

**COMPETITIVE STRATEGIES ADOPTED BY CROWN  
BERGER (K) LTD TO COPE WITH COMPETITION IN THE  
KENYAN PAINT INDUSTRY**

**BY  
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## DECLARATION

I declare that this is my original work and has not been presented to any other university or institute of higher learning for examination/academic purposes.

Signature \_\_\_\_\_



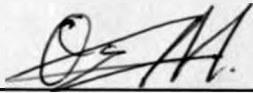
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**This research proposal has been presented for examination with my approval as the University supervisor.**

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I thank God for the grace to have been able to produce and submit this work. I also owe immense gratitude to my Supervisor who took their time to understand my ideas and hence appreciate this work and contribute to its improvement to what it is. His guidance has enabled me to grow academically not only in knowledge but also in skills and attitude.

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I also thank my family members; for being patient in the duration of the study. Thanks for believing in my potential and making me believe in my abilities and encouraging me to always strive for the best.

Despite the assistance accorded to me from these people I am solely responsible for this final report. It is a product of my efforts.

# DEDICATION

I dedicate this project to my dear parents the late Boaz and Phoebe Nyango who have inspired and guided me through my academic journey.

## **ABSTRACT**

The study was designed to investigate the competitive strategies adopted by Crown Berger to cope with issues arising out of competition in paint manufacturing industry. The study was a descriptive survey conducted at Crown Berger head office in Nairobi. A census of all 45 employees and managers at the head office was undertaken. Questionnaires were administered on 40 employees while 5 interviews were conducted with the managers. The data was analysed using content and thematic analysis. The data was presented in narrative form. The study found that Crown Berger Ltd is facing intense competition from local and foreign players in the paint manufacturing industry. The study found that there was competition on four main fronts- pricing, promotion, production flexibility and innovation. The study found that the competitive forces have created challenges in the operation of paint makers as they fight for quality raw materials, employees and technology. The study found that Crown Berger has adopted a number of competitive strategies including building a strong brand, quality improvement, product innovation, optimising the distribution channels, advertising, employee training and undertaking corporate social responsibility activities with long term benefits to the firm. The study findings show that the firm does not follow clearly defined competitive strategies but has adopted combination of generic strategies. The study recommends that Crown continue being proactive through collection and analysis of data from the market tailor their efforts according to the institution's strategic objective, institutional capacity and available financial resources. The study also recommends on the need for Crown Berger to intensify its research and development efforts to be able to respond to local markets and stop relying on parent company strategies.

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

The primary objective of managers of profit seeking organizations is to maximize the performance of the firm over time (Van Horne, 1992). Bowman and Helfat (2001) found that corporate strategy is an essential management tool and is important to firm performance, and achieving a performance advantage through strategic initiatives is increasingly important in the financial services industry ( Devlin, 2000).

Porter (1980, 1985) argues that superior performance can be achieved in a competitive industry through the pursuit of a generic strategy, which he defines as the development of an overall cost leadership, differentiation, or focus approach to industry competition. If a firm does not pursue one of these strategy types, it will be stuck-in-the-middle and will experience lower performance when compared to firms that pursue a generic strategy (Porter, 1980).

Day and Wensley (1988) argue that competitive methods consist of skills and resources that are available for use by firms in a competitive industry. They define superior skills in terms of staff capability, systems, or marketing savvy not possessed by a competitor. A superior resource is defined in terms of physical resources that are available to help strategic implementation. Examples include operating scale, location, comprehensiveness of a distribution system, brand equity, or manufacturing or processing assets. They conclude that establishing a generic strategy based positional advantage in the marketplace will provide a firm with superior performance.

#### 1.1.1 Competitive Strategies

A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2002). Sustainable competitive advantage is born out of core competencies that yield long-term benefit to the company. Prahalad and Hamel (1990) define a core competence as an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity.

They further explain that a core competence has three characteristics first it provides access to a wide variety of markets, secondly it increases perceived customer benefits and lastly it is hard for competitors to imitate. Sources of competitive advantage include high quality products, superior customer service and achieving lower costs than its rivals.

Many paint manufacturers develop competitive strategies that aim to secure a strong market position and achieve profitability outcomes. In line with Barney's (1991) approach, such competitive strategies are commonly formulated by assessing the internal resources of the firm (e.g. tangible and intangible assets and organizational capabilities). Enz (2008) argued that a single resource cannot create competitive advantage. Rather, it is the combination of competitive resources – branding, human resources (HR), information technology (IT) innovations, computer reservation systems, niche marketing and advertising, and pricing tactics – that can increase a manufacturer's capabilities and improve performance (Olsen *et al.*, 2008). Manufacturers with strong resources can distinguish themselves from their competitors and survive in a competitive environment.

The attainment of superior performance is a challenging, if not impossible, task if paint manufacturers do not implement an organizational structure that harnesses their internal resources and allows them to respond to the business environment at both the proper time and in an appropriate manner (Galetic *et al.*, 2007). The organizational structure defines the physical environment in which employee behavior occurs (Dalton *et al.*, 1980). Organizational structures can be categorized as either mechanistic or organic. A mechanistic structure is highly formalized, non-participative, hierarchical, tightly controlled, and inflexible, whereas an organic structure is defined by its informality, decentralization of authority, open channels of communication, and flexibility (Khandwalla, 1977). The former is more suited to industries with low rates of technical and market change (Burns and Stalker, 1961) and can help paint manufacturers to monitor cost effectiveness and quality. The latter, in contrast, is more appropriate for situations in which paint manufacturers have to deal with rapid changes in the environment and prefer a minimal degree of hierarchy (Covin and Slevin, 1990). An organic structure by nature also allows for greater flexibility in staff work activities.

### **1.1.2 Industry Competition**

Many an industry has witnessed accelerated and enhanced globalization, in both pace and magnitude, in the latter half of the 20th century (Ohmae, 2000). At the dawn of the new millennium, such a trend of globalization in the international economic scene has been marching on unabatedly and has stirred up fierce competition even in industries previously regarded as being free from the onslaught of foreign rivalry. Consequently, such globalization unmercifully forces many firms, multinational corporations and local players, to reassess their competitive strategy and consciously create, renew, and hopefully sustain their competitive advantages in the global market place (Powell, 2001).

Building on the treatment of the basis of sustainable advantage and relevant literature in strategy, the Kenyan paint manufacturing industry can be categorized into three generic types of competitive advantage: ownership-based, access-based, or proficiency-based Ma (1999). That is, most of these firms have achieved competitive advantage through ownership or possession of certain valuable assets, factors, or attributes (for example, strong market position), unique resource endowment), or reputation. Some have also achieved competitive advantage in the form of superior access to factor market and product market (for example, exclusive relationship with supplier or distribution channel). Moreover, many claim they enjoy competitive advantage through their own superior knowledge, competence, or capabilities in conducting and managing their business processes— producing quality products at lower costs and delivering the right products and/or service to its customers in the right place at the right price and time through the right channels.

Simply put, to achieve any advantage in business, a firm has to look deeply and systematically into what it has, what it knows and does, and what it can get. The three types of generic competitive advantages are not only important for a firm's superior performance in general but are also important for its success in global competition in particular. Winning in global competition, more than ever, requires a firm to establish a defensible position (Porter, 1990) and sustain its ownership based competitive advantage, e.g. the global brand reputation of Cartier; to create and improve access to foreign suppliers and distribution channels as well as access to the state-of-the-art or the best of the breed technologies (Chandler, 2001); and to excel in the

learning race and nurture core competence and skills that can be leveraged in the global market place.

### **1.1.3 Paint Industry in Kenya**

Kenya's paint industry has been thriving on an upbeat construction and healthy economy. As a result of the real estate boom, the Kenyan market for residential paints and wall coatings continue to maintain a relentless upwards March of between 10 and 15% per annum. The windfall is, however upset by the blows the industry has suffered as a result of high cost of inputs (The Star, 2011). This is attributed to the rising costs of oil and titanium dioxide the two main ingredients in paint manufacturing. Input prices for petroleum based solvents like mineral turpentine oil and thinners have been growing at between 5 to 7% tempting manufactures to hike product process. Oil prices have also been on the rise in the world market significantly raising the cost of production.

Paint companies in Kenya offer a wide range of paints, pigments, coatings and varnishes to help get the best finishes for home interiors and exterior décor and beautification. In the past few years, the paints industry in Kenya has been thriving on an upbeat construction and growing economy. As a result of a construction boom in Mombasa and other parts of the country, the Kenyan market for paints and coatings continue to maintain a relentless upward march. The leading paint manufacturers and painting companies in Kenya include Sadolin Paints, Basco Paints, Galaxy paints, Solai Paints and Crown Berger. Each company manufactures its own specialized product – with some also offering professional paint services and training.

### **1.1.4 Crown Berger (K) Limited**

Crown Berger (K) Ltd is East Africa's largest paint company. Established in 1958 and has crossed the 50 year threshold hence it leads from a position of trust and integrity. The company enjoys an annual turnover of in excess of Kshs 2.3 billion with a capability of producing more than 1.2 million liters of paint per month on a single shift.

Some 38% of its equity is on the Nairobi stock exchange so the company is embedded into the national business culture. Currently the business holds 65%of the premium decorative paint market and has turned its attention to exports and the Comesa region. A manufacturing 8plant

has been installed in Kampala under the brand of regal which already claims number two position. Supply is already effected on a regular basis to Rwanda, Burundi, Tanzania, Sudan and Somalia. Seychelles is a historic market. Overall the brands and ranges offered are strong with internationally acclaimed brands amongst its stable.

## **1.2 Statement of the Problem**

Porter' (1980) model of three distinctive generic business-level strategies (low cost, differentiation and focus) has been widely acknowledged as a dominant paradigm in the strategic management and marketing literatures. The strategy of low cost involves giving consumers value comparable to that of other products at a lower cost. This strategy can provide above average returns because its adherents may lower prices to match those of their most efficient competitor and still earn superior profits). The strategy of differentiation requires that the firm creates either a product or provides a service, that is recognized as being unique, thus permitting the firm to command higher than average prices. Because of the loyalty created for a brand, demand is price-inelastic, leading to higher profit margins for the manufacturer. The strategy of focus, involves serving a specialized segment in terms of a limited geographic market, a certain kind of customer or a narrow range of products, more effectively or efficiently than competitors who are competing more broadly. This strategy involves, however, achieving either low cost or differentiation, or both. For example, Namiki (1988) in his study applies Porter's generic strategies to firms competing in export markets. First, he finds four prevalent strategy types (marketing differentiation, differentiation focus, innovative differentiation and product-oriented differentiation), which aim at differentiating firms from their competitors. Further, he identifies seven clusters of companies, which are grouped into these strategy types. Finally, he concludes the tendency in higher performing groups to follow a single strategy, i.e. either differentiation focus or innovative differentiation. With intensified global competition, manufacturing facilities will, out of necessity and either implicitly or explicitly, develops competitive manufacturing strategies that naturally will meet with varying degrees of success. It is reasonable to hypothesize further that the manufacturing strategies employed by high-productivity firms are likely to differ from those employed by low-productivity firms. As plausible as these reflections may be, there are very few published, empirical studies which directly address the issue. It is noted also that manufacturing strategies are subject to change in response to competitive, dynamic markets

and/or in response to changes in corporate strategy. To improve competitiveness, manufacturing firms need to develop certain strategic manufacturing strengths to attract or retain customers (Spring and Boaden, 1997). Manufacturing strategies, in essence, are the process to accumulate the related knowledge to build up the manufacturing strengths (Clark, 1995). Garvin (1993) interpreted the meaning of manufacturing strengths as quality, delivery, flexibility, cost and services. Manufacturing firms need to strategically strengthen their knowledge on any of these five aspects. Hill (1993) suggested that the meaning of manufacturing strengths would be more comprehensible if it is conceived as a set of order-winning criteria. He believed that manufacturing strengths are the elements that would enhance the chances of manufacturing firms to win business orders from customers. In that case, manufacturing strategies are simply the endeavor to improve the knowledge on how to do well in price reduction, quick delivery, product design, production control, and flexibility.

Crown Berger Ltd produces an array of construction materials from paints to industrial glue and floor tiles. It has a wide clientele both nationally and internationally each with their own specific demands which makes it competitive positioning a rather complex affair. With the current construction boom in Kenya the competition between paint manufacturing firms has been cut throat. Other industry players like Basco Paints and Sadolin have launched serious marketing campaigns with an eye to eat into Crown Berger's market share. With the rising cost of inputs, more demanding and complex clientele and unchecked marketing wars Crown Berger has managed to control and maintain the largest market share in each of its main market segments. In the premium market segment which offers high grade quality paints and products to high income clientele Crown Berger commands a market share of 64%. In the economy market segment which offers lower grade paint solutions to low income earners Crown Berger is still the market leader with 45% of the market share. In the automotive paints market segment Crown Berger places second after Sadolin paints with a respectable market share of 30%. Without question, this speaks volumes about the competitive strategies they employ. The questions therefore beg; what valuable assets does the firm acquire to give it an edge over competitors? What reputation does it have in the market that makes the competitors unable to unseat it from the top? What kind of relationship does the firm have with its clientele that makes them control such a large market share? Does the firm have a superior distribution channel over its competitors? What strategies

are adopted by Crown Berger? All these questions pointed to the paramount on why this study was important.

### **1.3 Research Objectives**

The study was guided by two objectives;

- i. To determine the challenges of competition faced by Crown Berger (K) Ltd in the paint manufacturing industry.
- ii. To establish the competitive strategies adopted by Crown Berger (K) Ltd to cope with competition.

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

The findings of this study may be useful to the management of Crown Berger in identifying new competitive strategies to employ that may enable it secure a larger market share. The study may also be useful in identifying training needs for Crown Berger's employees to make them more knowledgeable and in tune with the overall marketing strategy. This may serve to enhance team work and may mitigate against employees being resistant to change. The study may be useful to scholars and academicians wishing seeking knowledge on marketing strategies. It may also help them identify research gaps and hence increase the knowledge base in the field of marketing. The findings of the study may be useful to management consultants and entrepreneurs willing to either offer management solutions in the paint manufacturing industry or businessmen willing to venture into the industry. The study may also be useful to real estate developers in understanding the value of services that Crown Berger offers.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter analyses literature from different authors that relate to competitive strategies. The chapter sets off with a definition of the term competitiveness in a manufacturing context. The relationship between strategy and competitive advantage is also keenly discussed. Formulation and strategy management and a detailed discussion of different business competitive strategies offered.

#### **2.2 Industry Competition**

Trade liberalization and globalization processes have significantly increased customer expectations and competition among companies. Competitiveness is a complex subject that has been analyzed by many scholars using different conceptual approaches. Some author s view competitiveness of the in terms of productivity. Competitive companies must produce and deliver products and services that meet customers' needs and wants. In order to provide their customers with greater satisfaction than their competitors, companies must reduce production cycles and costs, improve the quality of products and services, improve relationships with suppliers and customers and re-examine their organisational systems in order to respond to any change in customer preferences as fast as possible (Hammer and Champy, 1993).

Implementation of quality initiatives can bring about major improvements in productivity and competitiveness in various organisations. Manufacturing performance is often measured by cost, quality, dependability and flexibility. Improved competitiveness means that the firm has improved on one or more of these dimensions relative to its competitors (Lee. 2003). Competitiveness of manufacturing industries is mostly dependent on its ability to perform well in dimensions such as cost, quality ,delivery, dependability and speed, innovation and flexibility to adapt itself to variations in demand (Carpinetti, Gerolamo and Dorta,2000). While alignment of the manufacturing function with strategic priorities is core to competitiveness, the continuous improvement of the manufacturing function plays a very important role in the quest of competitiveness in the long run. Four widely accepted competitive priorities are cost, delivery,



quality and flexibility. Competitive priorities might be used as measures of competitiveness. Organisations should optimize the quality/price ratio for operational excellence (Fleury and Fleury, 2003). Lau (2002) has observed that quality and lower cost are the top ranking competitive factors among manufacturing industries. Competitive priority is widely used in the studies of manufacture strategy in which the first and second ranked objectives are quality and delivery performance respectively. Low cost, flexibility, quality and delivery or dependability are the four main components of competitive priority. A fifth competitive priority- innovativeness- has been suggested (Lau 2002) and is gradually gaining recognition

### **2.3 Challenges When Facing Industry Competition**

Over recent years many manufacturing organizations have faced increased competition from foreign and domestic firms. An important aspect of this competition has been a growth in the responsiveness of firms to the needs of customers for innovative products. Consequently, many firms have sought to develop strategies of manufacturing flexibility involving operational and administrative processes dedicated to responding quickly to markets and technological demands. This entails developing capabilities to shift levels of production rapidly, quickly develop new products, product characteristics and manufacturing processes. While flexibility is an important strategic priority, its effectiveness will ultimately be judged by the extent to which it enhances the firm's profitability. It is possible that a firm may achieve highly flexible responses, but do so by expending excessive resources and as a consequence experience declining profitability. To ensure that efforts to achieve manufacturing flexibility lead to enhanced profitability, individuals must manage their organization's manufacturing processes in cost-effective ways (Ohmac, 2000).

An important issue in the development of contemporary strategies such as quality, flexibility, reliability and low cost is the extent to which management performance measures enhance the potential for these strategies to improve performance. The measurement of managers' performance traditionally has involved the use of budgetary control and the development of financial indicators such as return on investment. However, it has been claimed that conventional aggregate financial indicators are inappropriate in modern manufacturing settings. Rather, more precise manufacturing performance measures are required to ensure that strategies can be

effected in ways which provide a balance between enhanced product characteristics and cost effectiveness. While several authorities have provided anecdotal evidence on the important role of performance measures in effecting strategic priorities, there is little empirical evidence on the nature of the relationship between performance measures, strategies and organizational performance. Turning around the challenges brought about by industry competition into strategic advantages requires gathering competitive intelligence (Luffman et al., 2001).

#### **2.4 Strategic Management Development and Competitive Strategy Formulation**

The basic premise of Strategic Management Development (SMD) is to ensure that, as new products/services are anticipated and developed, the organization has identified and mobilized competent and knowledgeable managers to perform the various tasks necessary to implement successfully the strategy in an efficient and timely manner (McClelland, 1992).

When viewed as an integral element of the competitive strategy, SMD's role is cyclical in process and function. By consistently monitoring organizational plans SMD identifies which specialized management development activities will be needed to ensure maximum managerial performance and efficiency. For example, it may make good business sense to have a smaller number of competent managers trained to assume a wider variety of tasks and roles which may be required by a flexible competitive strategy. In this era of downsizing, cross-functional training and developmental activities throughout various organizational units would assist in maintaining a competitive posture, even with limited resources. Individuals responsible for SMD would need to monitor closely the competitive strategy to ensure that the skills needed to implement it successfully will be available (or can be readily acquired) on a short-term basis. This requires that all management development efforts be flexibly in-concert with the competitive strategy in anticipation that special requirements will arise. This mirroring, as it were, will require constant feedback and support between those individuals in the various managerial functions and those responsible for designing, implementing, and overseeing the SMD process.

SMD signals a departure from the traditional concepts of management development which are centered on the individual and focused on strengthening existing competences. As such, the traditional method of developing managers stresses "maintenance" and "functionality". As Fulmer and Graham (1993) point out, this approach stresses the process of doing things correctly

and largely ignores whether the things emphasized are the right things to do in the first place. Further, they argue that such an approach produces shock learning – learning which takes place under crisis situations which has little or no long-term value. Alternatively, SMD approximates the values of anticipatory learning which assumes that as change naturally occurs and crises arise, the skills necessary to handle such circumstances competently have already been predicted and learning or training designed to address skills and/or knowledge deficiencies has been defined and implemented.

Many larger, multi-national organizations have already established, to one degree or another, a type of competitive SMD strategy. Coca-Cola, GE, Xerox, IBM, and Northern Telecom, for example, have instituted long-term management development strategies to enhance their competitive advantage as part of their efforts to maintain, as well as advance, their positions in their respective marketplaces (Mann, 1990). Yet, as the results of some observations and studies have suggested, this is not a universally accepted paradigm. Hussey (1985) found that management development and training should be integrated closely with company objectives and strategies and the initiative to see this is carried out should be taken by the chief executive. Additionally, McCall (1992) observed that in many organizations the importance of having a large and accessible base of managerial talent is not apparent until a shortage of it produces crises situations.

A key question in strategy research is why companies diverge in their conduct and profitability. Researchers have determined to view companies as autonomous entities, striving for competitive advantage from either external sources, or from internal resources and capabilities (Gulati et al., 2000). Surely, the objective of a company's strategy is to achieve competitive advantage, but additionally, the strategy itself is a source of competitive advantage (Luffman et al., 2001).

It has been argued that all three strategy types can be used simultaneously to gain domestic and international competitive advantage, regardless of industry. Others argue that there is only one essential factor in determining a competitive advantage – i.e. the ease with which competitors can enter or expand in a given market (Greenwald and Kahn, 2005). If a company can erect strong barriers to entry, through customer captivity, lower production costs, or economies of scale, it can manage these advantages, anticipate competitors' moves, or achieve stability through



bargaining and cooperation. It is claimed that addressing barriers to entry is by far the most important activity in business strategy, and avoiding competition is the only way to escape an open playing field in which only the best survive and prosper.

Environments that are characterised by rapid, systemic and radical change require more flexible, dynamic or emergent approaches to strategy formulation (Christensen, 2001). Sometimes it may be possible to create completely new markets instead of selecting from existing ones. One such environment is the manufacturing industry (a highly volatile industry characterised by rapid and radical change), which is an environment in which it is possible to create completely new markets, based on fashion and new products.

Regardless of what strategy is implemented and used, the strategy has to be understood by employees at all levels of the company. This, in turn, leads to the customers understanding what the company stands for. Since strategy is about being different, the company's strategy must become a cause. While businesses think in terms of products and derived values, the customer is looking for satisfaction. The key question is whether the strategy, product features, add-ons, and value creation lead to ultimate customer satisfaction (Jönsson and Devonish, 2009).

## **2.5 Porter's Business Level Strategies**

Business level strategy differs from corporate strategy in that whereas corporate strategy involves decisions about the entire organization, strategic decision under the business units are basically concerned with how customers' or clients' needs can best be met. According to Johnson and Scholes (2002) "Business unit strategy is about how to compete successfully in particular markets". Hill and Jones (1999), states that strategic choice is a process of choosing among the alternatives generated by a SWOT analysis. The strategic alternatives generated can encompass business level, function level and global strategy. According to Thompson and Strickland (2001), Business-level responses refers to plans of action the strategy manager adapt for using a company's resources and distinctive competences to gain a competitive advantage over it's rivals in the market or industry. Companies therefore pursue a business level strategy to gain a competitive advantage that allows them to outperform rivals and achieve above average returns.

### **2.5.1 Cost-leadership Strategy**

According to Hill and Jones (1999), focus strategy concentrates on serving particular market niche which can be defined geographically by type of customer or by segment of the product line. It is directed towards serving the needs of a limited customer group or a segment hence the company is specialized in some way. A focus strategy provides an opportunity for an entrepreneur to find and then exploit the gap in the market by developing an innovative product that a customer cannot do without. The company has enormous opportunity to develop its own niche and compete against low-cost and differentiated enterprises which tend to be larger.

A company's goal in pursuing a cost leadership strategy is to outperform competitors by doing everything it can to produce goods or services at a cost lower than theirs. The cost leader chooses a low level of product differentiation. The cost leader chooses low level of product differentiation. The cost leader aims at a level of differentiation not markedly inferior to that of differentiator but maintain a level obtainable at low cost (Hill and Jones, 1999). A cost leadership strategy is based on the concept that you can produce and market a good quality product or service at a lower cost than your competitors. These low costs should translate to profit margins that are higher than the industry average. Some of the conditions that should exist to support a cost leadership strategy include an on-going availability of operating capital, good process engineering skills, close management of labor, products designed for ease of manufacturing and low cost distribution.

Overall cost leadership is achieved by the firm that is able to maintain the lowest costs of production and distribution within an industry. Firms pursuing this strategy must be effective in engineering, purchasing, manufacturing, and physical distribution. Marketing is less important (Marques et al., 2000).

Low costs enable the leader to price its products lower than its competitors in order to win a large market share. Firms with a large share of the market are usually able to achieve lower costs through economies of scale, and the experience effect.

Economies of scale are achieved primarily through the size of operations. Large businesses have the potential to operate at lower unit costs. Large-scale plants, for example, are cheaper to build.

and they yield lower operating costs per unit of output. Although the most substantial gains are usually seen in manufacturing, benefits of scale can be achieved in marketing, sales, distribution, administration, R&D, and service. The cost of raw materials and shipping can also be reduced through economies of scale.

### **2.5.2 Differentiation Strategy**

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

The objective of differentiation strategy is to achieve a competitive advantage by creating a product (good and service) that is perceived by customers to be unique in some important way. The strategy seeks to provide products and services that offer benefits which are different from those of competitors and are valued by most buyers. Competitive advantage would be achieved by offering the valued products or services at same price or at a slightly higher price. The differentiated company's ability to satisfy a customer's need in a way that the competitors cannot match means that it can charge a premium price (Johnson and Scholes, 2003).

Obasi et al (2006) found that when using a differentiation strategy, a company focuses effort on providing a unique product or service, setting their offerings apart from competitors. Product differentiation fulfills a customer need and involves uniquely tailoring the product or service to the customer. This strategy allows organizations to charge a premium price to capture market share. The differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support and service. Firms following a differentiation strategy can charge a higher price for their products based on the product characteristics, the delivery system, the quality of service, or the distribution channels. The quality may be real or perceived, based on fashion, brand name, or

image. The differentiation strategy appeals to a sophisticated or knowledgeable consumer interested in a unique quality product or service and willing to pay a higher price for these non-standardized products (Obasi et al., 2006).

Customers value the differentiated products more than they value low costs. Obasi et al., (2006) research identified three tactics which were significantly related to organizational performance in the companies surveyed following the differentiation strategy. These critical practices included innovation in marketing technology and methods, fostering innovation and creativity and a focus on building high market share (Obasi et al., 2006).

Through differentiation a customer is given reason to choose the brand and not any other service or product. Although all products or services can be differentiated not all brand difference are worthwhile or meaningful to the customers Kotler (2000), Porter (1980), Aaker (1984). The challenge is to establish a difference that is relevant to customers. An organization is also faced with a challenge of how many differences to promote Aaker (1984). This will help an organization to avoid the risks of over-positioning, under-positioning, confused positioning and doubtful positioning. In addition, success of a differentiation strategy lies in adopting a differentiation that is important to customers, distinctive, superior, per-emptive, affordable and profitable.

### **2.5.3 Niche strategies**

In the marketing literature the term niche and focus marketing strategy are used interchangeably. A wide variety of descriptions and definitions exist related to niche/focus markets and niche marketing. From an overall firm strategy perspective, a niche market strategy is defined as “an emphasis on a particular need, or geographic, demographic, or product segment” (Teplensky et al., 2003). However, most literature focuses on the market perspective versus the product or strategy perspective. In their paper “Niche marketing revisited”, Dalgic and Leeuw (2004) write that they “consider a niche [market] to be a small market consisting of an individual customer or a small group of customers with similar characteristics or needs”. Similarly, Kotler (2003) defines a niche as “a more narrowly defined group seeking a distinctive mix of benefits”. He states that niche markets are usually identified by dividing a segment into sub segments and that the key issue in niche marketing is specialization (Kotler, 2003).

Niche marketing has been used synonymously with market segmentation, target marketing, micromarketing, regional marketing, focused marketing, and concentrated marketing (Kara and Kaynak, 1997). It is, however, none of these and all of these. Michaelson (1988) defines niche marketing as “finding small groups of customers that can be served within a segment”. In their paper “Exploiting niches use relationship marketing”, Shani and Chalasani (2002) differentiate between market segmentation and niche marketing. They characterize market segmentation as a top-down approach stating that it is “the process of breaking a large market into smaller and more manageable submarkets”. On the other hand, niche marketing is a bottom-up approach, meaning that “the marketer starts from the needs of a few customers and gradually builds up a larger customer base” (Shani and Chalasani, 2002). Finally, Linneman and Stanton (2001) provide an overall idea of what niche marketing actually is: the splitting of traditional markets into smaller segments and then devising separate marketing programs for each of these smaller segments, or niches.

Kotler (2003) presents niche markets as having several characteristics. First the customers in the niche have a distinct set of needs. Secondly the customers will pay a premium price to the firm that best satisfies their needs. Thirdly the niche is not likely to attract other competitors. Fourthly the (firm) gains certain economies through specialization and lastly the niche has size, profit, and growth potential.

According to Hill and Jones (2001), focus strategy concentrates on serving particular market niche which can be defined geographically by type of customer or by segment of the product line. It is directed towards serving the needs of a limited customer group or a segment hence the company is specialized in some way. A focus strategy provides an opportunity for an entrepreneur to find and then exploit the gap in the market by developing an innovative product that a customer cannot do without. The company has enormous opportunity to develop its own niche and compete against low-cost and differentiated enterprises which tend to be larger (Hill and Jones, 2001).

Here the organization focuses its effort on one particular segment and becomes well known for providing products/services within the segment. They form a competitive advantage for this niche market and either succeeds by being a low cost producer or differentiator within that



particular segment. Examples include Roll Royce and Bentley. With both of these strategies the organization can also focus by offering particular segments a differentiated product/service or a low cost product/service. The key is that the product or service is focused on a particular segment.

The development and implementation of niche market strategy versus traditional marketing techniques could potentially secure the future of many microfinance institutions in Kenya (Wright, et al, 2004). While there is no clear and consistent definition for niche marketing, it can be deemed that niche marketing is portrayed in the literature as having a “pull marketing approach” (first identifying the market and then developing a product for that particular market). It is related to market segmentation in the fact that it is a further segmentation of market segmentation. However, based on Kotler's (2003) characteristics of a traditional niche market, there is opportunity for success using a “push marketing approach” (developing a product and then looking for a market for that particular product) (Kotler, 2003).

Here the organization focuses its effort on one particular segment and becomes well known for providing products/services within the segment. They form a competitive advantage for this niche market and either succeeds by being a low cost producer or differentiator within that particular segment. Examples include Roll Royce and Bentley. With both of these strategies the organization can also focus by offering particular segments a differentiated product/service or a low cost product/service. The key is that the product or service is focused on a particular segment.

#### **2.5.4 A Combination of Generic Strategies**

An organization may also choose a combination strategy by mixing of the aforementioned generic strategies. For example, a firm may choose to have a focused differentiation strategy. This means the organization has a unique product offered to a targeted market segment. An organization may also choose to have a focused cost-leadership strategy. In this instance, an organization would use a cost leadership strategy targeted to a specific market segment.

There has been an ongoing debate as to whether or not a company can have a differentiation and low-cost leadership strategy at the same time. Porter felt differentiation and cost-leadership were

mutually exclusive (Campbell-Hunt, 2000). However, research shows this is not the case (Gupta, 1995; Hall, 1983; Miller, 1998; Johnson and Scholes, 1993; Fuerer and Chaharbaghi, 1997, Hlavacka et al., 2001).

Kumar et al. (1997) in their study of generic strategies used in the hospital industry found when hospitals follow a focused cost leadership hybrid strategy they exhibit higher performance than those following either cost leadership or differentiation alone. Similarly in their research on the UK wine industry, Richardson and Dennis (2003) found the hybrid focused differentiation approach was best for niche segments. Spanos et al., (2004) studied the Greek manufacturing industry and found hybrid strategies were preferable to pure strategies.

According to Argyres and McGaha, (2002), lower cost and differentiation are directly connected with profitability. As research addressed the relationship between strategy and performance, some studies concluded only "pure" strategies (i.e. generic strategies of cost leadership or differentiation) resulted in superior performance, while other research found combination strategies (i.e. low-cost and differentiation) were optimal. This debate continues in the literature.

The generic strategies are not necessarily compatible with one another. If a firm attempts to achieve an advantage on all fronts, it may achieve no advantage at all. For example, if a firm differentiates itself by supplying very high quality products, it risks undermining that quality if it seeks to become a cost leader. Even if the quality did not suffer, the firm would risk projecting a confusing image. For this reason, Michael Porter argued that to be successful over the long-term, a firm must select only one of these three generic strategies.

Otherwise, with more than one single generic strategy the firm will be "stuck in the middle" and will not achieve a competitive advantage. Porter argued that firms that are able to succeed at multiple strategies often do so by creating separate business units for each strategy. By separating the strategies into different units having different policies and even different cultures, a corporation is less likely to become "stuck in the middle."

However, there exists a viewpoint that a single generic strategy is not always best because within the same product, customers often seek multidimensional satisfactions such as a combination of quality, style, convenience, and price. There have been cases in which high quality producers

faithfully followed a single strategy and then suffered greatly when another firm entered the market with a lower-quality product that better met the overall needs of the customers.

### **2.5.5 Quality as Competitive Advantage**

By adopting a generic competitive strategy, firms will translate the underlying intent of the strategy into various operational performance measures. These include quality, innovation, service, brand, flexibility, and price. This study focused on quality as a strategic performance as a reflection of a competitive strategy of the firms. Over the past two decades, quality has been heralded as the source of competitive advantage (Raghunathan et al., 1997). Quality has gone through an evolution process, from an operational level to a strategic level, and some scholars have given strong support for the view that quality must be adopted as a strategic goal in organizations (Schonberger, 1992).

Despite the arguments concerning the importance of quality and its role in determining firms' competitive position, only few papers have provided conceptual understanding and empirical evidence of a link between quality and competitive strategy (Chang et al., 2003).

As noted earlier, literature has presented inconsistent arguments concerning the link between differentiation strategy, cost leadership strategy, and product quality (Belohlav, 1993). The core of these arguments lies in the fit between quality and either differentiation or cost leadership. Each of these is outlined below. Porter (1980) categorised quality as a primary basis for differentiation strategy as firms adopting this strategy will uniquely position their products based on several attributes leading to a premium price. He specifically suggested that quality creates a differentiation point which separates, even insulates, a firm from competitive rivalry by creating customer loyalty as well as lowering price sensitivity. In this way, the firm will be protected from competitive forces that reduce profitability. Similarly, Philips et al. (1983) noted that among the many sources of differentiation, quality was the approach that most often characterizes a differentiation strategy. They also noted the conventional wisdom which suggests an incompatibility between high quality products and low cost for the reason that quality usually requires more expensive materials and processes, which is not supported under a cost leadership regime. This school of thought, however, does not totally negate the link between high quality and low cost. Rather, it suggests that high quality products will eventually result in lower costs

after the firm attaining benefits on economies of scale via higher market share (Kroll et al., 1999; Philips et al., 1983).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter outlines the research design which offers an explanation into how the research was undertaken. It also defines the population of the study and the specific sampling technique used. The method of data collection is carefully detailed and the method of data analysis explained.

#### **3.2 Research Design**

A research design is the general plan of how one goes about answering the research questions (Saunders, Lewis and Thornhill, 2007). There are several research designs ranging from exploratory studies, descriptive studies, explanatory studies. Within each of these designs are strategies that can be applied such as experiment, survey, and case study. This study was a descriptive survey which aimed at establishing the competitive strategies employed at Crown Berger Ltd. Descriptive studies are undertaken to answer the 'why' and 'how' about a phenomenon. Therefore this research approach was deemed appropriate for the current study.

#### **3.3 Target Population**

A population is the total collection of elements about which we wish to make some inferences. Cooper and Schindler, (2001). The target population for the proposed study was all employees at the Crown Berger Ltd head offices. There are 5 senior managers, 10 middle level managers and 30 employees at the headquarters. The population was deemed appropriate as they are charged with determining the overall direction of the firm.

#### **3.4 Sampling**

Because the target population was accessible with convenience the study took a whole census of the entire target population. The sample thus consisted of 5 senior managers 10 middle level managers and 30 employees at the headquarters.

**Table 3.1 Sampling Frame**

<b>Sampling Unit</b>	<b>Sample Size</b>	<b>Percentage</b>	<b>Sample</b>
Senior Managers	5	100%	5
Middle Level Managers	10	100%	10
Employees	30	100%	30
<b>Total</b>	<b>45</b>		<b>45</b>

### **3.6 Data Collection**

The study relied on primary data. The data collected was qualitative. Qualitative data sought to describe the qualities/characteristics of the subjects of the study. For primary data, the researcher collected first hand information from the managers and employees at Crown Berger. The researcher conducted interviews to collect the primary data from the employees and managers. The interviews were conducted with the help of research assistants and they enabled the researcher to seek clarifications on key issues under study.

### **3.7 Data Analysis**

Data collected in the study was analyzed later with appropriate qualitative models. Qualitative data gathered was analyzed based on the themes through a thematic and content analysis. The analysis was based along the main themes as per the objectives of the study focusing on issues and patterns emerging from the response. The emerging salient patterns were then be discussed. The qualitative data was presented in narrative form. Key quotations from the data, using informants' own words were incorporated to illustrate the main ideas.

## **CHAPTER FOUR**

### **DATA ANALYSIS AND DISCUSSIONS**

#### **4.1 Introduction**

The study sought to investigate the competitive strategies employed by Crown Berger Limited to cope with competition. The study was able to conduct 37 interviews with the employees and successfully conducted four interviews with the managers. The findings are based on the responses obtained from these interview responses.

#### **4.2 Nature of Competition facing Crown Berger Ltd**

In this section the study sought to find out the nature of competition in the environment in which Crown Berger Ltd operates. First the study sought to know the methods or techniques used by Crown Berger to monitor and understand the competitive environment. The respondents indicated that the organisation conducts SWOT analysis regularly. The key informants indicated that information obtained assisted the firm to make strategic decisions. The respondents also indicated that the firm relied on feedback from stakeholders. The key informants also indicated that the firm management and employees tracked news item about trends in the paint manufacturing industry across the globe from media outlets. The informants also indicated that the firm hires highly qualified workforce who undergo regular training to ensure they are updated on current trends in the paint manufacturing sector.

The study requested the respondents to rate the nature of competition in the paint manufacturing industry. The results show that majority of the respondents as having indicated that the competition in the paint manufacturing as being intense and fierce. The informants noted that there were formidable competitors who were exerting pressure on Crown Berger on various fronts. The informants noted that these competitors included firms such as Sadolin, Duracoat, Baco Paints, Alpha Paints and United Paints among other locally based firms. The informants also noted that foreign construction firms working on large projects in Kenya were bringing in paints from their countries and this was making the competition even more complex to deal with.

The study sought to find how the competition was based on views of respondents and informants on five aspects: price, promotion, distribution, production flexibility and product innovation.

On price the respondents and informants indicated that this was a very competitive front as the firms in the industry tried to reach out to more customers through this aspect. The informants indicated that there was only a small group of customers who were concerned with quality noting that majority were concerned about price of products and services in the paint industry.

Regarding the distribution channels the respondents and informants indicated that competition was fierce as firms in the industry tried to have a felt presence in the region. The informants noted that this led to a situation where the firm had to offer good terms to distributors and retailers for them to stock Crown Berger products.

On production flexibility the respondents noted that firms in the paint making industry were adopting production technologies continuously in a bid to ensure high quality and meet needs of ever demanding customer needs in the construction industry. The informants noted that this led the firms to make sure that they were on their toes to ensure they produced high quality products and services while keeping the costs down. The informants also noted the high cost of raw materials as well as strict environmental regulation in place which have an adverse effect on the operations of Crown Berger.

On the issue of product innovation the respondents noted that the paint manufacturers were being forced to continuously innovatively make products to meet the new frontiers emerging with innovation in overall construction industry. The informants indicated that Crown Berger has had to come up with an enhanced product or service at once in each six months.

The study then sought to find out the nature of challenges arising out of the competitive nature of the paint manufacturing industry in Kenya. The respondents noted that one of the challenges related to human resources. Given that Crown Berger is a market leader, the respondents noted that the employees were regularly poached by other firms as they did not offer training. The informants noted that this has raised the labour costs as the firm has to offer higher salaries and allowance to avoid losing highly qualified and trained workforce to its competitors.

There was also noted distribution challenges as a result of competition as the paint manufacturers fought over dominance in the distribution channels. The informants argued that this has forced the firm to offer discounts and other terms to the established distributors for them to stock Crown



Berger products. The informants also noted that the cuts in price of product are being accompanied by increase in the raw material prices. The informants indicated that resins prices have been rising in the past few years for almost all kind of paints. Thus, paint companies are getting squeezed from both directions resulting in thinning of their profit margins. The respondent indicated that another challenge on the resin front is that the introduction of newer technologies and newer types of resins are pushing out few conventionally used resins.

High cost of technology adoption was also noted by informants and respondents as a challenge which was brought about by the intense competition. The informants indicated that the firm was driven to adopt expensive technologies to ensure it maintained its competitive edge in the paint manufacturing industry.

### **4.3 Competitive Strategies to Cope to Competitive Forces**

In this section the study sought to find out the nature of the competitive strategies used by Crown Berger Ltd. First the study sought to find out whether the respondents were aware of any major competitive strategy adopted by the firm since it started operating. All the respondents indicated that they were aware that the firm has adopted major competitive strategies aimed at addressing challenges in the operating environment. The study further sought to find out the nature of the strategies adopted. First the respondents indicated that Crown Berger had adopted innovation as a competitive strategy. The respondents indicated that the firm has introduced various products which are innovative and respond to competitive forces. The key informants indicated that these products were innovatively developed to cater for various market segments. The key informants also indicated that innovation was also evident in all organisation operations with the firm continuously adopting innovative practices to help it deliver quality products and services to its customers. The informants indicated such practices included adoption of latest technology, interactive online presence and presence in strategic building sites. The respondents indicated that the innovative range of products offered by Crown fall into seven categories-decorative paints, automotive paints, industrial paints, intermediate products, road making paints, thinners and adhesives. The key informants indicated that under each category there are varied and unique products meant to cater for various markets segments.

The respondents noted that because decorative finishes are largely a matter of taste and style, and fashions change quickly Crown Berger has pioneered a steady stream of technically advanced product innovations to maintain market interest. The respondents added that the latest new product launch has a wood protection system as its centrepiece- The Woodcare 365 range greatly extends the life of wood fittings and Crown Berger believes this aspect of the product offers important environmental advantages, as well as long-term cost savings to architects and planners. The respondents noted that another innovation was the launching of an exterior product which carried the tagline 'To Last the Lifetime of the building'. The new product, according to informants, branded as Crown Variations, offered a new concept of lifelong decoration—with no maintenance. The respondents indicated that Crown Berger has put in place strategies in its processes to ensure production of quality but affordable paint products. The key informants indicated that the firm has adopted latest technologies which enable it to produce quality products efficiently. The informants indicated that the quality improvement efforts have seen the firm getting ISO 9001 2001 certification. An informant noted that,

*“Over the last five years a programme of continuous improvement and kaizen has seen us improve our productivity by 100 per cent. This has been done without any investment in new plant, simply by making better use of what we already have.”*

The respondents noted that all of Crown Berger's facilities now have ISO 9001:2000 accreditations; and the company has invested in a world-class effluent plant capable of processing 15,000 litres per day. The informants also noted that the company has also become the largest SAP Business One user in Africa, which has greatly improved inventory control, production planning and communications.

The respondents also indicated that the company has continuously built its brand under Crown and its slogan “if you like it crown it”. The respondents indicated that the company logo (Appendix III) was a visible element of the firm's competitive strategy. The informants indicated that the logo and slogan were present in building sites in strategic locations. The informants also noted that there were various products under crown which were globally respected brands such as Teflon. The key informants indicated that the firm is currently undertaking a re branding strategy by renaming Crown Berger into Crown Paints. One informant noted,

*“People buy from us because we are the most respected brand in the marketplace. Our name inspires trust and confidence. We are the only paint manufacturer in the whole of East Africa to be publicly listed—we are listed on the Nairobi Stock Exchange—and this gives us a great deal of professional status.”*

The respondents also indicated that Crown Berger has put in place an expansion strategy where it is seeking new markets in the COMESA region. The key informants indicated that Crown Berger had the capacity of producing up to 1.5 million litres per month and thus there has been continued search for new markets.

The respondents also indicated that Crown Berger has adopted various products promotion strategies such as participating in a professional fairs and exhibition in the construction industry in Kenya and the expansive COMESA region. The key informants indicated that this is aimed at pushing their products into the channel of distribution and making contacts among distributors to ensure that they choose the most suitable one in terms of margins, market coverage, volume and flexibility of the agreement. The respondents indicated that at the retailer level Crown Berger does provide technical training to the trade to its distributors on various issues surrounding paints. The key informants indicated that Crown Berger has adopted practical and result oriented promotion tactics at the customer level aimed at educating buyers on the use of different types of products. These include painting competitions, presence in interactive social media and the launch of a painters club which is a training programme aimed at producing a pool of certified painters across East Africa.

The informants also noted that Crown Paints has launched a Facebook Corporate Social Responsibility (CSR) contest, which aims to leverage on the social connections of the public to nominate a not-for-profit institution that will benefit from a free paint makeover. In the unique campaign dubbed, “Transform Your World”, Facebook page, participants stand to win their institutions a top prize of Kshs 200,000 worth of paint job plus Kshs 100, 000 cash. if they get the most votes, with the runners-up and second runners-up getting a cash prize of Kshs 50,000 and Kshs 30,000, respectively.

The study then sought to find out the extent to which the competitive strategies have been adopted by other firms in paint manufacturing industry.

The results show that there is relative lower level of adoption of competitive strategies by other firms which are Crown Berger competitors.

The study also sought to find out the levels of success of competitive strategies adopted by the competitors of Crown Paints. The results show that there is remarkable level of success of competitive strategies adopted by the other firms which are Crown Berger competitors.

Some respondents however indicated that some competitive strategies have been discontinued after having not achieved the desired results. Such strategies were said to include a promotion scheme that failed to be properly executed. The respondents indicated that this was rectified through investment in market research.

The study sought to find out how the extent of adoption of competitive strategies and levels of success of these strategies has affected the Crown Berger's strategic approach. The respondents indicated that for Crown Berger to maintain its competitive edge it has to continuously monitor the activities of its competitors while at the same time being proactive.

#### **4.4 Factors Influencing Competitive Strategy**

In this section the study sought to find out how various factors influence the choice of competitive strategies. The study first asked the respondents whether the firm had adequate resources to put in place competitive strategies. The respondents indicated that the firm did not have adequate financial resources to enable adoption of competitive strategies. The study also sought to determine out how financial resources influenced choice of competitive strategy. The respondents indicated that financial resources determined the budget allocated to the execution of a given strategy. The budget consequently determined the team involved in execution of such a strategy and this had the bearing of how the strategy was implemented.

The study then sought to find out how financial resource influence choice of the strategies by Crown Berger Ltd. The results show that financial resources have a great influence on choice of competitive strategies by Crown Berger Ltd. The informants indicated that implementing competitive strategies is an expensive undertaking which requires a lot of resources.

The study also sought to get an insight into how the firm responded to the inadequacy of financial resources to put in place competitive strategies. The respondents indicated that the firm borrows fund to enable it to put in place competitive strategies. The firm has also gone into strategic alliance with firms such as the five-year deal with Flowcrete- a flooring materials manufacturer. This is a distributorship partnership with a UK company that will see it start supplying home floor materials in an effort to tap deeper into Kenya's property boom. The informants indicated that the firm has also adopted several cost reduction strategies in its processes. The informants also indicated that Crown Berger also utilises credit facilities in its operations to handle the financial resources constraints.

The study also sought to find out how competition influences nature of strategies adopted by Crown Berger Ltd. The results show that competition does influence nature of competitive strategies by Crown Berger Ltd to some considerable extent. The informants indicated that although Crown Berger responds to competitive forces in implementing competitive strategies it strives to be proactive so as to remain a market leader in the paint manufacturing industry in East Africa.

The participants indicated that competition was part the environment and that Crown Berger changed its strategy with changes in the environment. The participants indicated that these two factors are more significant for Crown Berger in the quest of gaining and maintaining competitive advantage. Competitive strategies must therefore address the complications that originate from environment and competition.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary of key findings, conclusions and recommendations. The conclusions are derived from the objectives of the study and the recommendations consider the identified weaknesses and the possible methods of reducing them.

#### **5.2 Summary of Key Findings**

The study has made several key findings which are presented in the two sections below.

##### **5.2.1 Competitive Challenges Faced by Crown Berger**

The study finds that competition in the paint manufacturing in Kenya is intense and fierce as there were formidable competitors who were exerting pressure on Crown Berger on various fronts. The study was informed that these competitors included firms such as Sadolin, Duracoat, Bacco paints, Alpha paints, United Paints among other locally based firms. The study further found that there was also emerging foreign competition from construction companies who were getting paint supplies from their countries.

The study found that Crown Berger conducts SWOT analysis regularly from which information obtained assists the firm to make strategic decisions. The study also found that the firm relied on feedback from stakeholders. The study found that the firm management and employees tracked news item about trends in the paint manufacturing industry across the globe from media outlets.

The study found that one of the challenges arising out of competition was related to human resources issues as the employees were regularly poached by other firms. The study found that this situation has raised the labour costs as the firm has to offer higher salaries and allowance to avoid losing highly qualified and trained workforce to its competitors.

There study also found that there were distribution challenges as a result of competition as the paint manufacturers fought over dominance in the distribution channels. The study found that this has forced the firm to offer discounts and other terms to the established distributors for them

to stock Crown Berger products. The study also found that the cuts in price of product are being accompanied by increase in the raw material prices complicating the competitive environment. The study was informed that resins prices have been rising in the past few years for almost all kind of paints making paint companies such as Crown Berger are getting squeezed from both directions resulting in thinning of their profit margins.

The study also found that the high cost of technology adoption was a challenge which was brought about by the intense competition. The study was informed that the firm was driven to adopt expensive technologies to ensure it maintained its competitive edge in the paint manufacturing industry.

### **5.2.2 Competitive Strategies Adopted by Crown Berger (K) Ltd**

The study found that the firm has adopted major competitive strategies aimed at addressing challenges in the operating environment. The study found that Crown Berger had adopted innovation as a competitive strategy. The study was informed that the firm has introduced various products which are innovative and respond to competitive forces. The was further informed that Crown Berger's products were innovatively developed to cater for various market segments and that innovation was also evident in all organisation operations with the firm continuously adopting innovative practices to help it deliver quality products and services to its customers.

The study also found that Crown Berger has put in place strategies in its processes to ensure production of quality but affordable paint products. The study was informed that the firm has adopted latest technologies which enable it to produce quality products efficiently. The study was informed that quality improvement efforts and adoption of Kaizen have seen the firm getting ISO 9001:2001 certification.

The study found that Crown Berger has continuously built its brand under Crown and its slogan "if you like it crown it" and the company logo being a visible element of the firm's competitive strategy. The study found that that Crown Berger (K) was undertaking a re-branding strategy by renaming Crown Berger into Crown Paints.

The study also found that Crown Berger has adopted various products promotion strategies such as participating in a professional fairs and exhibition in the construction industry in Kenya and the expansive COMESA region. The study also found that Crown Berger was pursuing CSR projects in training and encouraging professionalism in painting which is a complementary service to the paint making industry.

### **5.3 Conclusions**

This paper contributes to the existing body of knowledge on paint manufacturing competitive strategy in Kenya in two ways. First, it presents the relationship between competitive forces-challenges and issues and the ensuing competitive strategies adopted by Crown Berger a market leader in the paint manufacturing business. The study findings give an insight into how Crown Berger has been able to build and maintain its market positioning. Secondly, this study provides applies the four competitive aspects (price, promotion, production flexibility and innovation) dimensions identified by and makes findings on how they play out in the paint manufacturing industry in Kenya. The study makes the following conclusions;

#### **5.3.1 Competitive Challenges Faced by Crown Berger**

It has emerged that the paint making industry is highly dynamic and one which poses several challenges to suppliers in the market. Strong price sensitivity, high cost of production, shifting market demands and the resultant squeeze in profit margins are issues firms like Crown Berger have to deal with on almost an everyday basis in their operations. Based on the findings, it can be clearly concluded that the paints industry is facing challenges from almost all directions in the competitive landscape. Competition has created challenges in the operation of paint makers as they fight for quality raw materials, employees and technology.

As noted by Rigby, (2001) the intensifying competition on the global manufacturing industry market is a great challenge for strategic management. Accelerating changes in industries and economies resulting in global competition have led to an increased popularity of strategic planning among firms in transition markets. Jönsson, and Devonish, (2009) noted that an understanding of how competitive forces play out is important for firms to be able to respond effectively to the issues arising out of the competitive forces.



The study found that Crown Berger closely monitors the environment in which it operates in. Environmental scanning by Crown Berger involves acquisition and use of information about events, trends and relationships in the environment of a company, the knowledge of which would assist management in planning the organization's future course of action. As noted by Johnson and Busbin, (2000) monitoring the environment enables a firm identify competitive priorities as the dimensions that a firm's production system must possess to support the demands of the markets that the firm wishes to compete in. According to Burgess et al., (2001) in the manufacturing industry these competitive priorities, or capabilities, are identified as quality, cost, time and flexibility. The relative ascendancy of these four dimensions is claimed to change over time, with quality figuring recently as the important issue.

According to Fahey, detecting, anticipating, and understanding the competitive environment is the basis for outmaneuvering and outperforming the competitors (Fahey, 2001). Besides, competitors, competitive environment contains the underlying economics and so-called competitive forces, which are threat of new entrants, bargaining power of suppliers, bargaining power of customers and threat of substitute products.

### **5.3.2 Competitive Strategies Adopted by Crown Berger (K) Ltd**

The study has obtained insights into the nature of Crown Berger's competitive strategies based on the viewpoints of employees and managers at the firm. The study findings show that the firm does not follow clearly defined competitive strategies but has adopted combination of generic strategies. The firm has incorporated aspects of quality improvement, product and services innovation, distribution channel and pricing into its competitive strategies. The strategies adopted by Crown Berger despite being influenced by issues such as financial constraints have been effective in the creation and maintaining of competitive advantage for the firm over its competitors.

Crown Berger was found to be employing the innovation strategies. As noted by Williamson, (2005) a fundamental strategic rethink is now required by companies operating in emerging markets, because the competitive environment in these markets is undergoing a sea change. Williamson, reiterated that repeating what worked in the past is unlikely to succeed in the face of

these new realities and this seem to have been internalised by Crown Berger as it being a market leaders it has to stay at the top of the game.

With impracticability of me-too strategies and the resulting increased emphasis on innovation amongst local manufacturers, Crown Berger which is a multinational has not only had to exploit transfer innovative technologies and products into Kenyan Market more rapidly, but has been forced to ramp up their own innovation activities in Kenya. Rather than just importing innovations and new technology developed at home, Crown has worked towards re-structuring their innovation processes to benefit from the availability of dedicated Kenyan workers.

Crown Berger is also striving to expand to the regional markets in East Africa and COMESA region. As noted by Briggs and Shore, (2007) too often in the past, multinationals have only seen local markets such in Kenya as a manufacturing base or a source of customers in a growing market. However the findings show that Crown Berger has seen the potential of leveraging innovations from their local operations across other markets in the region. Crown Berger has broken away from the notion that primacy of the home base and the “parent” organization as the fount of innovation die hard.

As noted by Chathoth and Olsen, (2007) one of the major goals of business managers is to achieve superior performance. The Crown Berger case study has shown strategy formulation and implementation to be key factors in accomplishing this goal. Crown Berger has developed competitive strategies that aim to secure a strong market position and achieve profitability outcomes. In line with Barney's (2001) approach, such competitive strategies are commonly formulated by assessing the internal resources of the firm (e.g. tangible and intangible assets and organizational capabilities). Enz (2008) argued that a single resource cannot create competitive advantage. Rather, it is the combination of competitive resources – branding, human resources (HR), information technology (IT) innovations, computer reservation systems, niche marketing and advertising, and pricing tactics – that can increase a hotel's capabilities and improve performance (Olsen et al., 2008). It is from this approach that Crown Berger has been able to attain and retain market leadership in the paint manufacturing industry and has been able distinguish themselves from their competitors and survive in a competitive environment.

## **5.4 Recommendations**

From the findings, discussions and conclusions in this study, the researcher made the following recommendations.

### **5.4.1 Recommendation to Crown Berger Management**

As marketing is all about knowing a firm's client, the competitors, and the business environment Crown Berger should closely monitor client needs and market conditions to become attuned with changing demand and to stay one step ahead of the competition.

Crown Berger should be proactive in collecting and analyzing marketing information but should tailor their efforts according to the institution's strategic objective, institutional capacity and available financial resources. The firm should use its employees and distributors for this task. As they are a front-line contact with the other stakeholders in the industry they would provide information which can aid strategic approach of Crown Berger. On this basis the firm should then undertake critical market analysis. Market analysis is most important in completely new markets and relatively saturated markets in which the firm is operating.

From the study findings the study recommends that Crown Berger management should re-evaluate their focus market segments and come up with many products in order to sustain the varied market segments in the wide construction industry.

The firm should also work towards being a cost leader than it does currently for it to remain competitive in the market. The company can decide to produce products to cater for low end markets in Kenya.

On differentiation strategy the firm should continue to exploit modern technologies in developing new products and services. There is also need to continuously pursue product innovation to ensure that Crown Berger has a wide range of unique products.

There is need for Crown Berger to enhance the strategies which have been able to address changes in the competitive environment and review those which are not effectively addressing issues arising out of changes in the competitive environment.



Other paint makers have to act aggressively and efficiently to stay abreast in this highly competitive market. The case of Crown Berger shows that the key to success in this market lies in building a strong brand image through aggressive marketing strategies and gaining customer loyalties.

Paint makers have to invest in research and development as well support efforts to find alternative raw materials other than resins. Companies have to be proactive and cannot sit back and wait for other companies to act because these will be the companies which will surely lose out in the market in the medium run, if not the short.

#### **5.4.2 Recommendation for Further Research**

In this study, the researcher covered general aspects of competitive strategies to reach a general understanding and develop basic guidelines for the application of competitive strategies by Crown Berger to maintain its competitive edge in the paint manufacturing industry in Kenya and larger East Africa. The study notes that this lays the groundwork for other studies in this area given that Kenya needs a vibrant manufacturing to achieve Vision 2030. Further empirical and theoretical research is needed to determine the effectiveness of the competitive strategies.

Further research should also be carried out to find out how the competitive strategies contributes to market positioning of Crown Berger in the paint manufacturing industry in Kenya and the East African region.

Further studies can be conducted on all the firms in the paint manufacturing industry to give an insight into the patterns of adoption among these companies. Such studies can be conducted to find how factors such as size, financial resources, management and workforce skills and capability affect the adoption of such competitive strategies.

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## APPENDICES

### Appendix I: Interview Guide for Employees

1. Describe briefly methods and techniques used by Crown Berger to monitor and understand the competitive environment \_\_\_\_\_

2. Describe the competitive scenario competition facing Crown Berger? \_\_\_\_\_

3. How would you describe competition based on pricing of paint products? \_\_\_\_\_

4. How would you describe competition based on promotion of paint products? \_\_\_\_\_

5. How would you describe competition based on production flexibility of paint products? \_\_\_\_\_

6. How would you describe competition based on paint products innovation? \_\_\_\_\_

7. Describe the challenges faced by Crown Berger as a result of competitive forces? \_\_\_\_\_

8. Describe the strategies adopted by Crown Berger to address issues arising out of the competitive environment it operates in? \_\_\_\_\_

10. Describe the success of competitive strategies adopted by Crown Berger and extent of adoption of the competitive strategies? \_\_\_\_\_

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11. Describe briefly how financial resources affect choice and implementation of competitive strategies at Crown Berger? \_\_\_\_\_

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12. Describe briefly the strategies put in place to address financial resources constraint at Crown Berger? \_\_\_\_\_

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13. Describe briefly other factors which have affect implementation of competitive strategies at Crown Berger? \_\_\_\_\_

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**Thank you for your time and input**

## **Appendix II: Interview Guide for Managers**

1. Describe the methods and techniques used by Crown Berger to monitor and understand the competitive environment
2. Describe briefly the competitive scenario facing Crown Berger in terms of:-
  - i) Pricing of paint products
  - ii) Promotion of paint products
  - iii) Production flexibility of paint products
  - iv) Innovation
3. Describe the challenges/issues faced by Crown Berger as a result of competitive forces?
4. Describe the strategies adopted by Crown Berger to address issues arising out of the competitive environment it operates in?

### **Part B: Factors Affecting Competitive Strategies adopted by Crown Berger**

5. Describe briefly how financial resources affect choice and implementation of competitive strategies at Crown Berger?
6. Describe briefly the strategies put in place to address financial resources constraint at Crown Berger?
7. Describe b other factors which have affect implementation of competitive strategies at Crown Berger?

**Thanks a lot you for your time and input**