PRODUCT INNOVATION AS A COMPETITIVE STRATEGY IN BARCLAYS BANK OF KENYA LIMITED

BY

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DECLARATION

This research project is my original work and to the best of my knowledge it has not been submitted for a degree in any other university

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This research proposal has been submitted for examination with my approval as the university supeWisor O

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DEDICATION

This research project is dedicated to Peter Mwenje my father who has stood by me as his daughter through thick and thin.

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I would like to thank the almighty God through whose grace I have studied and completed this course. My sincere gratitude goes to all those who contributed immensely in one way or the other to the completion of this research project this include Jesse Nyoro, Wilkister Ndinda and Dr. Zack B. Awino, PhD who devotedly and uncomplainingly guided and encouraged me throughout the project. Their counsel, support and constructive criticism they gave during the study enabled me to complete the project in time.

I am greatly indebted to my father for his solid support and constant encouragement that I can make it in life despite the odds. Finally my thanks go to those respondents who spared their precious time to answer my questionnaire despite their busy schedule. God Bless You All.

ABSTRACT

The banking industry has remained relatively constant over the past several decades; however liberalized domestic regulation, intensified internal competition, rapid innovations in new financial instrument, the growth in information technology and a change in customer needs and preferences has increased pressure on managers and workers to dramatically improve productivity and financial services. Once the sole domain of the bank, mutual funds, brokerage firms, and other non-bank competitors have continued to enter into these markets eroding the market share of the traditional banking sector. The banks compete mainly on products and pricing. Though the banks compete on all fronts like the use of new technology, new products and pricing, there exists differences in the level of customer service provided in each of the banks and one can easily differentiate them from the levels of customer service delivered. Superior customer service coupled with product segmentation is deemed to have a competitive advantage in which a product whose attributes differs significantly from rival products. The research used a case study design of Barclays Bank of Kenya and how it deals with product innovation as a competitive strategy. The target population was the Product Managers and Assistant Product Managers at Head Office. The data was collected thorough questionnaires administered through drop and pick later method. Data collected was analysed and presented in the form of frequency distribution, percentage tables, pie charts, bar graphs amongst others. The study also revealed that the bank develops majority of its products on quarterly basis. The bank also shops for new customers for existing offerings monthly and these will ensure that the bank recruits customers throughout and these has been greatly achieved with the help of employing sales ladies/men whose tasks is to recruit new customers on daily basis which translates to monthly recruitment.. Findings done indicated that marketing of the new product begins as soon as the product is unveiled to the public and therefore product test marketing takes place as the real marketing. The study established that the bank has formal procedures for product innovation. The respondents unanimously agreed that the bank is facing a number of challenges in innovating products that is existence of a procedure in switching bank services, (from other commercial banks) because the teacher's salary must be channeled through to the bank for the teachers to acquire the Mwalimu benefits. On the other hand, the

respondents indicated that technological changes, political changes, economical changes, competitors' actions, social cultural factors and management policies cause a need to have new products. Several recommendations were done and it was realized the bank develops new products regularly so that if a product does not suit a customer they can get an alternative rather than move to other banks which may be having the kind of products they need. The bank should continue shopping for new customers in order to increase their client base which in turn increases its competitive advantage. The existence of a formal documented procedure for product innovation may inhibit faster innovation. It is therefore recommended that the bank does not become strict on the procedures until the competitors launch almost a similar product. On the challenges which the bank faces in innovating products is that the bank should put in measures to counter the challenges that have been highlighted. The use of all the strategic options by the bank 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 product innovativeness strategy are that the bank should ensure that they adopt only the strategies which will ensure that they are beneficial to their business. The research brought out the implication on policy and practice on the bank. It was identified the bank needs to develop new products regularly so that if a product does not suit a customer they can get an alternative rather than move to other banks which may be having the kind of products they need. The bank should continue shopping for new customers in order to increase their client base which in turn increases its competitive advantage. The policy needs to be less strict on the procedures of launching a new product so that the customer needs are met and Barclays is able to roll out new products in a timely manner to ensure competition doesn't catch up due to the time wasted. The policy and practice should continue marketing of the new product as soon as it is unveiled to the public. This creates a lot of awareness and increases utilization. The new product approval process needs to be shorted so as to allow the new products to be released to the customers and meet their needs.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

There has emerged a tendency for commercial banks in Kenya aiming to achieve a competitive edge more so in the products offered. (Burnes, 2004) states that the customer dictates the product, quantity, quality and service and the best organizations are alleged go to extreme lengths to achieve quality, service and reliability, they claim that they get their best ideas for new products from listening intently and regularly to their customers.

Since most banks offer comparable products and services, they continually search for a competitive advantage that will attract new customers and help them retain existing ones. Banks therefore must endeavor to develop innovative programs and initiatives, maintain superior customer service levels while remaining profitable. No matter what the industry, a business could not succeed without customers. It may seem like common sense, but as marketers know the task of retaining customers is a complicated one (Kotler, 2003). Global competition is fierce, financial institutions have to offer better and better incentives to attract customers.

Porter (1980) developed a model that helps managers isolate particular forces that are potential threats and thus affect how much profits organizations competing in the same industry can expect to make. Porter, (1980) described a category scheme consisting of three general types of strategies that are commonly used by businesses. These three generic strategies are defined along two dimensions: strategic scope and strategic strength. *Strategic scope* is a demand-side dimension and looks at the size and composition of the market a firm intends to target. Strategic strength is a supply-side dimension and looks at the strength or core competency of the firm. In particular he identified two competencies that he felt were most important: product differentiation and product cost.

The broad objective of the study is to analyze product innovation as a competitive strategy in the banking industry focusing on Barclays Bank of Kenya. This is because the bank has continued to be a market leader in both asset base and profitability, leading to a renewed interest in the innovation of the products being launched. A number of products have been formulated and financed to give the customer a wide range of options to choose from in an attempt to satisfy their needs. The new key products include Easy Installment and Loan on Phone for Barclaycard, Premier Life, La Riba Asset Finance, and Mobile Banking among others.

1.1.1. Competitive Strategy Dynamics

Competitive strategy refers to how a company competes in a particular business. Competitive strategy is concerned with how a company can gain a competitive advantage through a distinctive way of competing over an organization goals. The frame work that guides competitive positioning decisions is called competitive strategy. It defines the fundamental decisions that guide the organization's marketing, financial management and operating strategies. The key to strategy formulation lies in understanding and overcoming the system barriers that obstruct the attainment of organizational goals. An effective strategy recognizes these barriers and develops decisions and choices that circumvent them.

Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to out perform its competitors. The term competitive advantage is the ability gained thorough attributes and resources to perform at higher levels than others in the same industry and market (Christensen and Fahey 1984, Kay 1994, Porter 1980 cited by Chacarbaghi and Lynch 1999, p 45). A firm is said to have competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player "(Barney 1991 cited by Clulow et al. 2003, page 221). Powell (2001, p. 132) views business strategy as the tool that manipulates the resources and create competitive advantage, hence viable business strategy may not be adequate unless it possess control over unique view points.

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

Given the current uncertainty and surprising environmental turbulence in the global context, and more so in Kenya, there is a need to institutionalize flexibility and dynamism in planning and implementation of projects. No longer can any enterprise depend on historical trends or projected trend without critically observing, analyzing and evaluating "surprising events and issues" which affect the known trend-be it external or internal (David F.R, (2003). With the onset of global market competition facilitated by e-commerce, "things" are changing pretty fast - occasionally changes taking place in the opposite direction of the known trend or of the projected trend (Thompson et al, 2007). Information is now transmitted worldwide within seconds. In a discontinuous and surprise environmental turbulence, management process should be flexible, dynamic and entrepreneurial so as to allow timely response to novel and unexpected strategic issues.

1.1.2 Product Innovation

A convenient definition of innovation from an organizational perspective is given by Luecke and Katz (2003), who wrote;

"Innovation........is generally understood as the successful introduction of a new thing or method.....Innovation is the embodiment, combination, or synthesis of knowledge in original relevant, valued new products, processes or services"

The banking industry has remained relatively constant over the past several decades; however liberalized domestic regulation, intensified internal competition, rapid innovations in new financial instrument, the growth in information technology and a change in customer needs and preferences has increased pressure on managers and workers to dramatically improve productivity and financial services. Once the sole domain of the bank, mutual funds, brokerage firms, and other non-bank competitors have continued to enter into these markets eroding the market share of the traditional banking sector. Barclays Bank of Kenya has had to respond to these changes by innovating the products offered to its customers. Technological innovation which has provided more ways for customers to access and transact from their accounts, has led to introduction of Mobile Banking dubbed "Hello Money" this has enabled customers to access and transact from their accounts through the use of mobile phones obtain account balances, transfer funds and view their statements.

Customers are demanding anytime anywhere more so in the delivery of financial services. The high end customers have now demanded exclusivity when banking with Barclays; this had led to emergence of Premier Banking and Relationship managers who provide the banking facilities demanded. Custom made banking halls with state of the art decorum; internet facilities, longer banking hours and more exciting ambience have been translated into the banking halls. Other innovative products that Barclays has engaged in is Online Banking where customers can check their account balances, transfer money between accounts, pay bills electronically, review their Barclaycard credit account amongst others. The resultant forces impel banks to leverage the developments in information technology to create new products and services for the consumer. This opportunity drives banks to invest in innovative delivery systems despite the need to change the behavior of customers.

1.1.3 Banking Sector in Kenya

The banking industry in Kenya is governed by the Companies Act, the Banking Act and the various prudential guidelines by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK which falls under the Minister for Finance docket is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system.

As at December 2008 there were forty six banking and non banking institutions, fifteen micro finance institutions and one hundred and nine foreign exchange bureaus.
The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sectors interests KBA serves as a forum to address issues affecting members. Over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The competition for survival and growth within the industry is extremely intense. This poses a major challenge owing to the poor performance of the economy in the recent past, decline in the inflow of investments and shrinkage of profits (Gumato, 2003). The banking industry in Kenya has been dogged by a lot of controversies in the past. The general public has accused the industry of exploitation. Banks have been accused of making high profits by charging exorbitant fees and charges.

Industry players have take-up and embraced the millennium development goals(the eradication of poverty, disease and illiteracy). The Kenyan Banking Industry is more stable than it has ever been with 17 per cent core capital/deposit, with improved solvency of 8 per cent as required by CBK and liquidity margin for beyond 20 per cent which is the total required reserve with most banks having 40 percent or more in the reserves. The future of the industry looks promising with financial and legal sector restructuring (CBK, 2005).

Nevertheless, Kenya's banking has been evolving quite fast and adapting to the challenges in its environment which include a poor and declining economy, cyclical interest rates, high incidence of non performing loans, changes in the regulatory environment and a fluid and volatile political environment. The issues and challenges facing the corporate sector have never been as turbulent and unpredictable as they are today due to the globalization an liberalization of the economy, intensive competition, emerging multilate trading order, hence the need for sustainable development of sustainable strategies.

The banks compete mainly on products and pricing. Though the banks compete on all fronts like the use of new technology, new products and pricing, there exists differences in the level of customer service provided in each of the banks and one can easily differentiate them from the levels of customer service delivered. Superior customer service coupled with product segmentation is deemed to have a competitive advantage in which a product whose attributes differ significantly from rival products.

1.1.4 Barclays Bank of Kenya Limited

Barclays bank was established in 1690 in the United Kingdom and was named after James Barclays. It was involved in protecting the goldsmiths gold deposits and loan money to worthy monarchs and merchants. The bank has grown tremendously over the years due to several mergers with other banks such as Bolitho's Bank in Cornwall (1905), London, Provincial, South Western Bank (1918), Martins Bank (1969), Woolwich Bank (2000) among others.

Barclays is headed by Marcus Agius, the group Chairman. He is also the senior executive Director of the BBC, Chairman of Lazard LLC. John Valley the Group Chief Executive reports directly to Marcus. John is responsible for the strategic direction and planning of all Barclays Operations. The operating units of Barclays are grouped under three umbrellas, Corporate, Investment banking and Investment Management (IB& M) and Global Retail Banking (GRCB). IB& M oversees three core operating units. Barclays Capital, Barclays Corporate and Barclays Wealth. GRCB oversees multiple operating units. Principally it has responsibility for UK Retail Banking (UKRB), Barclaycard and International Retail Banking. The bank is renowned world wide for sponsoring the Premier League, Tennis Master Cup and Professional Golf Tournaments.Barclays has operated in Kenya for over 90 years. Financial strength coupled with extensive local and international resources have positioned Barclays Bank of Kenya as a foremost provider of financial services. Barclays has established an extensive network of over 115 outlets with 234 ATMs spread across the country.

According to the Banking survey Part IV (2004) Barclays bank is a market leader in the retail segment and corporate business. The products offered by the bank can be classified into liability and retail asset products. Liability products include current and savings accounts that are disaggregated into various market segments that include the mass market, standard, premier life, premier and local business. Retail assets products include loans, overdrafts and other lending services including letters of credit and guarantees. Loans are segmented into scheme loans, Barclay loan and prestige loans. The bank offers various credit card products through its flagship brand Barclaycard. World wide Barclays has over 4,750 branches on over 50 countries. It has its network spanning all over Kenya. To survive in the current competitive industry, all firms including banks must adopt strategic response management to the competitive environment in which they operate in, as a means of performance improvement; it is upon this background that this study is formulated to study product innovation as a competitive strategy a case study of Barclays Bank of Kenya.

1.2 Research Problem

Since most banks offer comparable products and services, they continually search for a competitive advantage that will attract new customers and help them retain existing ones. Banks therefore must endeavor to develop innovative programs and initiatives maintain superior customer service levels while remaining profitable. No matter what the industry, a business could not succeed without customers. Global competition is fierce, financial institutions have to offer better incentives to attract customers.

Innovation is a change in the thought process for doing something or "new stuff that is made useful". To decide which business innovation concept is appropriate to a company, the first thing to do is to ask whether the company is generally doing the right things (effectiveness), but just needs to do them better (efficiency), or whether it needs to do new things. It is important to consider whether both fast results and the scale of change are needed.

Liberalization has made competition become stiffer in the banking industry. Each player faces more external competition from other players as each one of them steps efforts to garner a sizeable market share. This calls for among other things, competitive product and service offerings from each of the players. To address the emergence of stiff competition Barclays Bank of Kenya need to be aggressive in its competitive endeavors by grafting appropriate competitive strategies amongst key players like Kenya Commercial Bank, Cooperative, and CFC Stanbic among others.

A number of studies have been done on competitive strategies. Matilda E. (2006) did a study on Airlines in Kenya; Karanja P.W. (2002) focused on the real estate firms, Obado Z. (2005) analyzed sugar manufacturing firms, Murage S. (2001) study was on members of the Kenya Independent Petroleum Dealers Association and Warucu G. (2001) looked at commercial banks. None of the studies focused on product innovation as a competitive strategy. This creates a **knowledge gap** and raises a need to answer the question Product Innovation as a competitive strategy in Barclays Bank of Kenya?

1.3 Objective of the study

To determine product innovation as a competitive strategy in Barclays Bank of Kenya.

1.4 Value of the Study

The study promoted Barclays Bank's Managers strategic thinking in response to competition when addressing the issues affecting their customers and survival of the institution. Other organizations gets the understanding of how Barclays bank has managed to be competitive even when other banks were falling and how it has consistently retained its position as a leading bank in Kenya. Form a basis in the academic field upon which further research on product innovatiness in a competitive environment in the banking industry.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Several studies have been carried out by scholars in regard to competitive strategies employed by various industries and organizations. There has been a great number of findings and recommendations that has brought need to have more research being conducted. This chapter reviews an effort on innovation and efficiency in banking, and discusses the means by which product innovation has been applied as a competitive strategy at Barclays Bank of Kenya. There has been four major classification of innovation (a) a modified version of an existing product range (b) a new model in the existing product range (c) a new product outside the existing range but in a similar field of technology (d) a totally new product in a new field of technology.

Liberalization has made competition become stiffer in the banking industry. Each player in the industry faces more external competition from other players as each one of them steps efforts to garner a product and service offerings from each of the players along various frontiers which bring about stiff competition in the industry. To address these developments in the competitive environment and reverse the situation, it becomes imperative and inevitable for Barclays Bank of Kenya to be aggressive in its competitive strategies, while those with some competitive advantage stepping up their defensive strategies.

According to Ansoff (1990), recourse to explicit strategy occurs when rapid and discontinuous changes occur in the environment of a firm. This may be due to saturation of traditional markets, technological discoveries or a sudden influx on new competitors. With such changes in the environment, organizations are no longer able to use their established traditions and experiences to cope with the new opportunities and threats.

Thompson (1998) considers the essence of good strategy making as that of building a market position strong enough and organizations capable enough to produce successful performance despite unforeseeable events, potential competition and internal difficulties. The more likely the company will be a solid performer and a competitive success in the market place. Ohmae (1983) emphasizes on strategy as the way in which a corporation endeavors to differentiate itself positively from its competitors, using its relative strategies to better satisfy customer needs. Strategy is therefore considered as a preparation for the uncertainty of the future, by positioning the enterprise in the form of making it adaptable, and thus prepared for the future.

According to Porter (1996), the essence of strategy formulation is coping with competition. Porter states that competition in an industry is rooted in its underlying economies and will include customers, suppliers, potential entrants and substitute products. Ansoff (1990) concludes that stating that strategy is a powerful tool which offers significant help for coping with turbulence confronted by business firms today. Chandler (1990) indicates that some innovations are built on existing products, services or procedures and are incremental in nature. Others involve greater degrees of difference and are more radical than incremental. Some innovators aim to be first, others aim to be first, others aim for second place. He adds that a different dimension of innovations is the degree to which they will imitate something already familiar.

Different terminologies have been used to categories and describe product development. Crawford (1983), for example, embraces two distinct activities: old product development, which in involves updating and improving existing products, and new product development, which involves a greater degree of innovational challenge. Meyer (1984) categorized product development into primary and secondary innovations. Primary innovations were broadly concerned with the development of new markets and relate to instances where there is a high degree of technical originality and a commensurate change in consumer behavior. Secondary innovations are business or company focused and involves improvements to an existing markets.

Oke (2002) indicates that the first step in formulating an innovation strategy is to define what innovation means to the firm or the area of focus in terms of innovation. By understanding the drivers of innovation needs, a firm can develop its focus on areas for innovation. The innovation strategy needs to specify how the importance of innovation will be communicated to employees to achieve their buy-in and must explicitly reflect the importance that management places on innovation. A Mercer Management Consulting (1994) study reveals that the management of high performing companies was visibly and tangibility committed to new product development and explicitly formulated and communicated the firm's new product development strategy.

The process used in carrying out an innovation task requires an understanding of how firms manage the process of developing new products and services. Development includes the process of generating, selecting and transforming ideas into commercially viable products and services. Several studies suggest that firms with high performance in innovation usually have a formal process for developing new products and services (Shawet al., 2001)

2.2 Innovation and Competitive Strategy Theories and Concepts

The literature will encompass a study of the Theoretical Literature and Concepts of Product Innovation and Competitive Strategy. There is a need to identify the relevance of issues discussed and tie them to the research proposal Product Innovation as a Competitive Strategy in Barclays Bank of Kenya. Various scholars will be analyzed and their findings discussed to elaborate their findings. However, there is need to constantly revise the concepts made and keep a breast with new findings.

2.2.1 Concept of Strategy

A strategy is a long term plan of action designed to achieve a particular goal, most often "winning" (Thompson et al, 2007). Strategy is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated, and often practically rehearsed.

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

Strategic response to competitive environment is the art and science of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its objectives amid the competitors' existence. It is the process of specifying the organization's objectives, developing policies and plans to achieve these objectives, and allocating resources to implement the policies and plans to achieve the organization's objectives. Strategic management comes in handy which combine the activities of the various functional areas of a business to achieve organizational objectives. It is the highest level of managerial activity, usually formulated by the Board of directors and performed by the organization's Chief Executive Officer (CEO) and executive team. Strategic management provides overall direction" to the enterprise and is closely related to the field of Organization Studies (Treacy & Wiersema (1993).

"Strategic management is an ongoing process that assesses the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment., or a new social, financial, or political environment." (Lamb, 1984).

Strategic management is a combination of three main processes namely;
(a) Strategy formulation (b) Strategy implementation (c) Strategy evaluation

Strategy development is a multidimensional process that must involve rational analysis and intuition, experience, and emotion. But, whether strategy formulation is formal or informal, whether strategies are deliberate or emergent, there can be little doubt as to the importance of systematic analysis as a vital input into the strategy process. Without analysis, the process of strategy formulation, particularly at the senior management level, is likely to be chaotic with no basis for comparing and evaluating alternatives. Moreover, critical decisions become susceptible to the whims and preferences of individual managers, to contemporary fads, and to wishful thinking (Henry, 1978).

According to Collis et al (1995) concepts, theories, and analytic frameworks are not alternatives or substitutes for experience, commitment, and creativity. But they do provide useful frames for organizing and assessing the vast amount of information available on the firm and its environment and for guiding decisions, and may even act to stimulate rather than repress creativity and innovation. Hrebiniak, (2005) argues that increasing, strategic planning processes are becoming part of companies knowledge management systems: as management becomes increasingly concerned with how companies create, store, transfer, and deploy knowledge assets, so strategic planning becomes an integral part of how deeply-embedded understanding of businesses and their environments become transferred between business units, divisional, and corporate levels and how the knowledge of many different managers and functional experts becomes integrated within strategy.

Strategy is forward looking. A fundamental concern is what the firm (or the individual or the organization more generally) wants to be in the future. Such a view is often made explicit in a statement of company *vision.* The purpose of such goal setting is not just to establish a direction to guide the formulation of strategy, but also to set aspirations for the company that can create the motivation for outstanding performance. Hamel and Prahalad (1989) argue that a critical ingredient in the strategies of outstandingly successful companies is what they term "strategic intent"—an obsession with achieving leadership within the field of endeavor.

The benefit of strategy is not just offering simplification and consistency to decision making, but the identification of strategy as the commonality and unity of all the enterprises decisions also permits the application of powerful analytical tools to help companies create and redirect their strategies. Strategy can help the firm establish long term direction in its development and behavior (Gary & Prahalad, 1993). Equally important, a strategy serves as a vehicle for achieving consistent decision making across different departments and individuals.

Hamel & Prahalad (1989) view organizations as composed of many individuals all of whom are engaged in making decisions that must be coordinated. For strategy to provide such coordination requires that the strategy process acts as a communication mechanism within the firm. Such a role is increasingly recognized in the strategic planning processes of large companies. The shift of responsibility of strategic planning from corporate planning departments to line managers and the increased emphasis on discussion the businesses and the corporate headquarters (as opposed to the formal approval of written plans) are part of this increased emphasis on strategic planning as a process for achieving coordination and consensus within companies (Buzzell & Gale, 1989).

Business strategy, which refers to the aggregated operational strategies of single business firm or that of an SBU in a diversified corporation, refers to the way in which a firm competes in its chosen arenas. Michael (1980) views corporate strategy, as the overarching strategy of the diversified firm. Such corporate strategy answers the questions of "in which businesses should we compete?" and "how does being in one business add to the competitive advantage of another portfolio firm, as well as the competitive advantage of the corporation as a whole?" Since the turn of the millennium, there has been a tendency in some firms to revert to a simpler strategic structure. This is being driven by Information Technology. It is felt that knowledge management systems should be used to share information and create common goals. Strategic divisions are thought to hamper this process (Trigeorgis, 2001).

2.3 Competitive Strategies

Today's dynamic markets and technologies have called into question the sustainability of competitive advantage. Under pressure to improve productivity, quality, and speed, managers have embraced tools such as TQM, benchmarking, and reengineering (Safford G.S., 2005). Dramatic operational improvements have resulted, but rarely have these gains translated into sustainable profitability. And gradually, the tools have taken the place of strategy. Njau (2000) argues that as managers push to improve on all fronts, they move further away from viable competitive positions. Porter (1980) argues that operational effectiveness, although necessary to superior performance, is not sufficient, because its techniques are easy to imitate. In contrast, the essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match. Hitt et al (1997) holds that a winning competitive strategy is always founded on consistently understanding and predicting changing market conditions and customer needs.

The goal of much of business strategy is to achieve a sustainable competitive advantage.
A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself (Kombo,

1997). Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation.
A resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation.

There are 5 key questions to consider in analyzing A Company's own particular competitive circumstances and its competitive position vis-a-vis key rivals;How well is the present strategy working? This involves evaluating the strategy from a qualitative standpoint (completeness, internal consistency, rationale and suitability to the situation). The stronger a company's current overall performance, the less likely the need for radical strategy chances. The weaker a company's performance and/or the faster the changes in its external situation (which can be gleaned from industry and competitive analysis), the more its current strategy must be questioned.

What are the company's resource strengths and weaknesses, and its external opportunities and threats? A SWOT analysis provides an overview of a firm's situation. The two most important parts of a SWOT analysis are (a) drawing conclusion about what story the compilation of strengths,weaknesses,opportunities and threats tells about the company's overall situation and (b) acting on those conclusions to better match the company's strategy to its resource strength and market opportunities to correct the important weakness and to defend against external threats. A company's resource strengths, competencies and competitive capabilities are strategically relevant because they are the most logical and appealing building blocks for strategy, resource weaknesses are important because they may represent vulnerabilities that need correction. External opportunities and threats come into play because a good strategy necessarily aims at capturing a company's most attractive opportunities and at defending against threats to its well-being.

Are company prices and costs competitive? One telling sign of whether a company's situation is strong or precarious is whether its prices and costs are competitive with those of industry rivals value chain analysis and benchmarking are essential tools in determining whether the company is performing particular functions and activities cost effectively, learning whether its costs are in line with competitors, and deciding which internal activities and business processes need to be scrutinized for improvement. Value chain analysis teaches that how competently a company manages its value chain activities relative to rivals is a key to building a competitive advantage based on either better competencies and competitive capabilities or lower costs than rivals.

Is the company competitively stronger or weaker than key rivals? The key appraisals here involve how the company matches up against key rivals on industry key success factors and other chief determinants of competitive success and whether and why the company has a competitive advantage or disadvantage. As a rule a company's competitive strategy should be built around its competitive strengths and should aim at shoring up areas where it is competitively vulnerable. When a company has important competitive strengths in areas where one or more rivals are weak, it makes sense to consider offensive moves to exploit rivals, competitive weaknesses in areas where one or more rivals are strong, it makes sense to consider defensive moves to curtail its vulnerability.

What strategic issues and problems merit front burner managerial attentions? This analytical step zeros in on the strategic issues and problems that stand in the way of the company's success. It involves using the results of both industry and competitive analysis and company situation analysis to identify a "worry list "of issues to be resolved for the company to be financially and competitively successful in the years ahead. Actually deciding upon a strategy and what specific actions to take is what comes after the list of strategic issues and problems that merit front-burner management attention is developed.

Good company situation analysis like good industry and competitive analysis is a valuable precondition for good strategy making. A competently done evaluation of a company's resource capabilities and competitive strengths exposes strong and weak points in the present strategy and how attractive or unattractive the company's competitive position is and why. Managers need such understanding to craft a strategy that is well suited to the company's competitive circumstances.

2.4 Competitive strategy models

There are several competitive strategy models that various scholars have come up with the aim of giving the study a deeper insight. Some of the more famous and will be discussed below are Ansoffs growth strategy and Michael Porter's.

The Ansoff (1957) Product-Market Growth Matrix is a marketing tool created by Igor Ansoff. The matrix allows managers to consider ways to grow the business via existing and/or new products, in existing and/or new markets - there are four possible product/market combinations. This matrix helps companies decide what course of action should be taken given current performance. The matrix consists of four strategies: i) Market penetration (existing markets, existing products): Market penetration occurs when a company enters/penetrates a market with current products. The best way to achieve this is by gaining competitors' customers (part of their market share). Other ways include attracting non-users of your product or convincing current clients to use more of your product/service, with advertising or other promotions; ii) Product development (existing markets, new products): A firm with a market for its current products might embark on a strategy of developing other products catering to the same market.

Frequently, when a firm creates new products, it can gain new customers for these products. Hence, new product development can be a crucial business development strategy for firms to stay competitive; iii) Market development (new markets, existing products): An established product in the marketplace can be tweaked or targeted to a different customer segment, as a strategy to earn more revenue for the firm; iv) Diversification results in the company entering new markets where it had no presence before. It usually requires new skills, new techniques, and new facilities. As a result it almost invariably leads to physical and organizational changes in the structure of the business which represent a distinct break with past business experience.

The matrix illustrates, in particular, that the element of risk increases the further the strategy moves away from known quantities - the existing product and the existing market. Thus, product development (requiring, in effect, a new product) and market extension (a new market) typically involve a greater risk than "penetration' (existing product and existing market); and diversification (new product and new market) generally carries the greatest risk of line, for this reason, amongst others, most marketing activity revolves around penetration. Grant (2000) argues that the Ansoff Matrix, despite its fame, is usually of limited value - although it does always offer a useful reminder of the options which are open.

In particular, Millar (1992) questions the notion of being "caught in the middle". He claims that there is a viable middle ground between strategies. Many companies, for example, have entered a market as a niche player and gradually expanded. According to Baden-Fuller and Stopford (1992) the most successful companies are the ones that can resolve what they call "the dilemma of opposites".

The aim of any firm should be to develop a distinctive competence that is greater than it competitors. Porter (1985) identifies three generic strategies for achieving the above average performance in an industry and these are cost leadership, differentiation and focus. Each of the strategy is a different approach to creating and sustaining competitive advantage (Lowes et al, 1998). To be an average performer, a firm must generally make a choice amongst them rather than attempt to address all of them at once. Any enterprise, not following one of these is said to be stuck in the middle, which places it is a very poor position and although successful would not survive if there was an increased competitive pressure. They would not be able to create sustainable advantage.

COMPETITIVE ADVANTAGE			
		Cost Leadership	Differentiation
LlJ 1- £ UJ a- 2 O U UJ 0- O U "	**BROAD**	Overall Cost Leadership	Differentiation Broad
	NARROW	Cost Focus	Differentiation Focus

Source: Porter, M. (1962). Competitive Advantage: Creating and sustaining superior Performance, Free Press

The concept of generic strategies is based on the premise that there are a number of ways in which competitive advantage can be achieved depending on the industry structure. If all firms in an industry followed the principles of competitive strategy, each would pick different bases for competitive advantage and while not all would succeed, the generic strategies provide alternative routes to superior performance. A proper analysis of the 5 forces should lead a firm into determining its competitive advantage. The two basic types of competitive advantage (i.e. low cost and differentiation) combined with the scope which a firm's seeks to achieve them leads to the three generic strategies for achieving average performance in the industry. These are cost leadership, differentiation broad and focus which has two variants of cost focus and differentiation focus. Companies pursue competitive strategies to gain a competitive advantage that allows them to out perform rivals and achieve above average profitability. Developing a competitive strategy is essentially developing a broad formula of how the business is going to compete, what its goals should be and what policies needed to carry out these goals. Competitive strategy grows out of an understanding of the rules that guide competition. A business strategy is only powerful if it produces a sizeable and sustainable competitive advantage. The strategy should emphasize an improvement in the competitive position of a firm's product in the industry.

Businesses following this strategy ensure that their processes make them the lowest cost producer or supplier in the market. Striving to be the industry's overall lowest cost producer is a competitive approach in many markets where buyers are price sensitive. Cost leadership requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reductions from experience, tight cost curve control and cost minimizations in various functions (Porter, 1980).

In pursuing low cost leadership, managers must take care to include features and services that buyers consider essential. The value of cost advantage depends on its sustainability, whether rivals find it easy or inexpensive to imitate the low cost methods will determine the duration of the advantage. The cost leadership strategy benefits the firm in that it is able to withstand intense price competition and buyers may appreciate the offer for low prices (Thompson and Strickland, 1998). New entrants are also deterred by low cost capabilities and supply price increases are most easily absorbed.

The greatest danger of cost leadership strategy is in the competitor's ability to find ways of producing at a lower cost and beat the cost leader at her own game. The competitor's ability to imitate easily the cost leader's methods also poses a great risk. Cost leadership therefore imposes severe burdens on the firm to keep up its position through investing in modern equipment and being alert for technological improvement. Technological change and low cost learning may however nullify past investments. Another risk of the strategy is that the single-minded desire to reduce cost may cause loss of sight of changes in customer's tastes. A company thus while making decisions to reduce cost may drastically affect demand for the product due to the shifts in consumer tastes.

Differentiation is where the business creates differential advantage through features or service that sets it apart from others in the market. The essence of differentiation is to be unique in ways that are valuable to customers and can be sustained (Pearce and Robinson, 1997). For a company to be successful in the strategy, it has to study and find out what customers consider important, with value and what they were willing to pay for it. There is almost no limit of firm's opportunities differentiation opportunities depends on the nature and characteristic of the product. However, it has been claimed that anything can be turned into a value added product or service for a well defined or newly created market (Peter, 1987). The advantage or uniqueness maybe in form of customer service, design, brand image or technology (Porter, 1980)

Differentiation extends beyond the characteristics of the product or service to encompass every possible interaction between the firm and its customers. Differentiation strategies are not about pursuing uniqueness for the sake of being different but about understanding the product or service and the customer (Grant, 1998). Differentiation insulates against competitive rivalry because of brand loyalty by customers and resulting lower sensitivity to price. The strategy leads to higher margins, which helps in dealing with supplier power. Buyer power is also mitigated since the buyers lack comparable alternatives to choose from and are therefore less sensitive to price.

A major problem with Differentiation Strategy centers on the company's long term ability to maintain its perceived uniqueness in the customer's eyes. Competitors easily move in to imitate and copy successful differentiators, and the uniqueness of the product that causes differentiators to charge premium price is thus eroded. Another risk of differentiation is when cost differential between low cost competitors and the differentiated firm becomes too great for differentiation to hold brand loyalty and buyers sacrifice the differentiated product for large cost savings.

This is a strategy about identification of a particular customer segment or geographical market and coming up with products available for that segment. It is built around serving a particular segment very well and with the aim of serving each segment to the best of your ability.Cost focus is a low competitive strategy that focuses on a particular buyer group or a geographic market and attempts to serve only this niche. It seeks a cost advantage in its target segment (Hunger, 1995). Differentiation focus concentrates on a particular buyer group, product line segment while seeking differentiation in its target segment. It seeks to offer segment members something they perceive is better. According to Porter, the target market segments must either have buyers with unusual needs or else the production and delivery systems that best serve the market segment must differ from other industry segments. Focusing is attractive where the segment has good growth potential and the focusing firm has the capabilities and resources to serve the targeted niche effectively.

A focus niche can suddenly disappear because of technological change or changes in consumer tastes. The focuser cannot move easily to new niches given its concentration of resources and competency in only one or a few niches. A focuser is also vulnerable to attack by differentiators who can compete for the same niche by offering products that

can satisfy the demands of the focuser customers. Strategic target and the market as a whole may narrow, putting the focuser at risk of losing clients. The focuser has thus to constantly defend this niche.

2.5 Grand Strategies

Firms may respond to increased competition by entering new markets with similar products. These could be markets they are currently not serving, or new geographical markets. Market entry strategies may include acquisitions, strategic alliance and joint ventures. Firms may also react to competitive forces by developing new products. This will be aimed at reducing risks through diversification as a means of responding towards competitive forces could be related or unrelated. Related diversification may take the form of vertical or horizontal integration. In the face of increased competition this has the benefit of cost reduction, defensive market power, and offensive market power. Backward integration takes a firm closer to suppliers while forward integration moves it closer to its customers. Forward diversification may involve acquisitions of businesses not within the current product and market scope (Pearce and Robinson, 1997).

Bernard (1938) and Simon (1957) recognized that firms on their own cannot create resources and capabilities needed to prosper and grow; they identified collaboration as a viable way of combining resources in business opportunities. As argued by Harrigan (1985) strategic alliances are more likely to succeed when players possesses complementary assets and thus a firm will seek knowledge it considers lacking but vital for the fulfillment of its strategic objectives. A firm will furthermore need to posses knowledge base in the same area, since only such similarity will allow an understanding of the intricacies of the new knowledge as well as of its applicability to the firms unique circumstances (Coher and Levintal, 1990).

Differentiation is used by firms as a response technique to increased competition by firms. A firm can also result to creating entry, mobility and substitute barriers to strategic groups. Such barriers can be in the form of differentiation that makes it difficult to imitate products (Shushil, 1990). Firms can also respond to competition by collaborating with other players in the industry. Such collaborations take the form of strategic alliances, mergers and acquisitions, licensing, franchising among others. Schollei (1999) argues that in order to fortify a firm's position against predators from abroad, it is important to collaborate. Collaboration also reduces the cost of differentiation and enhances competitive advantage (Morrison and Lee, 1990).

2.6 Competitive Strategies and Challenges Facing Firms

Implementation of competitive strategies can lead to certain challenges which may hinder the effectiveness of firms in utilization of strategies identified and employed. Newman and Colleagues (1989) identify three types of competitive strategies challenges; that they may hamper a firm's ability to grasp new opportunities, they require massive amounts of resources, and the regulatory issues imposed by the government and the ability of company owners and managers. Other challenges may arise from structural and economic barriers inherent in the industry.

Box and Watts (2000) argue that the real challenge in implementation of a generic strategy is in recognizing all support activities and putting them in place correctly. According to Thompson et al (2007) the most important fits are between strategy and organization capabilities, between strategy and reward structures, between strategy and internal support systems and between strategy and organization culture. Fitting the organization internal practices to what is needed for strategic success helps unite the organization behind the accomplishment of a strategy.

Nyokabi (2001) found out the challenges facing the Kenyan Independent Petroleum Dealers Association (KIPDA) to include low customer confidence, negative publicity, stiff competition from established outlets, insufficient funds for advertising, having few outlets, increased overheads, fluctuating prices and low sales. Overall the competitive strategies most utilized were identified as looking for reliable suppliers, using suppliers who deliver first and serving all customers. Karanja (2002) found out that the most popular type if competitive strategy was employed by real estate firms was on the basis of differentiation. The study further found out the major challenges facing these firms to be the rising level of interest rates and inflation. These studies points out those local firms apply competitive strategies that are unique and sector specific; hence, cannot be generalized.There are some key processes necessary for carrying out or developing an innovation. These include creativity and ideas management, selection and portfolio management and implementation management. Creativity and idea management is the stimulation of ideas addressing customer requirements. The scope of ideas should be wide and all employees should be involved and ideas from customers cultivated. Selection and portfolio management provides an efficient means to select from the many ideas generated and choose the best ideas for implementation. Implementation is the fundamental capacity to turn new ideas.

The Human Resource Management fraternity identifies the underlying impetus of innovation management is the need to create an environment where employees are motivated to contribute to innovation. An effective human resource policy that supports innovation and encourages the development of an innovative organization is needed. O'Reilly and Tushman (1997) suggests that firms should focus on norms that support creativity and implementation in order to build an innovative culture. Rewarding employees for their innovation effort is one way to build an innovative culture. Studies have confirmed that the type of reward mechanisms that best practice firm's offers to their employees have been on financial and non-financial rewards (Feldman, 1996).

2.7 Innovation

Chandler (1990) indicates that some innovations are built on existing products, services or procedures and are incremental in nature. Others involve greater degrees of difference and are more radical than incremental. Some innovators aim to be first, others aim to be second, others aim for third place. He adds that a different dimension of innovations is the degree to which they will imitate something already familiar.

Oke (2002) indicates that the first step in formulating an innovation strategy is to define what innovation means to the firm or the area of focus in terms of innovation. By understanding the drivers of innovation needs, a firm can develop its focus on areas for innovation. The innovation strategy needs to specify how the importance of innovation will be communicated to employees to achieve their buy-in and must explicitly reflect the importance that management places on innovation. A Mercer Management Consulting (1994) study reveals that the management of high performing companies was visibly and tangibility committed to new product development and explicitly formulated and communicated the firm's new product development strategy.

Different terminologies have been used to categorize and describe product development. Crawford (1983), for example, embraces two distinct activities: old product development, which in involves updating and improving existing products, and new product development, which involves a greater degree of innovational challenge. Meyer (1984) categorized product development into primary and secondary innovations. Primary innovations were broadly concerned with the development of new markets and relate to instances where there is a high degree of technical originality and a commensurate change in consumer behavior. Secondary innovations are business or company focused and involves improvements to existing markets.The process used in carrying out an innovation task requires an understanding of how firms manage the process of developing new products and services. Development includes the process of generating, selecting and transforming ideas into commercially viable products and services. Several studies suggest that firms with high performance in innovation usually have a formal process for developing new products and services (Shaw et al., 2001).

There are some key processes necessary for carrying out or developing an innovation. These include creativity and ideas management, selection and portfolio management and implementation management. Creativity and idea management is the stimulation of ideas addressing customer requirements. The scope of ideas should be wide and all employees should be involved and ideas from customers cultivated. Selection and portfolio management provides an efficient means to select from the many ideas generated and choose the best ideas for implementation. Implementation is the fundamental capacity to turn new ideas.

According to Liebermann and Montgomery (1988), investigations are by definition only introduced by one firm, or at most by a small handful of firms that bring a new product or service to a market simultaneously. They add that companies that attempt to introduce and invention should logically stand to gain some substantial advantage, because there is a real risk of coming late to the finish line and gaining no prize. Companies that succeed commercializing an invention are known as first movers.

First movers get to enjoy some outright benefits if they obtain the patent or copyright, they get an exclusive right to market the product leading to a definite strategy advantage. Second movers are firms that do not aim for invention, but anticipate a key point at which advantages that are not available to investors will be up for grabs. Innovators in this category are neither reactive nor defensive as they are opportunists who identify the point of opportunity at some time later than invention (Tushman and Anderson, 1986).Late movers are towards the end of the continuum introduce an innovation because many competitors already have it and fear they will lose sales unless they introduce one too.

Organizations should not wait until there are signs of crisis before they start thinking about transforming themselves to discover new products as by then it may be too late. They should instead raise their sights to the future, create ambition and have a need for restlessness, constantly striving for perfection and an appreciation that things are never permanent and the company is vulnerable. It might mean changing a product range, creating a new distribution channel and deciding to operate in certain functional areas, businesses or countries.

Companies that have strongly proactive innovation strategy are rewarded the effort as well as results. The radical, inventive innovation that is introduced early is a relative rarity. Proactive innovators must have a tolerance for failure, along with a strong focus on the key innovation that will change the competitive structure of an industry (Nelson, 1993). The company that practices proactive innovation strategies cannot be satisfied with all strikeouts. Even though unsuccessful efforts are a partial consequence of this strategy, the company that has too many of them in a row is likely to run out of money and die. Success, in the form of commercial products or services selling as a profit, must be held us as the company's goal, and rewards for successful effort must signal the importance of the goal (Nelson, 1993).

Reactive Innovation Strategy requires more emphasis on process than product innovation. Because innovations of this type are easier to achieve, reward systems need to emphasize results. Results need to be viewed in terms commercial success. The culture of reactive innovations tends to be less supportive of creative genius and more congenial to those who progress systematically in a logical form (Gilbert, 1994).Is some ways, reactive innovators need to devote more time and attention to their competitors than to proactive innovators. Because the reactive innovator emphasizes adoption of the inventions of others, there is clearly a need to stay current on what inventions are being introduced, how they are being received, and what factors determine the most appropriate time for a late mover to introduce their innovation. Further, imitative innovations require not just awareness but also a detailed understanding of the product or service being imitated (Alam 2002).

2.8 Empirical Literature

From the MBA Studies carried at Nairobi University in Kenya, several scholars have been able to come up with different findings as discussed. Nyokabi (2001) found out the challenges facing the Kenyan Independent Petroleum Dealers Association (KIPDA) to include low customer confidence, negative publicity, stiff competition from established outlets, insufficient funds for advertising, having few outlets, increased overheads, fluctuating prices and low sales. Overall the competitive strategies most utilized were identified as looking for reliable suppliers, using suppliers who deliver first and serving all customers.

Karanja (2002) found out that the most popular type of competitive strategy was employed by real estate firms were on the basis of differentiation. The study further found out the major challenges facing these firms to be the rising level of interest rates and inflation. These studies points out those local firms apply competitive strategies that are unique and sector specific; hence, cannot be generalized. The government through the respective registration boards of estate agents should seek to register firms operating in the industry and not only the individuals. This would be a good basis for studies and also for proper regulation of the market should need arise. The practice of estate agents should be properly regulated by the government. Despite various recommendations on conduct especially of unregistered members, black market operations in relation to property dealings continue to be on the increase. The government should have strict policies on the operations and conduct of individuals within the profession.

Odero (2006) carried out a study on the value chain and competitive advantage in the corporate banking industry in Kenya, the case of Citi Bank. He found out that in a service industry the major concern is to bring the customer to the service if it is in a fixed location like in banks. Services are intangible and customers will more often than not depend on perception to make choices between alternatives. Repeat customer behavior by the target market is enhanced by mode of presentation of loan advancements, online banking facilities amongst other facilities. He further enhanced marketing and sales within the corporate banking industry are key in meeting the needs of the customers targeted. This focuses strongly upon the efficiently of the marketing communication and the promotions mix. The 4 p's i.e. Price, Product, Place and Promotion play a key part. For good performance there should be customer sensitization, determination of customer satisfaction levels, full extend of new products rollout into the market and to a large extent the practice of relationship marketing.

Okal (2006) carried a study on competitive strategies adopted by non-governmental organizations dealing with HIV-AIDS in Kenya to cope with the increased competition from funding. The results indicate that generally NGOs use competitive strategies as a means to compete for funding. The study found that differentiation narrow focus strategy was generally least used amongst the organizations interviewed. Cost plays a key role because it is a donor requirement to work within budgets in this industry. Differentiation broad focus was the second most used strategy to compete for funding. Thompson and Strickeland (2003), states that differentiation strategies tend to work best in market circumstances where there are many ways to differentiate a product or service and may buyers to perceive the differences as having value. The Non- Governmental Organizations industry has many players and beneficiaries and this confers to the findings. Analyses found that differentiation broad strategy was more applied by larger NGOs with a staff size of 50 plus.

Namanda (2004) did a research on competitive strategy and concluded that very large firms tend to use differentiation broad strategy as a way to remain competitive over other competitors. Broad differentiation measures were also found to be more applicable to younger NGOs with less than five years of existence as compared to older ones. The measures are generally indicative of a trend whereby younger NGOs maintain an expanded scope of activities, more likely so in a bid to appeal to more donors and hence increase the odds of funding.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

Research is defined as the process of arriving at a dependable solution to a problem through planned and systematic collection analysis and interpretation of data. The Research Methodology highlights the overall approach to be taken in the research in terms of the Research Design, Data Collection, Respondents, Data Collection Procedure and Data Analysis.

3.2 Research Design

A research design is defined as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to purpose with the economy in procedure (Mugenda and Mugenda, 2003). The study used a case study design which was suitable in situations where questions such as how, why and what are investigated on a certain phenomena to give facts of the situation as it is, without interference by the researcher. This design was considered appropriate since only Barclays Bank was used for the study on how it deals with product innovation as a competitive strategy. It is also appropriate because it allows an in-depth exploration of issues.

3.3 Data Collection

Mugenda and Mugenda (2003) notes that there are two types of data: primary and secondary. Primary data is facts, assumptions or premises obtained directly from the field. Secondary data is applied to facts, assumptions and premises contained in documentary sources. Both of these sources were used for the study. The secondary data formed the basis of the Literature Review while primary data was collected from the field.

3.3.1 Data Collection Tools

Primary data was collected using semi-structured questionnaires to the selected senior employees at Barclays bank. The questionnaire was designed to address general information and provide answers to the research questions. The questionnaires contained both open and closed ended questions. The questionnaire was divided into two sections A and B. Section A addressed the general information about the respondents and the company while Section B addressed the main issues in order to seek responses to the research questions.

3.3.2 Respondents

The target population for the study was the Product Managers and Assistant Product Managers at the Head Office. This is because they are fully involved from beginning to the end. Other employees are usually involved in the implementation stage. The Product Managers and their assistants gave the required information for the purposes of this study. They are about 10 in number.

3.3.3 Data Collection Procedure

The questionnaire was administered by the drop and pick method. The researcher distributed the questionnaires to the 10 selected managers in their work stations and promises to collect them after two weeks. After the period has elapsed, the researcher followed up by asking for the filled questionnaires from each respondent.

3.4 Data Analysis

Data analysis is the whole process, which started immediately after data collection and ended with the interpretation and processing of results (Mugenda and Mugenda (2003). Before processing the data, the questionnaires were checked for completeness and consistency to ensure completeness. The data was cross-tabulated. After tabulation, the data was then coded to facilitate statistical analysis. The SPSS (Statistical package for social sciences) was used to analyze the data. Descriptive statistics such as frequency distribution, percentages, tables, pie charts as well as bar graphs were used for data presentation. Qualitative data was presented through narratives.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION OF RESULTS AND DISCUSSION

4.1: Introduction

The research objective was to determine product innovation as a competitive strategy in Barclays Bank of Kenya. This chapter presents the analysis and findings with regard to the objective and discussion of the same. The findings are presented in percentages, frequency distributions, mean and standard deviations.

4.2: Characteristics of the respondents

A total of 10 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Of the 10 questionnaires issued, only 9 were returned. This represented a response rate of 90%.

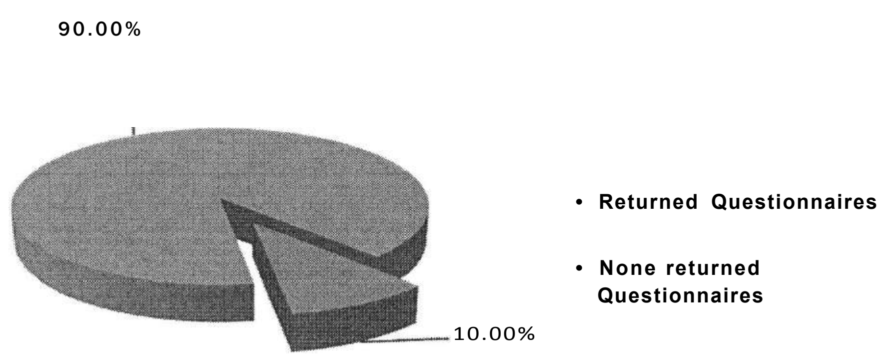

Figure 4.1: Response rate

4.3 Personal and Organization Profde

The demographic information considered in this study for the respondents included the ownership structure of the bank, position held in the bank, length of service with the bank and the number of employees.

4.3.1 Ownership structure

Table 4.1: Ownership structure

Variables	Frequency	Percent	Cumulative Percent
Privately owned	I	11.1	11.1
Both foreign and locally owned	8	88.9	100.0
Total	9	100.0	

Majority of the respondents (88.9%) indicated that the bank is both foreign and locally owned while 11.1% said it's privately owned. The bank ownership changed immediately the bank was quoted in the stock market thus the public could be part of the owners.

4.3.2 Position in the organization

The position held in the organization is in line with the objectives in that the more senior the position held the more information the respondent has on the product innovation as a competitive strategy.

Table 4.2: Position in the organization

Variables	Frequency	Percent	Cumulative Percent
Management	9	100.0	100.0
Non-management	0	0	
Total	9	100.0	

The findings shows that all the respondents are Managers in the bank and therefore they understand the product innovation strategy employed by the bank

4.3.3 Length of Service with the bank (Years)

This is the duration the respondents has spend working in the bank.

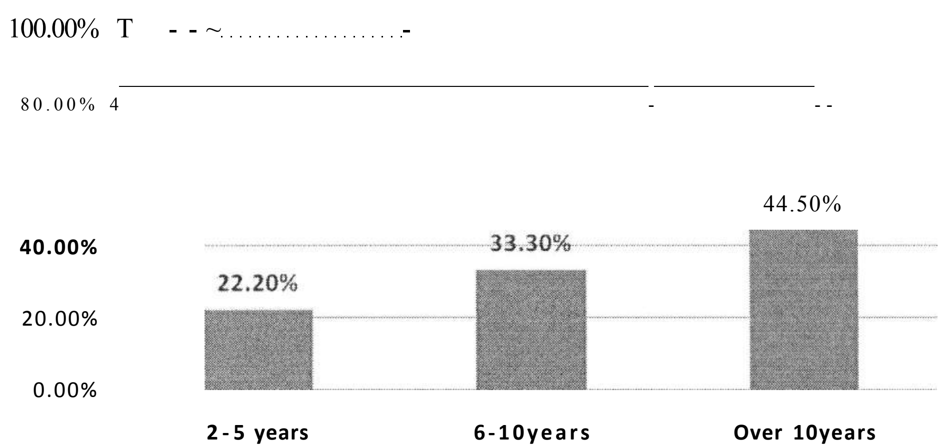

Figure 4.2: Length of Service with the bank (years)

The results presented in figure 4.2 show that the number of years of service in the current organization varies from a period 2 years to over 10 years. 44.5% of the respondents had worked in the organizations for over 10 years, 33.3% had worked for a period of 6 to 10 years and 22.2% had worked for a period of 2 to 5 years. Majority of the respondents have worked in the organization for over 6 years, thus there is high level of understanding of their organization.

4.3.4 Number of employees

This is the total aggregate of employees serving the bank at any one time and these gives an insight into the size of the bank as the bigger the bank the more the employees they employ.

Table 4.3: Number of employees

Measurement	Frequency	Percent	Cumulative Percent
0 - 5000	0	0	0
5001 -8000	9	100.0	100.0
Total	9	100.0	100.0

The analysis in table 4.3 shows that all (100%) of the respondents were in agreement that the bank has between 5,000 and 8,000 employees. This therefore calls for innovation and understanding from all the employees so that the bank can gain competitive advantage over its competitors.

4.4 Product innovation

Product innovation as a competitive advantage remains a key objective with a close analysis of this question as shown. Innovations are built on existing products, services or procedures and are incremental in nature. Others involve greater degrees of difference and are more radical than incremental. The process used in carrying out an innovation task requires an understanding of how firms manage the process of developing new products and services. Development includes the process of generating, selecting and transforming ideas into commercially viable products and services.

4.4.1 Bank products

Table 4.4: Bank products

Variables	Monthly	Quarterly	Half yearly	Annually	Total
Develop new products	33.3%	66.7%	-	-	100.0%
Shop for new customers for existing offerings	88.9%	11.1%			100.0%
Develop new offerings for the current customers	22.2%	33.3%	44.5%		100.0%
Encourage increased usage/cross selling	11.1%	11.1%	22.2%	55.6%	100.0%

Conduct product test marketing	44.4%	55.6%	-	-	100.0%

The findings on how often the bank develops new products shows that 66.7% of the respondents said the bank develops the products on quarterly basis while 33.3% said they develop the products monthly. The shorter the period it takes to develop a new product the more competitive the bank will be in the sector and they will be able to have an edge over the other banks.

Regarding how often the bank shop for new customers for existing offerings, 88.9% of the respondents said that the bank shops monthly while 11.1% said they shop quarterly. The findings indicate that the bank takes seriously marketing and they have even employed full time marketers for their products. Majority of the respondents (44.5%) said that the bank develop new offerings for the current customers half yearly, 33.3% said they develop quarterly while 22.2% said they develop the new offerings monthly. In order to ensure that the bank customers' get all the products they need within the bank, it is prudent therefore that the bank develops new offerings for their current customers and these has been achieved from the findings.

The findings regarding the encouragement of increased usage/cross selling indicates that 55.6% of the respondents said it's done annually, 22.2% said it's done half yearly, 11.1% said it's done quarterly while another 11.1% said it's done monthly. The respondents were to give their opinion on the period the bank conducts product test marketing and majority of the respondents (55.6%) said it is conducted quarterly while 44.4% said it is conducted monthly. Marketing of the new product begins as soon as the product is unveiled to the public and therefore product test marketing takes place as the real marketing.

4.4.2 Procedures for product innovation

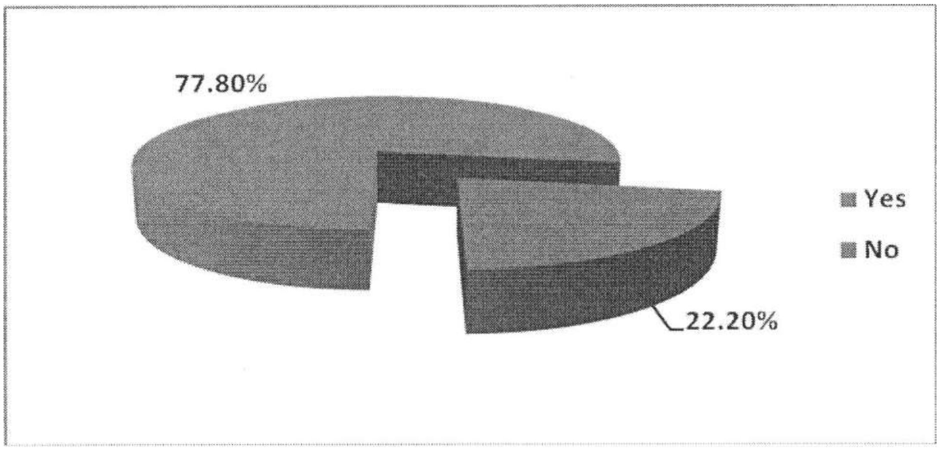

Figure 4.3: Procedures for product innovation

Once the bank makes the procedure for product innovation seamless, the objective of arriving at a competitive advantage is realized as per the findings made. From the findings, 77.8% of the respondents said they have a formal documented procedure for product innovation while 22.2% said they do not have. Having formal procedures will enable the bank to target a certain group of employees, have certain documents and be consistent in the turnover.

4.4.3 Existence of challenges in innovating products

Table 4.5: Existence of challenges in innovating products

	Frequency	Percent	Cumulative Percent
Yes	9	100.0	100.0
No	0	0	
Total	9	100	

The respondents unanimously agreed that the bank is facing a number of challenges in innovating products, that is existence of a procedure in switching bank services (from other commercial banks) because the teacher's salary must be channeled through to the bank for the teachers to acquire the mwalimu benefits, fluctuation of foreign currency affects the investment of a customer especially when the exchange rate is low, overall strategy may take long to implement in this segment through re-branding process and a few customers responding to loan application.

4.4.4 How the factors cause a need to have new products

Product innovation as a competitive advantage can't be analyzed without focusing on the factors which arise the need to have new products as highlighted in the finding. The staff respondents were to give their opinion on how some factors affects cause a need to have new products. The range was 'greater extent (1)' to not at all (4). The scores of greater extent have been taken to present a variable which had mean score less than 1.5. The scores of moderate extent have been taken to represent a variable with a mean score of 1.6 to 2.5 and the score of not at all have been taken to represent a variable which had a mean score of above 2.5. A standard deviation of >0.6 implies a significant difference on the impact of the variable among respondents.

Table 4.6: How the factors cause a need to have new products

Variables	Mean	Std. Deviation
Technological Changes	1.6667	.8660
Political changes	2.6667	.5000
Economical changes	1.6667	.7071
Competitors actions	3.1111	.9279
Social Cultural factors	1.2222	.4409
Management policies	1.0000	.4630

The findings in table 4.6 above show that only two factors had a mean ranking of above 2.5. These two factors describe instances where the level of influence is low and their low ratings (mean 3.1 11 1 for competitors' actions and 2.6667 for political changes) indicate the factors do not cause a need to have new products. However there was a high degree of variation among respondents, an indication that some factors do cause the need to have new products. This is indicated by standard deviation of 0.9279 and 0.5000 for competitors' actions and political changes respectively.

On the other hand, the results indicate that management policies (mean 1.000) was the main factor which causes the need for new products followed by social cultural factors (mean 1.2222) then technological changes (mean 1.6667) and economical changes (mean 1.6667) also. Specifically factors with mean of 1.5 and below are considered to have a great influence on the need to have new products.

4.4.5 Extent to which the bank offers value added banking services/products

The key objective of the study was which entails product innovation as a competitive advantage was discussed in this question by the respondents who gave their independent opinion on the extent to which the bank offers value added banking services/products in a five point Likert scale. The range was 'no extent at all (1)' to 'great extent' (5). The scores of no extent at all/mild extent have been taken to present a variable which had mean score of 0 to 2.4 on the continuous Likert scale ;(0< S.E <2.4). The scores of 'moderate 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 high extent/great extent have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; 3.5< L.E. <5.0). A standard deviation of >1.5 implies a significant difference on the impact of the variable among respondents.

Table 4.7: Extent to which the bank offers value added banking services/products

Variables	Mean	Std. Deviation
Automated Teller Machines	3.7778	1.4814
Electronic/Internet Banking	3.7778	.9718
Telephone Banking	4.1111	1.0541
Local Electronic	3.1111	.9279
Fund Transfers	4.1111	.9279
Debit Cards	4.4444	1.1304

Credit Cards	4.4444	1.1304
Ordinary Current Accounts	3.7778	.9718
Ordinary Savings Accounts	5.0000	.0000
Ordinary Deposit Accounts	5.0000	.0000
Offshore Banking Service	3.0000	.7071

From the findings above, the bank offers value added banking services/products to all the factors except Offshore Banking Service and local electronic which were indicated as being offered moderately (mean 3.0000 and 3.1111 respectively) but the degree of offering the services/products differs. Ordinary Savings Accounts and Ordinary Deposit Accounts each (mean 5.000) was indicated as the factors which the bank offers value added highly. Offering of Debit Cards and Credit Cards each (mean 4.4444) was some other factors which have been rated as been offered as value added.

The research findings shows that fund transfers (mean 4.1 1 11) and Telephone Banking (mean 4.1 111) were also indicated as been among value added banking services/products offered by the bank. However there was a high degree of variation among respondents, an indication that some factors are more considered for value added than others. This is indicated by standard deviation of 1.0541 and 0.9279 for telephone banking and fund transfers respectively. The results also indicate that the bank offers some other products/services to a great extent like Automated Teller Machines (mean 3.7778 and standard deviation of 1.4814), Ordinary Current Accounts (mean 3.7778 and standard deviation of 0.9718) and Electronic/Internet Banking (mean 3.7778 and standard deviation of 0.9718). The variation in standard deviation indicates that the some of the respondents' views regarding the extent to which the bank offers value added varied.

4.4.6 Extent to which the bank employs product innovativeness to remain competitive

Table 4.8: Extent to which the bank offers value added banking services/products

Measurement	Frequency	Percent	Cumulative Percent
Greater extent	8	88.9	88.9
Moderate extent	1	11.1	100.0
Total	9	100.0	

From the findings in table 4.8 above, 88.9% of the respondents said the bank employ product innovativeness to remain competitive in the market to a greater extent while 11.1% said they employs the innovativeness to a moderate extent. The banking sector has witnessed greater competition among the banks which therefore calls for greater innovation in order to compete with the other banks.

4.4.7 Rank of attributes in order of importance

Table 4.8: Rank of attributes in order of importance

Variable	Mean	Std. Deviation
Quality	1.0000	0.0000
Speed of service	1.7778	0.4409
Cost	1.0000	0.0000
Differentiation	1.2222	0.4409
Focus	1.6667	0.5000

The findings above shows that quality and cost (mean 1.0000 and standard deviation 0.0000) was the attributes which were ranked as been important followed by differentiation (mean 1.2222 and standard deviation of 0.4409) then focus (mean 1.6667 and standard deviation of 0.5000) while speed of service was indicated as the least factor which was considered as important with a mean of 1.7778 and standard deviation of 0.4409. Generally all the attributes were ranked as important only that the degree of importance varied.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

The aim of this study was to get an insight into product innovation as a competitive strategy in Barclays Bank of Kenya. This chapter contains a summary of the results from the study, limitations of the study and suggestions for further research.

5.1 Summary of Key Findings

In summary, the study shows that the bank is both foreign and locally owned. The bank operations are managed from the United Kingdom where it originated. The Global Retail and Commercial Banking (GRCB) emerging markets are responsible for Barclays' businesses. The GRCB market aims at building further growth and strengthening the already existing markets. The study established that the bank has been in existence for a period of more than ninety years and therefore they have understood the customers' expectation and they have met them. The study shows that a greater proportion of the respondents have worked for a longer period of time in the bank and therefore they have a lot of experience on the kind of innovation which the bank should have in order to gain competitive advantage over the other banks. The findings also indicates that the number of staff currently employed by the bank is high, signaling growth in the industry or increased workload as a result of increasing demands from customers.

The study also revealed that the bank develops majority of its products on quarterly basis and these will ensure that their customers are spoilt of a choice on the product to take as there are a variety and also these will keep in check any competition from other banks as they launch their new products. The bank shop for new customers for existing offerings monthly and these will ensure that the bank recruits customers throughout and these has been greatly achieved with the help of employing sales ladies/men whose tasks is to recruit new customers and sell new products launched. The findings regarding the development of new offerings for the current customers varied with the respondents and these can be attributed to the fact that each manager is responsible for a certain section which deal with some products and thus the duration it takes to develop new offerings differs with the section. With regard to the encouragement for increased usage /cross selling, the respondents indicated that it's done annually. The respondents were divided on when they conduct product test marketing as some said they do it monthly while others said they do it quarterly. However, marketing of the new product begins as soon as the product is unveiled to the public and therefore product test marketing takes place as the real marketing.

The study established that the bank has formal procedures for product innovation for example for a customer to open an account there are specific documents required to open with documents like the national identity card, passport size photograph and fill in the forms. The respondents unanimously agreed that the bank is facing a number of challenges in innovating products, that is existence of a procedure in switching bank services (from other commercial banks) because the teacher's salary must be channeled through to the bank for the teachers to acquire the Mwalimu benefits, fluctuation of foreign currency affects the investment of a customer especially when the exchange rate is low, overall strategy may take long to implement in this segment through re-branding process and a few customers responding to loan application.

On the other hand, the respondents indicated that technological changes, political changes, economical changes, competitors' actions, social cultural factors and management policies cause a need to have new products. Technological change is on high alert because of the accounting system and the mobile banking offered by the bank and the Unstructured Supplementary Service Data Protocol (USSD), which a gateway provide the most secured way of transacting over the mobile phone. The competitive aspect is that it has enabled an easy and convenient way of accessing ones bank account details and performing transactions in these accounts. The socio cultural factor is a key determiner in that premier life targets a certain class of customers. The high income earners in response get the services they deserve both in bundled insurance product and premier life alliance. The management is able to nurture and provide key features of the junior eagle account which has the high interest rate offered, which continues to act as a key attraction for new customers.

The bank offers value added banking services/products to a great extent regarding ordinary savings accounts, ordinary deposit accounts, credit cards, debit cards, telephone banking, fund transfers, automated teller machines, electronic/internet banking and ordinary current accounts. The bank employs product innovativeness in order to remain competitive to a greater extent thus enabling the bank to compete with other banks in order to attract more customers. Some of the innovativeness includes the biashara installment loan innovation which remains moderately competitive in the market with loan tailored for business customer with high turnovers to meet their working capital.

There are several advantages attached to new products eg a free club identification card, free standing orders, free bankers cheque for school fees, pricing, free mobile banking and the introduction of Mwalimu club which offers teachers free banking for three months, free mobile banking, no joining fees on credit cards, free bonus saving account, free junior eagle account for the member's children.

5.2. Conclusion

From the research findings and the answers to the research questions, some conclusions can be, made about the study. Innovation is very vital for the success of any bank in today's world of cutthroat fierce competition. Customer satisfaction is very essential to not only exist but also to excel in the market. Today's market is enormously more complex. Henceforth, to survive in the market, the company not only needs to maximize its profit but also needs to satisfy its customers and should try to build upon from there. The study showed that the time the bank takes to develop new products, shop for new customers for existing offerings, develop new offerings for the current customers, encourage increased usage/ cross selling and to conduct product test marketing were done either monthly or quarterly thus there is continuity on the introduction of new products which enables the bank to compete with the others as they can counter product provision which the other banks launches.

The presence of a formal documentation procedure enables the bank to come up with competitive products which can compete effectively with those from other banks and also there been clear guidelines on formal documentation of procedures for customers and non customers gives the banks employees the opportunity to handle their customers well.

The existence of challenges that affects innovation of products will affect the launch of new products and also attraction of new customers and therefore the bank should design mechanisms to counter these challenges so that they can gain competitive advantage over other banks. Technological changes, political changes, economical changes, competitors' actions, social cultural factors and management policies cause a need to have new products to a great extent. The offer of value added banking services/products by the bank attracts customers since they are the core products needed by the customers in order to transact. Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors and these is done through product innovativeness which is been employed by the bank. Sustainable competitive advantage of a firm is crucial to its business and therefore the bank uses quality, cost, differentiation, focus and speed of service indicates the banks willingness to ensure that they protect their business territory.

5.3 Recommendations

The following recommendations are given to both the policy makers and researchers;
In view of the results findings, it is recommended that the bank develops new products regularly so that if a product does not suit a customer they can get an alternative rather than move to other banks which may be having the kind of products they need. The bank should continue shopping for new customers in order to increase their client base which in turn increases its competitive advantage.

The existence of a formal documented procedure for product innovation may inhibit faster innovation. It is therefore recommended that the bank does not become strict on the procedures until the competitors launch almost a similar product. On the challenges which the bank faces in innovating products is that the bank should put in measures to counter the challenges that have been highlighted. The use of all the strategic options by the bank 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 product innovativeness strategy are that the bank should ensure that they adopt only the strategies which will ensure that they are beneficial to their business.

5.4 Area for further research

The study confined itself to Barclays Bank of Kenya. This research therefore should be replicated in other banks and the results be compared so as to establish whether there is consistency among the banks operating in the country.

5.5 Limitations of the study

This study was based on a case study which limits the researcher to only one commercial bank. The study did not cover other commercial banks operating in the country and therefore the use of product innovation by the various commercial banks could be different. The scope and depth of study was also limited by the time factor and financial resource constraints. This put the researcher under immense time pressure. The researcher also encountered immense problems with the respondents' unwillingness to complete the questionnaires promptly. Some of them kept the questionnaires for too long, thus delaying data analysis. However, the limitation did not have any adverse effects on the findings of the study.

5.6 Implication on policy and practice

The bank needs to develop new products regularly so that if a product does not suit a customer they can get an alternative rather than move to other banks which may be having the kind of products they need. The bank should continue shopping for new customers in order to increase their client base which in turn increases its competitive advantage. There is a need to be less strict on the procedures of launching a new product so that the customer needs are met and Barclays is able to roll out new products in a timely manner to ensure competition doesn't catch up due to the time wasted. . The new product approval process needs to be shorted so as to allow the new products to be released to the customers and meet their needs.

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Oke (2002) indicates the first step in formulating an innovation strategy is to define what innovation means to the firm or the area of focus In terms of innovation. It is through this need that Barclays needs to innovate products which meet customer needs. The policy should consider the banking needs for its customers, with various products tailored for each class. A good example is Premier Account which caters for the affluent in the society with a monthly charge of Kes. 3,000/=, access to internet banking, dedicated Relationship Managers and access to the state of the art banking halls. Premier Life Accounts target the middle class and are charged a monthly fee of Kes. 1,500/= while Pepea Accounts is for the lower end market and customers get to be charged Kes. 100/= per month. There is need for the bank to constantly ensure it keeps in touch with the ever changing customer needs. Questionnaires, Face to Face Interviews are some of the ways in which the bank can identify what the customer needs hence tailor the new products innovated accordingly.

The innovation strategy needs to specify how the importance of innovation will be communicated to employees to achieve their buy in and must explicitly reflect the importance that management places on innovation. As Barclays Bank comes up with the policy on new products, it is important to engage all the stakeholders in an organization.

The role played by each stakeholder should be properly elaborated to ensure the right information reaches the customer. By engaging the stakeholders the unforeseeable mistakes that a new product might bring into the market is corrected and everyone develops a sense of ownership. With each new product innovated, marketing plays a key role in ensuring the product knowledge reaches the customers. The correct channels should be used to ensure wide coverage. With the advert of IT, several options have come into play such as Tvs, Radios, Print Media amongst others. With proper consideration the best marketing strategy is incorporated in the policy and product awareness is created. There is need to continue marketing of the new product as soon as it is unveiled to the public. This creates a lot of awareness and increases utilization

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Appendix One: Questionnaire

Questionnaire: Product Innovation as a Competitive Strategy in Barclays Bank of Kenya Limited

PART A

1. Name of your organization
2. Year of incorporation
3. Ownership structure **(tick as appropriate)**
   a) Locally Owned
   b) Partly Local and Partly Foreign Owned
   c) Foreign owned
   d) Government owned
4. Size of the bank (No. of branches)
5. Please list your designation and period you have been with this organization, as follows:
   a) Designation:
      i) Director ( )
      ii) Supervisory Staff ( )
      iii) Management Staff ( )
      iv) Other (Please State)____________________( )
   b) Period with organization (In years)
      i) Less than two years ( )
      ii) 2-5 years ( )
      iii) 6-10 years ( )
      iv) Over 10 years ( )
6. Current number of employees in your organization
   a) Less than 1000 ( )
   b) 1001-5000 ( )
   c) 5001-8000 ( )
   d) Over 8000 ( )

PART B

1 With respect to your products, how ofite does your bank:

	Monthly	Quarterly	Half Yearly	Annually
a) Develop new products	[ ]	[ ]	[ ]	[I
b) Shop for new customers For existing offerings	[ ]	[ ]	[ ]	[ ]
c) Develop new offerings For its current customers	[ ]	[ ]	[ ]	[ ]
d) Encourage increased Usage/cross selling	[ ]	[ ]	[ ]	[ ]
e) Conduct product test Marketing	[ ]	[J	[ ]	[ ]

2 Does your organization have a formal documented procedure for products innovation? [Yes] [No]

3 Does your company face challenges in innovating products? [Yes] [No]

If yes, please explain the challenges your company is facing.

4 To what extent do the following cause a need to have new products?

Greater extent, Moderate extent, low extent, Not at all

Technological Changes

Political changes [ ] [ ] [ ]

Economical changes [ ]

Competitors actions [ ] [ ] [ ]

Physical environmental changes [

Social Cultural factors [ ] [ ] [ ]

Management policies [ ] [ ] [ ]

Any other? Please specify

Briefly elaborate based on the option chosen above:

5 To what extent does your organization offer the following value-added banking services/products? (Tick only one box for each attribute, where 1 = no extent at all, 2 = a mild extent, 3 = a fairly high extent, 4 = a high extent and 5 = a great extent.

Product	**1**	**2**	**3**	**4**	**5**
Automated Teller Machines					
Electronic/Internet Banking					
Telephone Banking					
Local Electronic					
Fund Transfers					
Debit Cards					
Credit Cards					

Ordinary Current Accounts					
Ordinary Savings Accounts					
Ordinary Deposit Accounts					
Offshore Banking Service					

6 To what extent do you employ product innovativeness to remain competitive in the market?

a) Greater extent

b) Moderate extent

c) Low extent

d) Not at all

7 What features make your products different from your competitor's products in the Kenyan market (Elaborate on differentiating features of your loans, accounts and credit cards)

8. In order of importance (where 1 = Most important, 2 = Important and 3 = Least important) how do customers rank the following attributes? **(Place a rank for each attribute e.g. 1 for price.**

Attribute	**Rank Order**
Quality	
Speed of Service	
Cost	
Differentiation	
Focus	

Appendix Two: Request for Research Data

Sophia Njeri Mwenje
School of Business,
University of Nairobi,
P.O. BOX 30197,
NAIROBI
August 2010

Dear respondents,

RE: REQUEST FOR RESEARCH DATA

I am a Postgraduate student at the University of Nairobi, School of Business. In partial fulfillment of the program Master in Business Administration (MBA) requirement, I am undertaking a management research project titled.

Product innovation as a competitive strategy in Barclays bank of Kenya

You have been selected as part of the study. This is to request you to assist me to collect the data by filling out the attached questionnaire. The information you will provide will be used exclusively for academic purposes. My supervisor and I, assure you that the information you will give, will be treated with strict confidentiality. A copy of the final report will be availed upon request.

Your cooperation will be highly appreciated, thanking you in advance.

Yours Faithfully,

Sophia Njeri Mwenje	Dr. Zack Awino
MBA Student	Supervisor

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Barclays Bank of Kenya,
P.O.Box 30120-00100,
Nairobi,
Kenya.

University of Nairobi
School of Business,
MBA Office
P.O. Box 30197
Nairobi

BARCIAYS

June 2011

Dear Sir/Madam,

RE: COLLECTION OF DATA FOR RESEARCH PROIECT

Our staff member Sophia Njeri Mwenje who is a Master of Business Administration (MBA) student at University of Nairobi has been authorised to collect data from Barclays Bank of Kenya in support of her project:

Product Innovation as a competitive strategy in Barclays Bank of Kenya

The team that will aid her to gain the information are Product Managers and Assistant Product Managers within the Barclays Product Department.

The research will play a key role in her academic project and also to the department.

Yours Sincerely

•lltywutf. •

Anne Kinuthia - Otieno

Head of Consumer Products, Kenya
Barclays Bank of Kenya Limited.
Regional Office Westlands Office Park.

BARCLAYS BANK OF KENYA LTD.
CERTIFIED TRUE COPY OF ORIGINAL
Sign....Kinuthia..........
CARD CENTRE

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s n Y *of*?.

WiOfIftJUfl - L0U&SL KikBETE CAMPUS

Tuleplmnu: 1)211-2059162
I elegrams: "Vursily", Nairobi
Telex. '22095 Varsity

P.O Box'30197
'Nairobi, Kenya

DATE.

IAY CONCERN

The bearer of this letter . .b.Q^Hl. ft ,. h & S f t \.. ^uOBStfG.

Registration No: . ...Q.6..I. *I.* .I.Q-.OO.^

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part ojfl his/her coursework' assessment a research project report on a management problem. We 'would like the; students to do their projects on real'problems affecting firms'in Kenya. We would, therefore, appreciate if yo(j ass!st him/her by allowing fym/her to collect data in your organization for the research.

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

Thank you.

Jpifc; .. *i*

DR. W.N. IRAKI « o. b „ T ' c f " j
COORDINATOR, MBA PROGRAM

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