies adopted by small supermarkets in Nairobi; the study revealed that strategies used included strategic choice of location, product differentiation, attractive counter displays, staff uniforms and road signboards. Ndung’u (2011) conducted a study on the competitive strategies adopted by different players in the beer industry and her findings were that players in the beer industry in Kenya use cost leadership strategy, differentiation strategy, focus strategy and value disciplines as a competitive strategy. Mutisya (2013) conducted a study on the competitive strategies adopted by mobile telephone company in Kenya and found that these firms employ cost Leadership where, a firm sets out to become the
low cost provider in its industry. Mwasi (2014) undertook a study on competitive strategies adopted by Non-Governmental Organizations (NGOs) to enhance their performance in Kitui County, Kenya. The study found out that the NGOs employ strategies such as differentiation and relationship strategies to boost their growth in the market. Nyangera (2014) researched on competitive strategies used by Nas-Servair to achieve sustainable competitive advantage in Kenya. The findings of the study were that Nas-Servair uses promotion strategies, pricing strategy, differentiation strategies and ambidextrous strategies. On this basis this study seeks to address the question; what competitive strategies have been adopted by manufacturer of hair products in Nairobi County and how they enhance performance.

1.3 Research Objectives

The objectives of this study will be:

i. Determine the competitive strategies adopted by manufacturer of hair products in Nairobi County.

ii. Establish how such strategies affect the performance of such manufacturer.

1.4 Value of the Study

The study would also be of benefit to prospective investors in the hair product industry in Kenya as it would provide an understanding of competitive strategies and the performance of the company. The practitioners largely characterized by the manufacturers, this research was useful to those organizations that manufacture products branded and positioned as hair to enhance market penetration and justify increased usage of the claims or look for alternative ways of enhancing consumer purchase decisions. The policy makers will obtain knowledge of
manufacturing sector dynamics and the appropriate competitive strategies. Therefore obtain guidance in designing appropriate policies that will regulate the sector on affect of strategies of competitive environment and enable the companies have more knowledge to fit in the prevailing competitive environment.

This study is of benefit to the practitioners and academicians both in the private and in public sector by having contributed to the existing body of knowledge in the area. Academicians may use findings for further research, while practitioners may apply lessons in planning and implementing future strategies in order to market the company.

1.5 Chapter One Summary

This chapter has presented the background of the study under the following subheadings; concept of strategy, competitive strategies, organization performance beauty product industry, hair product manufactures. The study variables and analysed selected yet relevant past studies that have focused on impact of marketing strategy on organizational performance. This chapter further presented the research problem, research objectives and the value of the study.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. Key areas of literature include the theoretical framework, competitive strategies that have been adopted and the effects of competitive strategies on the performance of manufactures of hair products.

2.2 Theoretical foundation

The theoretical perspectives ponders and develops thoughts or theories on what the possible answers could be, then these thoughts and theories are grouped together into themes that frame the subject (Neuman, 2010). It is the process of identifying a core set of connectors within a topic and showing how they fit together. This study will be guided by a number of theories as discussed subsequently.

2.2.1 Resource based view theory

The resource-based view of a firm has experienced a rapid diffusion throughout strategic management literature (Priem and Butler 2001). A company aim to achieve competitive advantage over its competitors, which it optimal derives from valuable resources that are superior in use, hard to imitate and difficult to substitute. Barney (1991) posits that resources can be classified into three categories: physical capital resources such as plant and equipment, human capital resources such as training relationships and experience, and organizational capital
resources. For firm resources to be the source of a sustained competitive advantage, they must pass the valuable, rare, imperfectly imitable, (non-)substitutable test (Barney 1991).

The resource based theory suggests that competitive advantage and performance results are a consequence of firm-specific resources and capabilities that are costly to be copied by other competitors (Barney, 1991). These resources and capabilities are important factors of sustainable competitive advantage and superior firm performance if firms possess special characteristics. They should be valuable, increasing efficiency and effectiveness, rare, imperfectly imitable and non-substitutable.

Krim (2003) argued basing on resource-based theory that organizations wish to maintain a distinctive product (competitive advantage) and will plug gaps in resources and capabilities in the most cost-effective manner. The theory emphasizes that resources internal to the firm are the principal driver of a firm's profitability and strategic advantage (Barney, 1991). Many firms plans and implements various strategies in order to create competitive advantages thus outperforming their competitors and earn a higher rate of profits in their industry. For organization to achieve superior competitive advantage, the firm must create more values, which depends on its stock of resources and distinctive capabilities of using those resources. For long-term profitability, a firm must ensure its successful strategies and the created competitive strategies are sustainable.

Wilkens (2004) stated that a firm that exploits its internal resources and capabilities could achieve a good performance, as the resources are stable and reliable in the process of strategic making the firm able to face market dynamics and competition. A successful firm can identify their idiosyncratic characteristics in order to differentiate themselves from other competitors and
carve out a distinctive niche in the market (Barney 2011). Thus, they should select their peculiar resources and find the best way to use and organize them in order to deploy specific capabilities and to set up a successful strategy allowing them to operate profitably in the market.

2.2.2 Contingency Theory

Contingency theory is an approach to the study of organizational behavior in which explanations are given on how contingent factors such as technology, culture and the external environment influence the design and function of organizations Van de Ven and Drazin (1985). On other hand contingency theory is regarded as a dominant paradigm in management accounting research (Cadez and Guilding, 2008). A modern variation of contingency theory is configuration theory, which states that the fit between contingency and structural (and other organizational) variables is limited to just a few configurations or gestalts, that is, fits (Miller, 1986) Contingency theory suggests that firm competitiveness depends on the alignment of the organization with the environment as well as the congruence of the organizational elements with one another (McKee et al., 2009). Strategies as a core value of the contingency theory indicates that the greater the consistency between the competitive strategy and contingent factors, the more positive the impact on organizational above average performance. Dynamic capabilities describe the different strategic movements that occur between business capabilities with different dynamics. Competitive strategy deals with the internal and external environment, and represents the mediating force between an organization and its environment, with its main goal being to achieve competitive advantages.

Organizational effectiveness is dependent on a fit or match between the type of technology, environmental volatility, the size of the organization, the features of the organizational structure
and its information system. Contingency theories are developed from the sociological functionalist theories of organization structure such as the structural approaches to organizational studies (Reid and Smith 2000). However, an alternative theoretical concept is Cartesianism (Donaldson, 2001), which states that there are many fits that is a continuous line of fit. The contingency theory is the relationship between misfit and performance. This provides the explanation of why organizations adopt the structures and therefore produce the associations between structural and contingency variables. These contingency theory-building steps involve three type of variables; contingency variables, response variables and performance variables. Contingency variables represent situational characteristics usually exogenous to the focal organization. In contrast, response variables are the organizational actions taken in response to current or anticipated contingency factors. Performance variables are the dependent measures and represent specific aspect of effectiveness that is appropriate to evaluate the fit between contingency variables and response variables for the situation under consideration (Priem and Butler, 2001).

2.2.3 Open System Theory

Open Systems Theory (OST) simply refers to the concept that organizations are strongly influenced by their environment (Bastedo, 2010). OST is a modern systems-based that changes management theory designs to create healthy, innovative and resilient organizations in today’s fast changing and unpredictable environments. As organizations conduct their business they influence and change their external environments, while being influenced by external changes in local and global environments in a two-way influential change known as active adaptive change (Pfeffer & Salancik, 2003). The environment consists of other organizations that exert various
forces of an economic, political, or social nature. The environment also provides key resources that sustain the organization and lead to change and survival.

The open systems theory comes from the relationship that emanates from the operation of an organization as a system. Organizations are thought of as systems with interrelated subsystems that process various inputs to generate various outputs, pleasing users and customers in the process. They depend on the environment for their survival. Some modest environmental shifts can easily alter the results of management decision within organization. As open systems they need structures to deal with forces in the world around them (Scott, 2008). Organizations been open systems remain efficient and effective by adapting to the shifts in their environment. They have to be concerned with what happens outside and inside of itself for no organization operate in a vacuum, the decisions of the organization have to fit in internal and external environment.

The resource based view theory was used in the study as the resources of the hair products manufacturers were important in ensuring that they compete effectively and achieve a sustainable competitive advantage in its markets. If the companies are seen as made of resources which can be restructured to provide it with competitive advantage then its perspective does indeed become inside out. The contingency theory was used in the study as it links the hair products manufacturers with the environment as well as the congruence of the organizational elements with one another and therefore the greater the alignment between the strategies used by the companies and other contingent factors, the more positive impact exist on performance of the companies. The open system theory was important to the study as it indicates the interrelationship between the company and the environment. The company sources its raw materials from different areas while at the same time the final hair products are delivered to the
wholesalers and retailers and therefore the operations and performance of manufacturing companies is influenced by the environment in which they operate.

2.3 Competitive Strategies Adopted by Manufactures of Hair Product

Competitive advantage is born out of core competencies that yield long term benefit to the firm. Sources of competitive advantage include high quality products, superior customer service and achieving lower costs than its rivals. The popular competitive strategies include;

2.3.1 Delivery and Distribution strategy

Distribution can act as source of competitive advantage for a producer since the distribution channel advantage is difficult to be copied by the competitors and therefore provides both substantial and sustainable competitive advantage. This strategy is related to the distribution of goods and services to the ultimate customers. Goods and services required by the customer must be as accessible as possible from the producer. Hence, location of their outlets is an important consideration in the distribution strategy for companies. The management should select the best place where the actual sale is to take place and be in face of conveniences and comforts to the customers. Changing lifestyles and increased affluence have led to higher service expectations by the customer and has made distribution the key marketing variable (Hilbers, 2010).

Information technology has become a strategic asset which can help improve business processes and change the function of markets. Hence, it’s necessary for organizations to continue with their efforts in developing and implementing the up-to-date technology, however, many organizations still hesitate to adopt new information technology while others believe information technology does not matter as a strategic response because of its commoditization (Axelsson and Easton,
Business processes has led to a drastic improvement in productivity and reduction in costs while telecommunications has improved the speed with which information is been transmitted thus facilitating speedy decision making. Information technology has become indispensable ingredient in organizations in several strategic in order to meet challenges of change like; internet, intranets that support business operations, develop new products, services, processes and capabilities that give a business a strategic advantage over the competitive forces it faces in its industry (Hakansson, 2009).

2.3.2 Pricing Strategy

Price is also a key element used to support a product’s quality positioning as well as most flexible elements. Price can be changed quickly, unlike product features and channel commitments. Many firms set price for the first time when developing a new product, introduces its regular product into a new distribution channel or geographical area, and enters bids on new contract work. When developing price strategy, markers must follow a six-step procedure: selecting the pricing objective; determining demand; estimating costs; analyzing competitors’ costs, prices, and offers; selecting a pricing method, and selecting the final price (Kotler, 2006). Pricing must be competitive and entail profit, thus pricing strategy can comprise discounts, offers. The pricing of products not only affects the sales volume and profitability but also influences the perceived quality in the minds of the consumers.

Most of customers tend to focus on the fairness of price, especially on price increases and any price increases that customers perceive as unfair may result in switching actions. Gerrard and Cunningham (2004) suggest that when comparing price to service on failures and inconvenience, plays a more influential role in influencing customers to switching service providers. He also
reveals that imposing higher charges on customers can encourage outward switching and discourage inward switching.

The key to success in firms is to have a well planned strategy, to establish policies and to constantly monitor prices and operating costs to ensure profits. The pricing strategy is determined by how product or service is priced. For instance, in the case of corporate customers, they believe that cost and benefit are important factor to consider when selecting financial institution (Ahmad and Haron, 2012).

Firms may seek to gain strategic advantage by its pricing strategy. Thus, the management accounting function can assist by attempting to assess each competitor’s cost structure and relate this to their prices. By monitoring movement in the market share of major products, a firm can find out the strengths of their market position; the market share also indicates the strengths of different competitors. Price is an attribute that must be given up or sacrificed to obtain certain kinds of products or services and acts as an attribute of performance that have a direct effect on customers’ satisfaction and behavioural intentions Varki and Colgate (2001).

2.3.3 Cost Leadership

Business entities should strive to be cost leaders in their respective operations since high revenue is achieved through obtaining a large market share. Lower prices lead to higher demand therefore and therefore result in increased market share. Firms acting as low cost leaders can present barriers against new market entrants who would need large amounts of capital to enter the market. The cost leadership strategy focuses on gaining competitive advantage by having the lowest cost in the industry. For an organization to achieve a low-cost advantage, it needs to have
a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy (Malburg, 2008). The organization must eliminate any activities which do not have a cost advantage and should consider outsourcing activities to other organizations with a cost advantage. For an effective cost leadership strategy, a firm must have a large market share.

Firms achieve cost leadership through mass production, mass distribution, economies of scale, technology, product design, input cost, capacity utilization of resources, and access to raw materials. Cost leadership creates little customer loyalty and if a firm lowers prices too much, it may lose revenues. Allen (2006), argues that when a firm designs, produces and markets a product more efficiently than its competitors such a firm has implemented a cost leadership strategy.

2.3.4 Quality of product strategy

Product quality has been recognized as a critical factor in the success of any business, and therefore the effectiveness of customer satisfaction is attainable only after delivering a product that meets the customers’ needs (Anderson, Fornell and Lehman, 2014). Provision of quality service should exceed customer’s expectation as customers’ compare the perceived goods with the expected goods. If the perceived good is below expectation; they lose interest with the provider while the opposite creates loyalty. The structure of the delivery can play a role in the quality of product delivered. Bitrana and Lojo (2013) argue that the quality of service depends not only on offering products that meet consumers’ needs and delivering them efficiently, but creating an atmosphere and overall experience that is satisfying. Therefore, quality is important no matter what market segment is targeted. Product quality determines the rate of customer satisfaction, customer loyalty and ultimately the competitive advantage of an organization.
Successful firm/companies carry internal marketing and provide employees with support and rewards for good performance. Berry Parasuraman (1992) argued that for a firm to exceed customer expectation, they need to present a realistic picture of their product to customers by checking the promotional messages for accuracy, performing the service right to customers by stressing to employees to provide reliable service, effectively communicating with customer to ascertain their needs by using the service delivery process as an opportunity to impress on customers and also continuously evaluating and improving their performance against customer expectations.

2.3.5 Differentiation Strategy

Firms that succeed in a differentiation strategy posses the following internal strengths: access to leading scientific research, highly skilled and creative product development team, strong sales team with the ability to successfully communicate the perceived strengths of the product, corporate reputation for quality and innovation Javalgi and Moberg, (2003).

Firms using differentiation strategies introduce different varieties of the same basic product under the same name into a particular product category therefore covering the range of products available in that category. Differentiation can be based on the product, the delivery system, and a broad range of other factors. Differentiation features in firms provide additional values to customers in terms of rewarding them with a premium price. Baum and Oliver, (2011) found that value added by the uniqueness of the product allows the firm to charge a premium price for it.

The firm hopes that the higher price will be more in order to cover the extra costs incurred in offering the unique product. Differentiation will create benefits and dominant positions that will
last until competitors imitate a firm's key resources, and will be restored through the creation of new opportunities that result in a new competitive advantage and new entry barriers. Differentiation strategies for a sustainable competitive advantage are marketing techniques used by a firm to establish strong identity in a specific market; also called segmentation strategy.

David and Uttal, (2005) stated that differentiation strategy is positioning a brand in order to differentiate it from the competition and establish a unique image. Differentiation reduces competitiveness and the fight for scarce resources, thus improving performance; but on the other hand, conformity makes all organizations similar and, therefore, the competitive pressures are stronger.

2.4 Competitive Strategies and Firm Performance

The main purpose of competitive strategies is to meet customers’ needs and this is achieved when all departments in firms, that is, suppliers and distributors, are co-coordinating efforts and working in harmony. Firms with well-conceived and effective strategies activities will facilitate the achievement of typical organizational objectives such as higher sales, market share, profits and competitive advantage. Okoroafo and Russow (2003) discovered that marketing strategy is an important contributor to performance in economic reform economies. Many businesses will adopt a new attitude to marketing in transition environments, formulating strategies which demonstrate a focus on customers. Thus for firms to be competitive in such environments, it is essential to conduct effective product, pricing, promotion and distribution activities, where customers are central to all marketing efforts and to the extent that these strategies are successfully implemented, they are expected to result in improved performance.
In addition to a market penetration, organizations need competitive strategies to help focus their efforts. Day (1990) stated that competitive strategy specifies how a business intends to compete in the markets it chooses to serve. This strategy provides the conceptual glue that gives shared meaning to all the separate functional activities and programs. A well-developed strategy in firms, therefore, serves to coordinate the competitive actions of the firm. For the market-driven firm, creating superior customer value is the objective of strategy formulation and implementation. To do this, customer value-based differentiation strategies will drive the firm’s market research efforts, its selection of target markets, its product development processes, and its market communications programs (Day, 2004).

The competitive-force perspective argues that competitive advantage lies in a firm’s correct positioning in a market. The sustainability of the competitive advantage that stems from such a position critically depends on the relative influence of the environmental forces that the firm encounters (Porter 1980). Lumpkin and Dess (1996), firms with strategies are willing to act proactively relative to environmental opportunities, be aggressive toward competitors, take risks and utilize their limited resources better. Wiklund and Shepherd (2005) noted that availability of resources allows firms to experiment with proactive, risky and aggressive strategies that might not be approved in a resource-constrained environment, by doing things better, more efficient and more effective than rival firms is therefore a major component in gaining competitive advantage. A unique configuration of the capabilities will strengthen its source of competitive advantage and will often raise the barrier for rival companies to imitate the activity system (Wit & Meyer, 2010).

For organizations to achieve superior competitive advantage, they must provide customers with products and services with superior value in comparison with its competitors. If a company does
not have or cannot obtain the necessary resources to take advantage of opportunities, gaining competitive advantage is unrealizable. Companies must therefore keep the strengths and weaknesses of their business system in mind; however, it should not limit the potential of the opportunities (Wit and Meyer, 2010). Slater (2012) noted that firms pursue cost reduction in order to achieve competitive advantage as it will contribute to process improvement through cost reductions and increased performance. A cost-orientated firm places a high level of importance on in-depth knowledge regarding the costs of providing products and services to the market.

2.5 Chapter Summary

This chapter has presented the literature review of the study. The chapter summarizes the information from other researchers who have carried out their research in the same field of study. The chapter examined theories of the concept of marketing strategy on organizational performance before discussing the theoretical foundation of the study. In this regard, the literature on the conceptual theoretical framework consisting of theories of resource based view, contingency theory, open system theory were reviewed in detail. Competitive strategies adopted by manufactures of hair products were discussed under the following subheadings; delivery and distribution strategy, pricing strategy, cost leadership, quality of product strategy and differentiation strategy.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains a description of the methods and procedures that was used to carry out the study. The chapter describes the proposed research design, the target population, data collection instruments and the techniques for data analysis.

3.2 Research Design

Research design provides the conceptual framework within which research is conducted; it constituted the blueprint or roadmap for the collection, measurement and analysis of data (Kothari, 2007). The research design adopted was cross sectional descriptive design. Cooper and Schindler (2000), define descriptive research design is concerned with finding out the; who, what, where, when and how much. The design is appropriate because the main interest is to explore the viable relationship and describe how the factors support matters under investigation.

A cross sectional study looks at data collected across a whole population to provide a snapshot of that population at a single point in time. This kind of study is used because it will enable the researcher to have an insight of the influence of strategic positioning on organizational performance among the manufacturers of hair products. This design provided further insight into research problem by describing the variables of interest.

3.3 Population of the study

Population refers to an entire group of individuals, events or objects having common characteristics that can be observed and measured (Yin, 2003). The population of the study
comprised 10 manufactures of hair products as per the information provided by KAM (2014) (Appendix 1) and operating in Kenya and all of them participated hence the study was a census. The respondents of the study were senior managers and marketers.

3.4 Data Collection

The study used primary data that was collected through self-administered questionnaires containing closed questions. The questionnaires were distributed through ‘drop and pick’ method and in some cases by email. There was a follow-up to ensure that questionnaires were collected on time and assistance to the respondents having difficulty in completing the questionnaires was offered. Follow-up calls were done to ensure that the questionnaires are dully filled within a reasonable period of time. This ensured that the information gathered is valid, reliable and suitable for this study. The questionnaire consisted of three sections. Section A of the questionnaire sought to establish the respondents’ background and demographic information, Section B sought to establish the competitive strategies being employed by the manufactures of hair products and Section C determine the effect of the firms’ competitive strategies as a source of competitive advantage.

3.5 Data Analysis

The data collected was analyzed using descriptive statistics (measures of central tendency and measures of variations). Once the data was collected, the questionnaires were edited for accuracy, consistency and completeness. However, before final analysis is performed, data was cleaned to eliminate discrepancies and thereafter, classified on the basis of similarity and then tabulated. The responses were coded into numerical form to facilitate statistical analysis. Data was analyzed using statistical package for social sciences based on the questionnaires.
In particular mean scores, standard deviations, percentages and frequency distribution will be used to summarize the responses and to show the magnitude of similarities and differences. Results were presented in tables.

3.6 Chapter Summary

This chapter of the study has discussed the methods and procedures that were used to carry out the study. The research design adopted in the study was cross sectional descriptive design. A cross sectional study looks at data collected across the whole population to provide a snapshot of that population at a single point in time.
CHAPTER FOUR
DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

The research objective was to establish the competitive strategies adopted to enhance performance by manufacturers of hair products in Nairobi County. This chapter presents the analysis, findings and the discussion with regard to the objective. The analysis is presented in mean and standard deviations while the findings are presented in frequency distributions and tables.

4.2 Demographic Information

The demographic information considered in this study included the name of the organization, highest level of respondent’s education, length of continuous service with the organization, length of companies operations in Kenya and the number of employees. A total of 10 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Of the 10 questionnaires distributed, 8 were returned. The returned questionnaires’ represented a response rate of 80% and this response rate was deemed to be adequate in the realization of the research objectives. The hair products that respondent were Style industries, HaloTiger brand, Afrego Kenya Ltd, Sana Industry, Solpia (k) Ltd and Uniliver (k) Ltd.

4.2.1 Length of continuous service with the company

This section of the questionnaire sought to establish the length of continuous service that the respondents had worked in the hair product company. The results are presented in table 4.1 below.
Table 4.1: Length of continuous service with the company

<table>
<thead>
<tr>
<th>Years</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 Years</td>
<td>42.9</td>
<td>42.9</td>
</tr>
<tr>
<td>5 – 10 years</td>
<td>42.9</td>
<td>85.7</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>14.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher (2015)

The findings in Table 4.1 indicates that majority of the respondents (42.9%) had equally been working in the organization for a period less than 5 years and between 5 -10 years while 14.3% said they have been working for over 10 years. Therefore, majority (85.8%) of the respondents have worked in their organization for less than 10 years.

4.2.2 Duration of company existence

This section sort to establish the period in which the hair product firm had been operational in Kenya. The results are presented in table 4.1 below.

Table 4.2: Duration of company existence

<table>
<thead>
<tr>
<th>Years</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 5 years</td>
<td>14.3</td>
<td>14.3</td>
</tr>
<tr>
<td>6-10 Years</td>
<td>28.6</td>
<td>42.9</td>
</tr>
<tr>
<td>Over 25 Years</td>
<td>57.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher (2015)
The results in Table 4.2 indicates that 57.1% of the hair products firms have operated in Kenya for over 25 years while only 2 of the firms had been in existence for less than 5 years. Generally therefore, over 85% of the firms had operated for more than 10 years and with the level of competition existing locally, they will have developed appropriate competitive strategies to counter the challenges faced in the market.

4.2.3 Number of employees in the company

The researcher also sought to establish from the respondents the range of the number of employees that the hair products firms will have employed. The results are provided in table 4.3 below.

Table 4.3: Number of employees in the Firm

<table>
<thead>
<tr>
<th>No. of employees</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>100-499</td>
<td>2</td>
<td>28.6%</td>
<td>28.6</td>
</tr>
<tr>
<td>Above 500</td>
<td>6</td>
<td>71.4%</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher (2015)

The results in Table 4.3 above shows that 71.4% of the respondents had over 500 employees while only 28.6% of the firms had between 100 and 499 staff. This implies that all the hair product firms have more than 100 staff members.
4.2.4 Types of Hair Products Manufactured

The researcher sought to know the number of hair products that the firms manufacture and distribute in Kenya and regionally. The results are presented in table 4.3 below.

Table 4. 4: Number of hair products Manufactured

<table>
<thead>
<tr>
<th></th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 10</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>10 - 49</td>
<td>14.3</td>
<td>14.3</td>
</tr>
<tr>
<td>Above 50</td>
<td>85.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher (2015)

Table 4.4 findings shows that majority (86%) of the hair product manufacturers produce more than 50 different products while only 14% deal with only less than 50 different types of products.

4.3 Competitive Strategies employed by the Firms

This section of the questionnaire sought to establish the competitive strategies that the hair manufacturing firms employ in their operations. Competitive strategies are designed for situations where only partial information is available, whereas an optimal solution would require complete knowledge of all circumstances, or of the future.

4.3.1 Level of Competition in the Hair products industry

The respondents were to indicate the level of competition that is being experienced in the hair products manufacturing industry in Kenya. The results, as represented below, reveal that 86%
of the firms consider the present level of competition to be very strong while 14% consider it to be hyper competitive.

**Table 4.5: Level of Competition**

<table>
<thead>
<tr>
<th></th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong</td>
<td>85.7</td>
<td>85.7</td>
</tr>
<tr>
<td>Very strong</td>
<td>14.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher (2015)

Competition is a contest between individuals, groups, nations, restaurants and animals for territory, a niche, or a location of resources. It arises whenever two or more parties strive for a goal which cannot be shared. The results show that because of the many different hair product that are in the Kenyan market, both manufactured locally and imported, the competitive level prevail can be considered to be intense.

**4.3.2 Marketing Strategies**

A firm can choose to employ different marketing strategies to counter the competitor actions. In this section, the researcher sought to find out the extent to which the hair product manufacturing firms employed different strategies. The range was ‘Strongly agree (5)’ to ‘strongly disagree’ (1). The scores of strongly agree/agree have been taken to present a variable which had a mean score of 3.5 to 5 on the continuous Likert scale; (3.5 ≤ S.E. < 5). The scores of ‘moderately extent’ have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale; 2.5 ≤ M.E. < 3.4) and the score of disagree/strongly disagree have been taken to represent a variable which had a mean score of 0 to 2.5 on a continuous Likert scale; 0 ≤ L.E. < 2.5). A
standard deviation of >0.8 implies a significant difference on the impact of the variable among respondents. The results are presented in table 4.6 below.

**Table 4.6: Marketing Strategies**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery and distribution strategy</td>
<td>4.8571</td>
<td>.37796</td>
</tr>
<tr>
<td>Pricing strategy</td>
<td>4.2857</td>
<td>.75593</td>
</tr>
<tr>
<td>Quality of product strategy</td>
<td>4.2857</td>
<td>.95119</td>
</tr>
<tr>
<td>Cost leadership strategy</td>
<td>4.1429</td>
<td>1.06904</td>
</tr>
<tr>
<td>Differentiation</td>
<td>4.1429</td>
<td>.89974</td>
</tr>
</tbody>
</table>

Source: Researcher (2015)

From the findings Table 4.6, it is evident that the most popular marketing strategy applied by the firms is having an effective delivery and distribution system (M=4.857) and having a competitive Pricing strategy (M=4.286). The least popular strategy, albeit marginally, is the differentiation strategy (M=4.143). However, the results show that to a large extent, all the five strategies identified in the research was being applied by the hair products manufacturing firms in Kenya. In addition, the application of the cost strategy was found to exhibit a high deviations (SD=1.069) among the respondents.

**4.3.3 Delivery and distribution strategy**

The researcher sought to establish from the respondents how the firms use delivery and distribution as a marketing strategy. This strategy is aimed at meeting customer wants at their
most convenient location. The results on the application of the delivery and delivery strategy are presented in table 4.7 below.

**Table 4.7: Delivery and distribution strategy**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The firm uses selective distribution through the best available distributors</td>
<td>4.4286</td>
<td>.53452</td>
</tr>
<tr>
<td>The company has formed strategic alliances with retailers/supermarkets</td>
<td>4.0000</td>
<td>.57735</td>
</tr>
<tr>
<td>The company is efficient in meeting customer wants</td>
<td>3.8571</td>
<td>.69007</td>
</tr>
<tr>
<td>The retail outlet has incorporated technology in provision of its services</td>
<td>2.8571</td>
<td>.37796</td>
</tr>
<tr>
<td>Our company has convenient operating hours</td>
<td>2.5714</td>
<td>.53452</td>
</tr>
<tr>
<td>Location of company service points is convenient to the customers</td>
<td>2.2857</td>
<td>1.38013</td>
</tr>
</tbody>
</table>

Source: Researcher (2015)

From the findings Table 4.7, it is evident that majority of the hair products manufacturing firms (M=4.429) consider selective distribution of the products as the best alternative to affect the sales of the products. In addition, the formation of the strategic alliance with retailers and supermarkets (M=4.00) was found to be an effective distribution of the hair products strategy. The use of the company service point (M=2.286, SD=1.38) was found to be a less effective delivery strategy to the firms customers. The high standard deviation shows that there was high
deviation among the responding firms. Further, the operating strategy whereby the company can have convenient operating hours was also found to be a less effective strategy.

### 4.3.4 Pricing Strategy

The pricing strategy entails coming up with a competitive pricing strategy for its different products and also for a different target market. The researcher sought to establish how the pricing strategy of the firm affects its performance and the results is presented in table 4.8 below.

<table>
<thead>
<tr>
<th>Table 4.8: Pricing Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>The manufacturing firm uses price promotions and discounts</td>
</tr>
<tr>
<td>The firm monitor competitors’ prices and price changes</td>
</tr>
<tr>
<td>The hair products firm uses pricing skills and systems to respond quickly to market changes</td>
</tr>
<tr>
<td>The manufacturing firm uses price promotions and discounts</td>
</tr>
<tr>
<td>The firm price-point-strategy wherein they have products available in almost all possible price points</td>
</tr>
<tr>
<td>The firm use premium pricing on its products</td>
</tr>
<tr>
<td>Our prices are below industry average</td>
</tr>
</tbody>
</table>

Source: Researcher (2015)

The findings Table 4.8 show that the use of price promotions and discounts (M=4.00, SD=1.29099) was a popular strategy that the hair product manufacturing firms employed. However, though it was a popular strategy, the extent of use among the firms varied. The
adaptation of the firms prices with that of the competitors through monitoring competitors’ prices and price changes (M=3.5714). This moderate extent results was also evidenced on the firms strategy of using pricing skills and systems to respond quickly to market changes (M=3.5714). However, the setting of prices below industry average (M=2.286) was found to have the least effect on the pricing strategy.

4.3.5 Cost Leadership Strategy

Lower prices of products or services lead to higher demand and therefore result in increased market share. The researcher sought the views of the respondents on how the hair product manufacturing firms utilize cost leadership as a competitive strategy. The results are presented in Table 4.9 below.

Table 4.9: Cost Leadership

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company has automated its operations to reduce costs</td>
<td>3.2857</td>
<td>1.70434</td>
</tr>
<tr>
<td>The institution has latest technology that helps to lower costs</td>
<td>2.7143</td>
<td>1.38013</td>
</tr>
<tr>
<td>The company uses cheaper raw materials in the manufacture of its hair products</td>
<td>2.5714</td>
<td>1.13389</td>
</tr>
<tr>
<td>The institution charges lower prices for its products</td>
<td>2.4286</td>
<td>.78680</td>
</tr>
</tbody>
</table>

Source: Researcher (2015)

The results above show that as a strategy to reduce the cost of their products, the hair product manufacturing firms have strived to automate its operations to reduce cost (M=3.286) and this also involves installment of latest technology that helps to lower costs in their products.
However, to a low extent, it was found that the manufacturing firms do not charge lower prices for its products (M=2.429) for the sake of it but rather is influenced other parameter.

### 4.3.6 Quality of Product Strategy

Product quality has been recognized as a critical factor in the success of any business, and therefore the effectiveness of customer satisfaction is attainable only after delivering a product that meets the customers’ needs. Hence, the respondents were asked to indicate how their hair products manufacturing firms were utilizing this strategy to gain competitiveness.

**Table 4.10: Quality of product strategy**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The company offer a broad product line</td>
<td>4.2857</td>
<td>1.25357</td>
</tr>
<tr>
<td>The firm has products that have a broad market appeal</td>
<td>4.2857</td>
<td>1.11270</td>
</tr>
<tr>
<td>The firm ensures that quality and reliability of the product</td>
<td>4.0000</td>
<td>1.15470</td>
</tr>
<tr>
<td>offerings gain importance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The firm has innovative new products</td>
<td>4.0000</td>
<td>1.29099</td>
</tr>
<tr>
<td>The company uses product design and technology in product</td>
<td>3.7143</td>
<td>1.25357</td>
</tr>
<tr>
<td>development as well as delivery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The company product strategy is realistic and accurate</td>
<td>3.7143</td>
<td>1.38013</td>
</tr>
</tbody>
</table>

Source: Researcher (2015)

The results in Table 4.10 indicate that majority of the firms offer a broad product line (M=4.286) and this was evidenced by the many products of different qualities to meet various customer
demands as well as having a product range that has a wide market appeal (M= 4.286). Having innovative products that is able to meet changing customer preference was also found to be popular among the firms. However, there was to a moderate extent agreement that the company product strategy is realistic and accurate on the product quality (M=3.714).

4.3.7 Differentiation Strategy

Firms using differentiation strategies introduce different varieties of the same basic product under the same name into a particular product category covering the range of products available in that category.

Differentiation can be based on the product, the delivery system, and a broad range of other factors. Effective utilization of the differentiation strategy is expected to improve the competitive position of a firm. The results on the application of this strategy are represented in table 4.11.

Table 4.11: Differentiation strategy

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The firm offer unique products that differ from those of competitors</td>
<td>4.4286</td>
<td>1.51186</td>
</tr>
<tr>
<td>The company manufactures reputable quality products</td>
<td>4.2857</td>
<td>1.25357</td>
</tr>
<tr>
<td>The company manufactures products customers consider most important and valuable</td>
<td>4.1429</td>
<td>1.46385</td>
</tr>
<tr>
<td>The company carry out continuous study of customers needs</td>
<td>3.8571</td>
<td>1.06904</td>
</tr>
<tr>
<td>The company uses its corporate image to differentiate itself</td>
<td>3.8571</td>
<td>1.46385</td>
</tr>
<tr>
<td>The firm has invested in major technology to differentiate itself</td>
<td>3.5714</td>
<td>1.51186</td>
</tr>
</tbody>
</table>

Source: Researcher (2015)
The findings in Table 4.11 show that the popular differentiation strategy among the firms is offering unique products that differ from those of competitors (M=4.429) and them manufacturing reputable quality products that are distinct from competitors (M=4.286). However, the companies move to invested in major technology to differentiate itself from competitors was least considered to be a differentiation strategy (M=3.571, SD= 1.512) though the results had a high variation among the firms. The use of the manufacturing firms to differentiate its corporate image from competitors was to a moderate extent considered to be a least effective differentiation strategy (M=3.857).

4.4 Performance Indicators

The aim of a company adopting effective marketing strategies in its operations is to improve its level of competitiveness and consequently its overall firm performance. Firms with well-conceived and effective strategies activities will facilitate the achievement of typical organizational objectives such as higher sales, market share, profits and competitive advantage. It is based on this that the researcher sought to establish how the strategies employed by the hair product manufacturing companies have affected their performance. The results are presented in table 4.12 below.
Table 4.12: Effect of marketing strategies on firm Performance

<table>
<thead>
<tr>
<th>It helps in increasing market share of the company</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase the profits of the company</td>
<td>4.143</td>
<td>1.46385</td>
</tr>
<tr>
<td>Increased company sales volume</td>
<td>3.857</td>
<td>1.34519</td>
</tr>
<tr>
<td>It increases customer satisfaction</td>
<td>3.857</td>
<td>1.06904</td>
</tr>
<tr>
<td>It increases penetration level of company</td>
<td>3.857</td>
<td>1.06904</td>
</tr>
<tr>
<td>It enhances the organization relationship with its customers</td>
<td>3.857</td>
<td>.37796</td>
</tr>
<tr>
<td>Efficiency in serving customers</td>
<td>3.286</td>
<td>.95119</td>
</tr>
</tbody>
</table>

Source: Researcher (2015)

The findings in Table 4.12 revealed that to a large extent the marketing strategies adopted by the firms had a greatest effect on the firms market share (M=4.143), the profits of the company (M=3.857) and customer level of satisfaction (M=3.286). The least effect on organizational performance that was witnessed was the effect that the marketing strategies had on level of efficiency in serving the customers (M=3.286). Since the findings of all the performance measures that were used had a mean greater than 3.0, then it show that all the respondents agreed to a large extent that the firms’ performance is influenced by the marketing strategies that the company uses.

4.5 Discussion of the Findings

The competitive-force perspective argues that a firm’s competitive advantage lies on its correct positioning in a market. It further points that the sustainability of a firm’s competitive advantage stems from such a position and how it adjust to environmental forces that the firm encounters.
In addition, the resource-based approach sees firms with superior systems and structures being profitable not because they engage in strategic investments that may deter entry and raise prices above long-run costs, but because they have markedly lower costs or offer markedly higher quality or product performance. All these can be gained through a firm having an effective strategy to face the challenges arising from the business environment that the firm operates in. On the basis of this, it was the research sought to find out the effect of the competitive strategies adopted by the hair product manufacturers on their performance as measured by different measures.

Having a broad category of product range was found to be an effective strategy that a firm can utilize in staying competitive. The findings were that majority of the firms researched appreciated the role of having a wide product range of quality products that has a wide market appeal. Indeed as Bitrana and Lojo (2013) argue, the quality of service depends not only on offering products that meet consumers’ needs and delivering them efficiently, but creating an atmosphere and overall experience that is satisfying. This implies that, quality is important no matter what market segment is targeted because it will determine the rate of customer satisfaction, customer loyalty and ultimately the competitiveness of an organization. Another effective strategy that was used by the firms was adopting a competitive price promotions and discounts. As Kotter (2006) found out, when setting product prices, marketers must follow a six-step procedure: selecting the pricing objective; determining demand; estimating costs; analyzing competitors’ costs, prices, and offers; selecting a pricing method, and selecting the final price. Business entities should appreciate that when setting prices of their products it is important to consider its effect on the sales volume and profitability of the firm. The results indicate that organizations were able to achieve competitive advantage as a result of pursuing pricing strategy.
This is because as Varki and Colgate (2001) noted, the role of price, as an attribute of performance, may have a direct effect on customers' satisfaction and behavioural intentions which affects an organization's competitive advantage.

The results indicate that the hair product manufacturers use the differentiation as the customer's perceptions of the company are important and suggest bending the customer's will to match the company's mission through differentiation. The study found that the popular differentiation strategy among the firms is offering unique products that differ from those of competitors and manufacturing reputable quality products that are distinct from competitors. The results are consistent with McCracken, (2002) findings that the key step in devising a differentiation strategy is to determine what makes a company different from a competitor's. Factors including market sector quality of work, the size of the firm, the image, graphical reach, involvement in client organizations, product, delivery system, and the marketing approach have been suggested to differentiate a firm. Firms using differentiation strategies introduce different varieties of the same basic product under the same name into a particular product category therefore covering the range of products available in that category.

Firms using differentiation strategies introduce different varieties of the same basic product under the same name into a particular product category therefore covering the range of products available in that category. Differentiation can be based on the product, the delivery system, and a broad range of other factors. Differentiation features in firms provide additional values to customers in terms of rewarding them with a premium price. Baum and Oliver, (2011) found that value added by the uniqueness of the product allows the firm to charge a premium price for it.
The findings revealed that to a large extent the marketing strategies adopted by the firms had a greatest effect on the firm’s market share, the profitability of the company and customer level of satisfaction. Indeed as Baum and Oliver (2011) found out, the competitive-force perspective argues that competitive advantage lies in a firm’s correct positioning in a market. The sustainability of the competitive advantage that stems from such a position critically depends on the relative influence of the environmental forces that the firm encounters. The firm’s competitiveness will be enhanced through adoption of strategies that are proactive relative to environmental opportunities, be aggressive toward competitors, take risks and utilize their limited resources better.

4.6 Chapter Summary

This chapter discussed analysis, findings and the discussion with regard to the objective. The analysis was presented in mean and standard deviations while the findings are presented in frequency distributions and tables.
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The research findings reveal that adoption of appropriate competitive strategies by a firm that is operating in competitive business environment will affect the firms’ performance. The firms were found to employ different competitive strategies and none was found to use a single strategy. The application of multiple strategies by the firms was found to be consistent with earlier studies for firms operating in other industries. The competitive options used by the hair product firms were found to be delivery and distribution strategy, pricing, cost leadership, quality of product and the differentiation strategy. The findings reveal that the utilization of internal resources by a firm, using the superior systems and structures may deter entry and raise prices above long-run costs, but because they have markedly lower costs or offer markedly higher quality they result in improved performance. All these can be gained through a firm having an effective strategy to face the challenges arising from the business environment that the firm operates in.

The study found that the hair product manufacturers’ use of a broad category of product range was found to be an effective strategy that a firm can utilize in staying competitive. The findings were that majority of the firms appreciated the role of having a wide product range of quality products that has a wide market appeal among the customers. In addition, the results indicate that organizations were able to achieve competitive advantage as a result of pursuing pricing strategy. Application of the differentiation strategy among the firms was found to increase the customer market share due to realization of a wide customer base. Firms using differentiation strategies
introduce different varieties of the same basic product under the same name into a particular product category therefore covering the range of products available in that category

The results to a large extent further proves that the strategies adopted by the firm influenced positive its market share, profitability of the company, customers level of satisfaction, reduced the cost of operations which ultimately affected the performance and level of competitiveness in the firm. However, the sustainability of the competitive advantage that stems from such a position critically depends on the relative influence of the environmental forces that the firm encounters. The firm’s competitiveness will be enhanced through adoption of strategies that are proactive relative to environmental opportunities, be aggressive toward competitors, take risks and utilize their limited resources better.

5.2 Conclusion

From the research findings and the answers to the research questions, some conclusions can be, made about the study. Customer satisfaction is very vital for the success of any FIRM. The study showed that the hair manufacturing firms appreciate the level of competition that they face and also realize that by adopting appropriate competitive strategies will result in improved performance. Hence, it is imperative that in such a globalized market, firms will need to appreciate the importance of coming up with a multiple array of strategies and not depend on only one or a few competitive strategies. However, while considering all these factors, the level of customer expectations are met and these include good customer service, strategic location of outlet and interior décor and ensuring that the prices they charge are competitive. The customers are the greatest asset to the supermarkets and therefore the goods and services been stocked
should be the ones which the customer’s needs. The prices charged by the supermarkets were fair thus enabling majority of the customers to purchase what they need at competitive prices.

Sustainable competitiveness of a firm is crucial to its business and therefore the use of the various strategies by the firms to deal with threats resulting from entry by competitors, power of substitute products, bargaining power of buyers and suppliers and the competition from existing competitors indicates the firms’ willingness to ensure that they protect their business territory. Therefore a firm competitiveness will be enhanced through adoption of strategies that are proactive relative to environmental opportunities, be aggressive toward competitors, take risks and utilize their limited resources better.

5.3 Limitations to the Study

This study was conducted with a strong presence of entities that deal with the manufacture of hair products in Kenya. It is possible that this exposure contributed significantly to their perceptions on the strategies to be adopted in the firms and that these are likely to be different in other settings. There is need therefore to also get the views of non-players in the hair products firms, such as customers. Finally, the study used a descriptive research design and there is need to employ various inferential techniques to validate further the results. However, despite the above limitations, the findings presented in this paper have important policy implications.

5.4 Recommendations

This section makes the recommendations of the study and will cover the recommendations with policy implication and recommendations for further research.
5.4.1 Recommendations with Policy Implications

The current study confirms the mainstream findings on the employment of competitive strategies by a firm. It also gives a consistent positive effect of competitive strategies on the performance of firms. There is need for the management for these firms to consider actively, the application of these strategies in the industry and other industries because as the level of competition increases, what will determine the competitiveness of a firm are the strategies that it employs. The government through the relevant ministry will have to come up with appropriate incentives that will enhance the firms’ level of competitiveness.

In view of the results findings, it is recommended that all the small and medium enterprises should use their brand name to the satisfaction of its customers and not exploit them. The use of all the strategic options by the firms will ensure that if one option fails then they can use the other to respond to the changes in the market. Recommendations regarding the use of the various micro-environment strategies are that the firms should ensure that they adopt only the strategies which will ensure that they are beneficial to their business and not adopt all the strategies which could be costly to the firms in the long run

5.4.2 Recommendation for further research

This research serves as a reference point for those studying the competitive strategies adoption in the small and medium enterprises in developing countries such as Kenya. Other researchers can test other moderators to the effective implementation competitive strategies and identifying which of the variables have the most significant effect on the performance of a firm. Other studies should consider introduction of other moderating variables such as government policy existing in a country.
5.5 Chapter Summary

This chapter presented the summary of the study, conclusion, limitation to the study and recommendations.
REFERENCES


Appendix 1: Introduction

University of Nairobi
P.O. Box 30197-00100
Nairobi
27th June 2015

Dear Sir/Madam,

**REF: PERMISSION TO CONDUCT RESEARCH IN YOUR ORGANIZATION**

I am a student at University of Nairobi pursuing a Master of Business Administration. I am carrying out a research on: *Competitive Strategies Adopted to Enhance Performance by Manufacturers of Hair Products in Nairobi County*. This is to kindly request your participation in the research by completing the questionnaires. The information obtained will be used for the purpose of this academic research only.

Thank you in advance for your cooperation and assistance.

Yours sincerely,

Irene Moraa Nyakundi
Appendix 2: List of Manufactures of hair products within Nairobi County

1. Style Industry ltd
2. Sana Industry company ltd
3. Solpia Kenya ltd
4. Unilever Kenya ltd
5. Haco tiger brand EA ltd
6. InterBeauty products ltd
7. PZ cussions EA ltd
8. Vision Industry Kenya ltd
9. Mika Kenya Ltd
10. Afrigo Kenya Ltd
Appendix 3: Questionnaire

Please give your answers in the spaces provided that matches your response to the questions.

Section A: Demographic Characteristics of Respondents

1. Name of the hair products company (Optional)………………………………………. 

2. What is your highest level of education qualification?
   a) Post graduate level ( )  b) University ( )
   c) Tertiary College ( )  d) Secondary ( )

3. Length of continuous service with the company?
   a) Less than five years ( )
   b) 5-10 years ( )
   c) Over 10 years ( )

4. How long has your company been in operation in Kenya?
   a) Under 5 years ( )  b) 6 – 10 years ( )
   c) 11 – 15 years ( )  d) 16 – 20 years ( )
   e) Over 25 years ( )

5. How many employees are there in your company?
   a) Less than 100 ( )
   b) 100 – 499 ( )
   c) Above 500 ( )
6. How many types of hair products does your company manufacture

   a) Less than 10 (   )
   b) 100 – 49 (   )
   c) Above 50 (   )

**Section B: Competitive Strategies**

7. How would you describe competition within the hair products manufacturing industry?

   a) Weak competition (   )
   b) Strong competition (   )
   c) Very strong competition (   )
   d) Hyper competition (   )

8. To what extent does your manufacturing company uses the following strategies? Use 1-Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent.

<table>
<thead>
<tr>
<th>Marketing Strategies</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery and distribution strategy</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Pricing strategy</td>
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<td></td>
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<tr>
<td>Cost leadership strategy</td>
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<td></td>
</tr>
<tr>
<td>Quality of product strategy</td>
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<td></td>
</tr>
<tr>
<td>Differentiation</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
9. To what extent do you agree with the following regarding the influence of competitive strategies on performance of your manufacturing firm? Use 1-Not at all, 2-Disagree, 3-Moderate extent, 4-Agree and 5-Strongly agree.

<table>
<thead>
<tr>
<th><strong>Delivery and distribution strategy</strong></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The firm uses selective distribution through the best available distributors</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>The company is efficient in meeting customer wants</td>
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<tr>
<td>The company has formed strategic alliances with retailers/supermarkets</td>
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<tr>
<td>Our company has convenient operating hours</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>The retail outlet has incorporated technology in provision of its services</td>
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<td></td>
</tr>
<tr>
<td>Location of company service points is convenient to the customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Pricing strategy**

<p>| The firm’s pricing strategies are such that every customer can purchase a product or upgrade to another one of his or her choice |   |   |   |   |   |
| The firm monitor competitors’ prices and price changes        |   |   |   |   |   |
| The firm use premium pricing on its products                   |   |   |   |   |   |
| The firm price-point-strategy wherein they have products available in almost all possible price points |   |   |   |   |   |
| The manufacturing firm uses price promotions and discounts     |   |   |   |   |   |
| The hair products firm uses pricing skills and systems to respond quickly to market changes |   |   |   |   |   |
| Our prices are below industry average                          |   |   |   |   |   |</p>
<table>
<thead>
<tr>
<th><strong>Cost leadership strategy</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The institution has latest technology that helps to lower costs</td>
<td></td>
</tr>
<tr>
<td>The institution charges lower prices for its products</td>
<td></td>
</tr>
<tr>
<td>The company uses cheaper raw materials in the manufacture of its hair products</td>
<td></td>
</tr>
<tr>
<td>The company has automated its operations to reduce costs</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Quality of product strategy</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The company product strategy is realistic and accurate</td>
<td></td>
</tr>
<tr>
<td>The company offer a broad product line</td>
<td></td>
</tr>
<tr>
<td>The firm has products that have a broad market appeal</td>
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<tr>
<td>The firm has innovative new products</td>
<td></td>
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<tr>
<td>The company uses product design and technology in product development as well as delivery</td>
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<tr>
<td>The firm ensures that quality and reliability of the product offerings gain importance</td>
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<table>
<thead>
<tr>
<th><strong>Differentiation</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The company carry out continuous study of customers needs</td>
<td></td>
</tr>
<tr>
<td>The firm has invested in major technology to differentiate itself</td>
<td></td>
</tr>
<tr>
<td>The company manufactures products customers consider most important and valuable</td>
<td></td>
</tr>
</tbody>
</table>
The firm offer unique products that differ from those of competitors

The company uses its corporate image to differentiate itself

The company manufactures reputable quality products

Section C: Performance Indicators

10. To what extent has the adoption of various competitive strategies by your manufacturing firm affected the following performance indicators. Use 1- Very low extent, 2-Low extent, 3-Moderate extent, 4- Great extent, 5- Very great extent.

<table>
<thead>
<tr>
<th>Performance indicators</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
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</thead>
<tbody>
<tr>
<td>Increase the profits of the company</td>
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<td>Efficiency in serving customers</td>
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</tbody>
</table>

THANK YOU FOR YOUR PARTICIPATION