POSITIONING STRATEGIES AND COMPETITIVE ADVANTAGE OF LOCAL AIRLINES IN KENYA

BY

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DECLARATION

This research project is my original work and, has not been submitted for examination in any other university or institution of higher learning.

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Grace Adhiambo Odhiambo

D61/75184/2014

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

Signature……………………………..Date…………………………

Dr. Joseph. O. Owino

DEDICATION

This project is dedicated to my loving parents Rev. J. Agola and Mama Pamela and my siblings James, Florence, Albert, Mariana, Joseph, Japheth and Dan Abwao for their inspiring role towards the completion of this study. My love for you can never be quantified. God bless you.

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I wish also to express my gratitude to the managers of the local airlines who participated in this study for providing the valuable data used in this study

I earnestly thank my employer, Kenya Airports Authority, colleagues and friends for their encouragement and moral support without which I would have been faint-hearted and easily despaired.

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ABBREVIATIONS AND ACRONYMS

CAA	-	Civil Aviation Authority
FSNC	-	Full Service Network Carriers
JKIA	-	Jomo Kenyatta International Airport
KAA	-	Kenya Airports Authority
KCAA	-	Kenya Civil Aviation Authority
LCC	-	Low-Cost Carriers
MS	-	Microsoft
SCA	-	Sustainable Competitive Advantage
SMT	-	Service Marketing Theory
SPSS	-	Statistical Packages for Social Sciences
USA	-	United States of America
VRIO	-	Valuable, Rare, Imitate, Organized

ABSTRACT

A firm gains competitive advantage by developing or by acquiring a unique set of attributes or conducts its business in a unique manner that makes it outperform competitors. One way of acquiring the unique set of attributes or executing unique actions is through having unique marketing strategies for its products that result in effective product positioning. Local airlines providing air transport services in Kenya have to compete with international airlines for the market. This study was conducted with the aim of establishing the product positioning strategies used by the local airlines to gain sustainable competitive and how the strategies contributed to competitive advantage. The study was conducted on the 15 local airlines that made up the target population. The study adopted the descriptive approach and used survey methods. Data were collected from the marketing managers of the airlines by use of a self-structured questionnaire. 11 out of expected 15 questionnaires were used in the analysis making a response rate of 73.3 percent. The study found that local airlines in Kenya use product positioning to market their services as a strategy to gain sustainable competitive advantage. Most used product positioning strategies include increasing the sizes of carriers to accommodate more travelers, increasing the number of flights to every destination and persistently maintaining presence in the business till customers accept it. The strategies they use but to a lesser extent due to their less effective effect on sustainable competitive advantage include having as many destinations as possible on a given route and ensuring customers get high quality comfort when travelling. The product positioning strategies used by local airlines had a positive effect on sustainable competitive advantage. This indicates that the strategy improved the performance of the companies by sustaining the competitive advantage of the local airlines in the air transport business. This study recommends that local airline firms should ensure that they improve their use of product positioning strategies to improve their sustainable competitive advantage. To do this, the airlines can improve their strategy widening their destinations as much as possible on a given route and ensuring customers get high quality comfort when travelling. They can also strive to connect as many routes as possible to a particular destination, carry all classes of service users in the same plane and using flexible time rules to reduce flight cancelations.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

A firm gains competitive advantage by developing or by acquiring a unique set of attributes or conducts its business in a unique manner that makes it outperform competitors. One way of acquiring the unique set of attributes or executing unique actions is through having unique marketing strategies for its products. Through effective product positioning, a firm is able to create uniqueness of its products in the mind of the consumer in a way that makes the products different from those of competitors. The positioning becomes the source of competitive advantage for the firm (Wang, 2014).

To gain competitive advantage from product positioning, Lovelock (1983) suggested the service based theory in which the marketing strategy of the firm's products is built after a considered understanding of customers' needs and responding by providing products to successfully satisfy those needs. To enable strategic positioning of the firm's products, Rawal (2013) suggests the use of effective communication strategies to ensure the customers see the products as different from those of competitors. The communication can be done through attracting attention, creating interest, arousing desire before the consumer can take the action to purchase the products.

Airlines in the world over are under unprecedented pressure to either produce sustainable economic results or fall out of the market. This is due to the harsher environment within which they are currently operating. The future does not look prettier. The costs of operation are sharply escalating while the demand for air transport is declining. Realization of profit is increasingly becoming operationally difficult and an expensive affair for airlines. Competition is intensified by the entry of low-cost carriers who continue to cut bigger shares of the market by serving both leisure and business segments. Further, more innovative operational models used by new entrants, consolidation of airlines into bigger companies are creating more difficulties and intensifying the competition (Kamau & Kavale, 2015).

To respond to this, airlines have to use strategic approaches that will not only harness new technologies, but employ strategies that will deliver superior customer experiences and secure loyalty at great operational efficiencies. Strategic planning and strategic choices have become critical for the survival and competitiveness of airlines.

Each airline has to appeal to the customer in unique ways that show the customer receiving value for their expenditure. As transport prices are pushed down by entrants who provide cheap air transport, price is gradually becoming a less important driver of competitiveness and survival. Strategic positioning is increasingly becoming important as airlines seek to improve or maintain their competitiveness. Those that cannot effectively play the market ship out (Lock, Fattah, & Kirby, 2010).

In the European air transport market, for instance, liberalization opened the strictly regulated market and provided new rights for the airlines operating in the territory. Taking advantage of the new regulation, low-cost entrants appeared in the European air transport market and quickly obtained considerable market share. They have become serious rivals to the Full Service Network Carriers (FSNCs). The Low-Cost Carriers (LCCs) have come up with unique business models in Europe by establishing their point to point route networks and effectively revolutionizing the way people travel (Civil Aviation Authority, 2006).

In Asia, pressure from deregulation, liberalization, the internet, a growing middle class thirsty for travelling, modern fuel-efficient aircraft and many other such factors have effectively reshaped how air transport business is conducted. LCCs are a new phenomenon in nearly all aviation markets (Gross & Luck, 2013). The LCCs have imitated the American Southwest Airlines (USA) and Ireland-based Ryanair. According to Centre for Asia Pacific Aviation Studies (2005) the changes were driven by rapid demographic changes and advancements in economic conditions.

The situation is no different in Kenya. According to Okwach (2012) the Government of Kenya liberalized the air transport industry through the restructuring of the Civil Aviation Act and the creation of the Civil Aviation Authority (CAA) which manages the provision of licenses for air services. The liberalization has allowed the Kenya Airports Authority that controls the use of air transport infrastructure to let private airlines to use the infrastructure the main carriers use. This has intensified competition in the air transport business. Providers of air transport have no option, but position their businesses in ways to maintain their competitiveness.

1.1.1 The Concept of Positioning Strategy

According to Nickols (2016) strategy originated from the military to be used in business. Just like in the military, the role of strategy is to connect policy and business tactics while both connect ends and means. Hart (1967) in his examination of the wars and battles beginning with ancient Greece to World War II concluded that Clausewitz's definition of strategy as the "art of the employment of battles as a means to gain the object of war" was faulty. The military view makes battle look like the only way to end. Later admission of this flaws by Clausewitz led to the definition of strategy set forth by Moltke (1994) that "strategy as the practical adaptation of the means placed at a general's disposal to the attainment of the object in view".

The above definition clearly shows strategy as a means to an end though it focused on the military. Scholars in management borrowed the ideas and applied them in business management. For instance, according to Andrews (1980) strategy refers to the pattern of decisions made by an organization regarding its objectives. The pattern reveals the policies and how goals will be achieved. Porter (1996) shortened the definition of strategy by linking it to competitive advantage. He defined competitive stratgey as "about being different." Porter (1996) argued that competitive stragtegy means making a choice of unique activities to create unique value mix. It is about competitive position that makes a company look different to the consumer vis-à-vis competitors.

In a view similar to that of Porter (1986), Robert (1993) narrowed strategy to issues to do with strategic thinking and managing strategically. Strategy, therefore, boils down to decisions about products, markets and customers. A firm has to decide which products to offer to which customer and in which market. The key driving forces were suggested as product-service, sales-marketing method, user-customer, distribution method, market type, natural resources, production capacity-capability, size/growth, technology and return/profit.

The term "positioning" was first used in 1969 (Trout & Rivkin, 1996). The meaning of the term has evolved with passage of time. In its original use, the term referred to the multitude of market information targeted at the audience. According to Ries & Trout (1981) positioning is about occupying a unique position in the audience's mind. It is the way a company wants customers to perceive its brand vis-à-vis those of competitive entries.

In another approach Kapferer (1992) viewed positioning as the process of emphasizing the firm's unique attributes relative to competition. This positioning was reinforced by Keller (1998) who emphasized it was necessary for firm to get the proper position through establishing the correct and unique attribute about the firm's brand. In the definition by Aaker (1996) the focus was on the tactics for building strong brands. In this regard, positioning was about putting programs in place for building brands. Temporal (2002) directly connected positioning to management when he asserted that positioning takes the features of the product and uses them to build an image about the product in the customers' minds.

According to Boyd, Walker, & Larreche (1998) there are seven positioning strategies which can be used by firms to gain competitive advantage. The strategies are: mono-segment positioning for one market segment; multi-segment positioning for multiple segments; standby positioning for enabling the firm to switch easily from multi-segment to mono-segment positioning; imitative positioning for copying positions similar to existing successful firms; anticipatory positioning for positioning new products due to expected change in a segment's needs; adaptive positioning which is used when periodically repositioning a brand to map changes in a segment's needs; and defensive positioning where a firm introduces an additional product for defense against competitors.

1.1.2 The Concept of Competitive Advantage

According to Porter (1985) a company has competitive advantage when it has an edge over its rivals when securing customers and defending itself against competitive forces. Competitive advantage can arise from making products of the highest-quality, providing the customers with superior services, achieving costs levels that are lower than rivals or just having the most convenient geographic location. Competitive advantage can also arise from designing products whose performance is better than competing brands. A successful competitive advantage position arises when the firm provides superior value for the customers' money.

Competitive advantage is arrived at through competitive strategy. This refers to all the moves a firm takes to attract buyers while fending off competition. Competitive strategy is what a firm does or is doing to gain competitive advantage over them. Competitive strategy can be offensive, defensive or shifting from one market to another in response to market conditions. Since managers of companies fit strategy to the needs of their company, competitive strategies vary from company to another. However, the strategies are grouped into low-cost leadership, differentiation and focus (Porter, 1996).

1.1.3 Kenya's Aviation Industry

The Kenyan aviation industry in December 2015 was estimated to have a total number of 54 airline fully operational with Kenya Airways being the largest as founded in 1977. The airline has 45 aircrafts consisting of the 767 and 737 models. Kenya's Jomo Kenyatta International Airport (JKIA) is the busiest in the region. It is served by 50 scheduled airlines connecting to Europe, the Middle East, Asia and Africa. JKIA optimum capacity for passenger throughput stands at 6.5 million a year estimates of 2015. There were 15 airlines licensed to operate in Kenya as at 31st December 2015 according to the Kenyan Airports Authority (Gitau, 2015).

Profitability in the airline closely responds to Kenya's economic growth and trade performance. Airlines such as Kenya Airways recognize the need for radical change to ensure its survival and prosperity due to the many challenges they face now and in future. This has prompted the need to ensure effective strategic choices have to be made in order to successfully continue to tackle high costs of operation and improve their products. Even the licensed airlines that serve the local market are facing stiff competition given that the market is narrow while the number of airlines is increasing. The stiffer competition is a direct challenge to the ability of the airlines to gain competitive advantage over competitors and calls for careful positioning (Kamau & Kavale, 2015).

1.2 Research Problem

Positioning is a deliberate undertaking by an organization to add value to the business by attracting customers and achieving sustainable competitive advantage. It is the combination of market choice and competitive advantage (Hooley et al., 2001). According to Slater and Narver (1993) there is a strong relationship between a company's marketing strategy and its competitive advantage. It is the duty of the management to identify its most suitable positioning strategy depending on its product, the desired competitive position in the industry, the nature of the industry, the target market and the resources at its disposal. Effective positioning clarifies the brand's essence and how it uniquely satisfies the needs of the consumer (Kotler & Keller, 2006). A firm has seven positioning approaches to choose from these strategies are: mono-segment positioning, multi-segment positioning, standby positioning, defensive positioning, anticipatory positioning, adaptive positioning and imitative positioning (Boyd, Walker, & Larreche, 1998).

Competition in the airline industry in Kenya is becoming stiffer and stiffer with passage of time. More locally owned airline companies are getting registered and more International airlines doing business in Kenya. Locally owned airlines are being faced with lower bottom lines due to the increase in competitors who offer similar services and at reducing prices. These changes have made the landscape for doing air transport business drastically change. Firms that are able to remain agile in such markets are the only ones that will remain competitive and sustainable. Otherwise they will have to close shops. Airline companies have to adjust the position of their products in the consumers' minds and convince the consumer to buy their services against what competing airlines are providing (Ikiara, 2010).

An analysis of studies in Kenya's airline industry indicates that little has been done to establish how local airlines use product positioning strategies to gain sustainable competitive. The study by Omondi (2006) focused on the competitive strategies used by the airlines in Kenya to gain competitive advantage in the dynamic Kenyan Aviation Industry. This study indicated that over 82 percent of firms focused on leasing of aircraft as their strategy. Another study by Gitau (2015) focused on the effect of strategic implementation on the performance of firms in the aviation industry and established a close relationship between strategy and performance of the studied firms. In the study by Sundaram & Al-Ali (2011) on Emirate Airlines established that appropriate strategies, such as operational strategies, generic strategies, intensive strategies, and diversification strategies take credit for the exceptional performance. Gikonyo (2009) assessed competitive strategies adopted by small airlines. These studies did not address product positioning as a competitive strategy for gaining sustainable competitive advantage in the local airlines. This study, therefore, assessed the product positioning strategies used by local airlines to gain sustainable competitive advantage and how the strategies are contributing to the competitive advantage of the airlines. This was done by answering the questions: What positioning strategies are used by local airline companies in Kenya and how do the positioning strategies affect the competitive advantage of local airline companies in Kenya?

1.3 Research Objectives

The objectives of this study were:

i. To establish the positioning strategies used by local airline companies in Kenya.
ii. To assess the effect of the positioning strategies on the competitive advantage of local airline companies in Kenya.

1.4 Value of the Study

The findings of this study will benefit future researchers, the management of airline companies, policy makers in the ministry of transport and to the theory of product positioning. As for future researchers, the study will fill the knowledge gap regarding how positioning strategies adopted by local airlines in gaining competitive advantage in Kenya and how the strategies are affecting their competitiveness. Future researchers will use the findings as reference in discussions concerning position strategies.

Regarding the management of the airlines, the study will provide an objective assessment of how their positioning in the air transport is affecting their competitiveness. The airline companies are facing stiffer competition from local and international competition. If they are not properly positioned in the market, they are likely to weather away their bottom-line and be knocked out of the market. This study will assess their strategic positioning and how the positioning is contributing to their competitive advantage. The management can then come up with effective strategic positioning.

Policy makers in the ministry of transport will benefit from this study by getting an assessment of how positioning strategies used by local airlines is affecting competitiveness. If airlines become less competitive in the face of the increasingly stiff competition, this might dent the performance of the local airlines. This can effectively lead to low competitiveness in the industry and might affect economic growth. The findings of this study may be used as input for making decisions regarding the airline industry in Kenya.

The findings will be significant to the theory of product positioning by way of providing an assessment of whether the relationship between product positioning can influence competitive advantage. If established that product positioning strategies affect competitive advantage in the aviation industry in Kenya, then scholars can pursue scholarly discussions that will show the relationship between product positioning and competitive advantage in emerging markets such as Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the review of the literature related to this study. The chapter discusses the theoretical models concerning approaches firms use to communicate to customers and prospective customers regarding positioning of their products. The chapter also discusses the theoretical models regarding sustainable competitive advantage before highlighting the various strategic product positions.

2.2 Theoretical Foundation

This study was guided by two theories. The first theory is the services marketing theory (SMT) which relates product positioning to the identified specific needs of the customers. The second theory is the AIDA Model which focuses on how communication enables product positioning. The theories are discussed in the following sub-sections.

2.2.1 Services Marketing Theory

The Services Marketing Theory (SMT) argues that for effective services marketing, the marketer has to understand the needs of customers and provide matching services. The major problems faced by service marketers arise from the intangibility, inseparability, heterogeneity and perishability of services (Lovelock, 1983). The review regarding SMT will focus on the intangibility, perishability, inseparability and heterogeneity of services.

According to Rathmell (1974) intangibility of services make them complicated to display and communicate them where their intangibility, services cannot be stored making it hard to manage fluctuations in their demand. Further, services cannot be legally patented, making them easy to copy by competitors, making them difficult for a firm to use services to uphold its competitive advantage for long. Assael (1985) suggested that it is more difficult to position a service than positioning a physical product. This is due to the need to communicate ideas that are vague and have intangible benefits.

According to Kraus (2000) the intangibility of services make them difficult to evaluate and make the purchase decisions. As a result more emphasis is placed on extrinsic cues instead of the intrinsic qualities of services. Due to intangibility of services, consumers are unable to measure their quality leaving consumers the option of using credence qualities to evaluate services. Wolkins (1993) had a similar position when he argued that the difficulty arising from the intangibility of services is that consumers tend to judge quality of a service basing on the behavior of employees. Intangibility make services complex, making it difficult to communicating their value to a customer (Mathyssens, 1998).

Kurtz & Clow (1998) posit that due to perishability services cannot be saved or stored. This difficulty frequently makes it hard for firms to synchronize the supply and demand for services. Sometimes there is surplus demand while other times there is a demand deficit. In whichever situation, firms are unable to provide adequate responses since they have no control of services using inventory management.

Grönroos (1978) concluded that it is difficult to develop a concrete and tangible service offering where the inseparability of services from providers make consumers to get involved their production making errors noticeable during consumption as opposed to being noticed by the producer during manufacturing when errors can still be corrected.

According to Bateson and Hoffman (1997) the inseparability of services means quality cannot be controlled before delivery. Berry (1987) argues that the challenge of marketing services is due to the simultaneous production and consumption leading to low levels of standardization.

The inseparability ties the buyer to the production process. This makes the presence of the customer unavoidable during production making it difficult for the service provider to fully control the outcome. Inseparability also means that the producer can only do so through direct distribution (Upah, 1980). Chase & Stewart, (1994) pointed out that due to inseparability of services, an error committed by the customer can directly affect the service outcome. The same position is shared by Hartline and Ferrel (1996) who found that in the hotel industry, inseparability of services made quality control elusive.

Langeard et al. (1981) argued that in labor intensive services, outcomes of services cannot be standardized. This is due to the different ways the employees interact with an individual customer. The inconsistency in the behavior leads to variation in service output. Performance of services fluctuates with time and situation. This makes the level of consistency on which a consumer can count uncertain. In a study conducted by Babakus, et al. (2003) on frontline bank employees in Turkey they noted that failures in service delivery were unavoidable since performance varies from person to person.

This theory is important to this study as it highlights the context within which services are marketed. The strategic challenges that face the services marketer have been highlighted as intangibility, heterogeneity, simultaneity and perishability. As a consequence, firms that sell services like those in the air transport can gain competitive advantage if they have unique strategies that can position their product in a non-replicable unique position in the mind of the consumers.

2.2.2 AIDA Model of Product Positioning

Product positioning is about how the product is perceived by the prospective customer. Such positioning is well explained by the Attention, Interest, Desire, and Action (AIDA) Model. The AIDA model is also a model for positioning of a product in the market and was developed by Strong (1925). It spells the steps a marketer takes to attract a customer to the marketer's message, to be interested in the message, and believe the message and desire what the marketer is selling then take action to acquire what the marketer is selling.

According to the model, the role of the firm positioning a product is, first, to get the attention of the potential customer. This is because without attention, it is difficult to persuade. The first thing the marketer's approach requires is to grab the attention of the prospective customer. Inability to capture the attention of the customer might mean losing the customer for good. This can be achieved, for instance, by having an appealing and catchy commercial about a brand. It is for this reason that many brands use celebrities in designing commercials (Rawal, 2013).

Once attention is received, the focus becomes sustaining that attention by getting the customer interested by listening to them, demonstrating how a product works e.t.c. while avoiding boredom. At this point, the marketer needs to create interest in the product or service. The marketer has got the attention needed, now the focus is keeping the customer interested. At this point the marketer should make emotional appeal that purchase is good. The customer should be made to know the consequence of not purchasing (Baraskova, 2010).

Desire is created by, for instance, showing that the item they desire will not be available for long. This stage thrives on the logic that being interested in something is totally different from desiring it. The marketer at this point focuses on converting the prospective customers' interest into a craving for the product. The marketer should motivate the need for buying the product even if need is not there. This can happen only if the marketer has used the correct appeal (Rawal, 2013).

Action is the important stage when customers act to buy the product or agree to the marketer's offer. When a marketer promotes products, the customer must be convinced to make a final purchase or inquire about the product. Poor positioning of the products in the minds of the customer, the product gets lost in the congested forest of other similar products. A strong marketing effort must highlight the benefits of using the product. This then can lead to a purchase (Strong, 1925).

2.3 Product Positioning Strategies

Though positioning begins with the products of a firm, strategic positioning is not about what the firm does to its products. Strategic positioning is about what the firm does to the mind of the prospective customers. The firm positions its products in the mind of the customers (Ries & Trout, 2001). With this understanding, positioning refers to an organized system for finding a window in the mind of the prospective customer. The basis for positioning is the concept that communication can only take place at the right time and under the right circumstances. Kotler & Keller (2006) argue that positioning is the act of designing the company’s offering and image to occupy a distinctive place in the mind of the target market. The goal of positioning is mainly to locate the product of a firm in the minds of consumers so as to maximize the value to the firm. The competitive advantage of the firm is achieved when the firm convinces consumers of the advantages and differences the firm's product has over those of competitors, while simultaneously alleviating concerns about any possible disadvantages.

According to Boyd, Walker, & Larreche (1998) there are seven product positioning strategies. The mono-segment positioning is a strategy for a market with one identifiable segment. Multi-segment positioning strategy is for customers who are from different distinct segments. The standby positioning strategy is for making it easy to switch from multi-segment to mono-segment positioning. In imitative positioning strategy the firm positioning its products in a similar way to an existing successful product (Strydom, 1999). In the anticipatory positioning strategy, the positions its new products in anticipation of evolution in the target market segment’s needs. The adaptive positioning strategy is used by a firm to position its products periodically tracing the evolution of the segment’s needs (Ozcan & Sheinin, 2009). In the defensive positioning strategy, a firm introducing an additional product or service in a similar position for the same segment to defend itself against the effect of competitors (Strydom, 1999).

2.4 Bases for Product Positioning

Lovelock (2007) identified several possible bases for positioning though price and product positioning are the most commonly used bases for positioning. Attribute positioning is the most commonly. It is a positioning used for physical product positioning. A product can be positioned on a physical attribute which competitors have chosen to ignore. However, positioning an also be done basing on many attributes of a product though this is usually difficult and complex (Walker, Mullins, & Boyd, 2008).

Benefit positioning is a form of positioning based on the benefits that are directly related to the product. The positioning is based on unique benefits of the product that may not be derived from competitors' products. Application positioning is based on the use or application of a product that is unique. For instance positioning wine as appropriate for all occasions any time of the day or the year might appeal to all including teetotalers. However, positioning spirits in the same way might dent the market of the product. User positioning is based on the users of the product. For instance positioning air services for holiday makers, or for business people (Klopper, et al., 2006). Competitor positioning arises when a firm positions its products exploiting the weaknesses of the competing products for marketing benefits. For some products, competitive positioning may not be the best option especially if the products of the competitor are superior. Quality or Price Positioning is a positioning based on price or quality (Kotler & Keller, 2006).

2.5 Review of Empirical Literature

Different studies have found positive relationships between product positioning strategies and the competitive advantage of the firms that apply the product positioning strategies. In a study conducted by Baraskova (2010) the objective was to examine the concepts of sustainable competitive advantage and strategic positioning so as to develop a framework on determinants of sustainable competitive advantage and strategic positioning with focus on the food industry. The study was a case study of The BIONADE and Supermalt brands of beverage products in Denmark. The study found that there was a strong relationship between sustainable competitive advantage and strategic positioning but was inconclusive regarding whether sustainable competitive advantage caused strategic positioning or the reverse.

In another study conducted by Onguko & Ragui (2014) the objectives was to determine the role of strategic positioning on products performance. Further, the study also sought to determine the effect of strategic resources, firm's marketing strategy, research and development and multiple products on products' performance. The study was conducted in the telecommunications industry in Kenya. The research was descriptive in nature. The study found that marketing strategies used by the firms influenced the performance of their products and, therefore, their competitive advantage.

A study conducted by Vrontis & Sharp (2003) on Coca-Cola® aimed at establishing the effect of the strategic positioning of the company on its global performance. Since the company operates in over 200 countries, they are continuously faced with the choice of whether to standardize their product offerings, adapt their offerings to a particular market, or adopt an integrated approach. The study established that Coca-cola has used a standard positioning approach to all their product internationally and this has strengthened their competitive advantage in the soft drinks industry in the world.

2.6 Research Gaps

The theories and empirical literature reviewed suggest a strong positive relationship between strategic product positioning and the gaining of competitive advantage by the firms using the strategies. However, the product positioning strategies only work if they are the right ones. If they are wrong, the company loses its competitive advantage. Given the difficulties local Kenyan airlines face in gaining competitive advantage in the Kenyan air transport industry, it indicated a problem to be addressed.

The findings of the empirical literature may not apply to the Kenyan aviation industry because positioning strategies vary and standardizing a service like air transport is not an easy task. Very little study had been done to assess the product positioning strategies used by local airlines and how the positioning strategies affected the competitive advantage of the airlines.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology of the study. The chapter is divided into five sections. While the first section discusses the research design the second section describes the population and the sample, the third section discusses collection of data while as the last section presents the data analysis methods.

3.2 Research Design

This study adopted a descriptive research design in which the researcher used survey methods. According to Kothari (2014) a descriptive research uses both qualitative and quantitative data from which the statistics derived tell what it is. In a descriptive research the researcher explores phenomena by delving into what has not previously been studied in an attempt to establish new knowledge, new insights, new understandings, and new meanings and to explore factors related to the topic.

According to Tracy (2013) a survey research collects data from members of a population and describes existing phenomena by asking individuals about their perception, attitudes behavior or values. It also explores the existing status of two or more variables at a given point in time. The primary data collected from such a population or census is more reliable and current. The need to describe the positioning strategies adopted by local airlines in Kenya to gain competitive advantage, the fact that little had been done on this topic and the need to use the most current primary data justifies the choice of the research design.

3.3 Target Population

All of the local airlines in Kenya were studied. According to Kenya Civil Aviation Authority (2016), there are fifteen locally scheduled airlines in Kenya. Each airline has one strategic manager. The fifteen strategic managers of the airlines make the population of this study. All the local airlines were used in the study making it a census study.

3.4 Data Collection

This study utilized primary data. The primary data were collected using a self-administered questionnaire given to the strategic manager or a staff member as guided by the strategic manager of the respective airline. The questionnaires were dropped at the company offices by the researcher and immediately collected after filling. The questionnaire used is attached as appendix I of the research project.

3.5 Data Analysis

After collection of the required primary data from the strategic managers in the fifteen local airlines, the data were coded and sorted by the researcher. Collected data were first coded, sorted and organized for analysis. For quantitative data, collected by responding to the closed ended questions descriptive statistics were used to analyze the data. The descriptive statistics were complemented by graphical presentations. The graphical presentations included, bar graphs, pie charts, and frequency tables.

The effect of strategic product positioning on competitive advantage was assessed using Pearson's correlation coefficient and regression analysis. In the regression analysis, the quantitative responses to positioning strategies were summarized into the independent variable by calculating the arithmetic mean. The same was done for the responses to competitive advantage. The summary was repeated for all the local airlines. The relationship between strategic product positioning and competitive advantage was assessed by the regression model below:

$$Y = \beta_0 + \beta_1 X + e$$

Where Y is the dependent variable, strategic product positioning and X the independent variable, competitive advantage. β_0 and β_1 were the constants of regression while e was the error term. The analysis was done using SPSS version 20.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the data analysis, the results and the discussion of the findings. It focuses on demographic data analysis, analysis of strategies and the regression analysis to establish effect of positioning strategies and sustainable competitive advantage.

4.2 Data Presentation

The focus of the following section is on presentation of analysis of the data obtained from the managers in the local airlines. It begins with the demographic analysis and ends with regression analysis.

4.2.1 Response Rate Analysis of Demographic Data

This section presents the analysis of the demographic characteristics of the respondents and their firms. The researcher received 11 questionnaires from the expected 15 making a response rate of 73.3 percent. The managers responded by ticking options showing their job positions. The results are as presented in Figure 1.

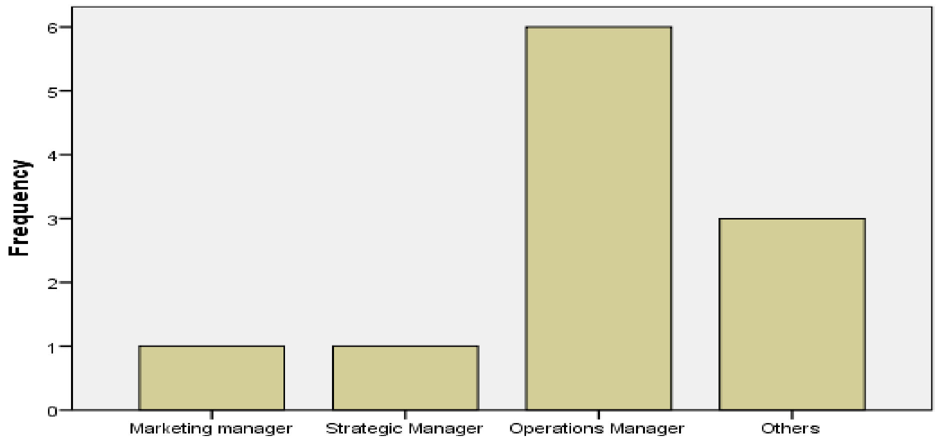

Figure 1: Distribution of Respondents by Position Held

As shown in the figure, the respondents included a marketing manager, a strategic manager, six operations managers and three from other departments. This indicates the data was obtained from a wide sample of respondents.

Respondents were also asked to indicate the length of time their companies had been operational in Kenya. This was done by ticking on options in the questionnaire. The options were less than 5 years, 5-10 years, 11-15 years and over 15 years. Their distribution is summarized in Figure 2.

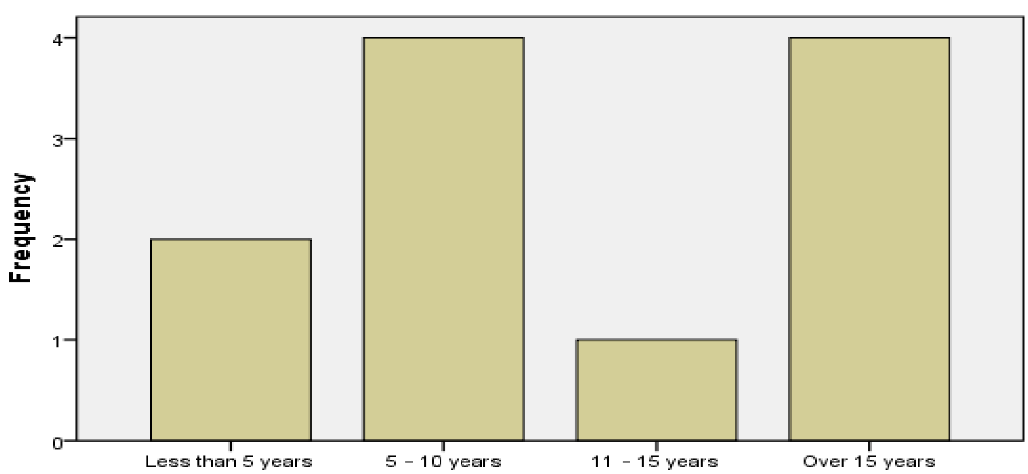

Figure 2: Distribution of Respondents by Years of Operations

As shown in the figure, two of the firms had been operational in Kenya for less than five years. Four firms had been active for between 5 and 10 years. One had been operational for between 11 and 15 years. The remaining four had been operational for over 15 years. The sampling was, therefore, widely spread across the number of years a firm had been operational in Kenya.

Managers were asked to indicate the nature of the business the companies they worked for was involved in. In response the managers were to choose whether they served passengers, dealt in cargo transport, or did business on both passengers and cargo. Their responses are summarized in Figure 3.

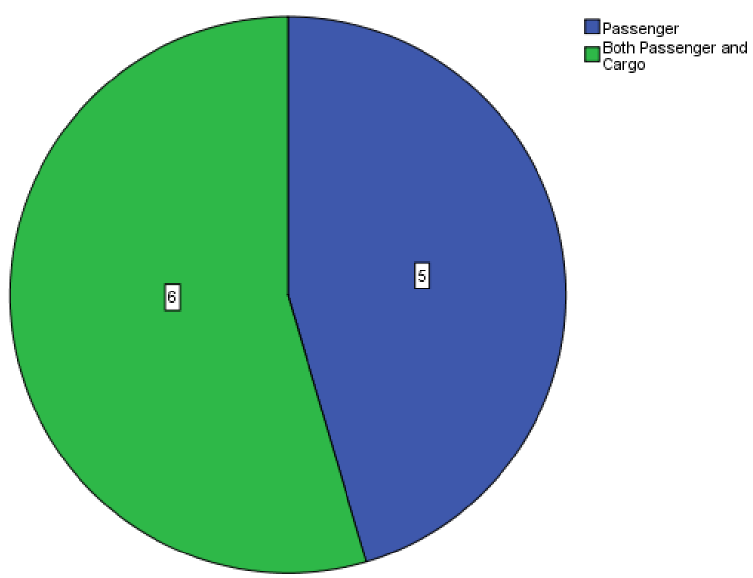

Figure 3: Distribution of Firms by Category of Service

As shown in the figure, of the 11companies that participated in the study, five were involved in the transportation of passengers only while six were involve in the transportation of both passengers and cargo.

4.2.2 Positioning Strategies Used by Local Airlines in Kenya

This section addresses the product positioning strategies used by local airlines to gain competitive advantage. The respondents were to indicate the extent to which their firms had adopted the identified product positioning strategies. Their responses were obtained using a Likert scale in which 1=Never; 2=little extent; 3=moderately; 4=Great extent; 5=Very great extent. Their responses are summarized using mean response and standard deviation and presented in Table 4.1 below.

Table 4. 1: Product Positioning Strategies used by Local Airline

	Mean	**Std. Deviation**
Focusing on affordable pricing as the selling point of your services	3.91	.539
Connecting as many routes as possible to a destination	3.82	.751
Having as many destinations as possible on a given route	3.55	.522
Carrying all classes of service users in the same plane	3.82	1.250
Aligning your services with the Airline brand	3.91	.539
Maintaining presence in the business till customers accept	4.27	.467
Ensuring customers get high quality comfort when travelling	3.55	1.214
Increased number of flights to every destination	4.45	.522
Increasing the sizes of carriers to accommodate more travelers	4.18	.603
Flexible time rules to reduce flight cancelation	3.91	.701
GRAND MEAN	3.94	

(Cronbach's Alpha = 0.719)

Managers of strategy in local airline in Kenya indicated that they increase the number of flights to every destination ($M = 4.45$, $\sigma = 0.522$) as the foremost positioning strategy for their services. Other product positioning strategies used to a great extent include maintaining presence in the business till, customers accept the services provided ($M = 4.27$, $\sigma = 0.467$) and increasing the sizes of carriers to accommodate more travelers ($M = 4.18$, $\sigma = 0.603$). To a lesser extent, the airlines also focus on affordable pricing (M =

3.91, $\sigma = 0.539$), Aligning services with the Airline brand (M = 3.91, $\sigma = 0.539$) and making their time schedules flexible to reduce flight cancelation (M = 3.91, $\sigma = 0.701$). Least used product positioning strategies include: connecting as many routes as possible to a destination (M = 3.82, $\sigma = 0.751$); carrying all classes of service users in the same plane (M = 3.82, $\sigma = 1.25$); having as many destinations as possible on a given route (M = 3.55, $\sigma = 0.522$) and ensuring customers get high quality comfort when travelling (M = 3.55, $\sigma = 1.214$). The Cronbach's Alpha of 0.719 shows the responses were reliable. The grand mean of 3.94 indicates, the airlines had adopted product positioning strategies to a great extent.

The findings agree with those of Miles & Mangold (2005) who established that the used positioning strategies to market their products. The findings also agree with those of Mokaya, Kanyagia, & Wagoki (2012) who found that airline firms had adopted positioning strategies to market their products.

4.2.3 Services Provision Strategies Used by Local Airlines in Kenya

In this section the focus is on establishing how local airlines use specific product services in the satisfaction of their customers. The specific services are: In-flight entertainment; customer service flight attendants; on-time performance of the aircraft; lost luggage services; destination served/ network of the airlines; and pricing arrangement. The managers of strategy were to indicate the extent to which they used the services on a Likert scale range of 1 to 5. In the Likert scale 1 meant "Not at all" while 5 meant "A very great extent". Their responses are summarized and discussed below.

Figure 1 below shows the indication of respondents in local Kenyan airlines regarding the use of in-flight entertainment in serving their customers. As shown, 18 percent of airlines use in-flight entertainment to a very great extent. 45 percent of the respondents indicated they use in-flight entertainment to a great extent. Only 9 percent indicated that they used in-flight entertainment to a little extent. On aggregate, a total of 63 percent of respondents indicated they used in-flight entertainment to a great extent.

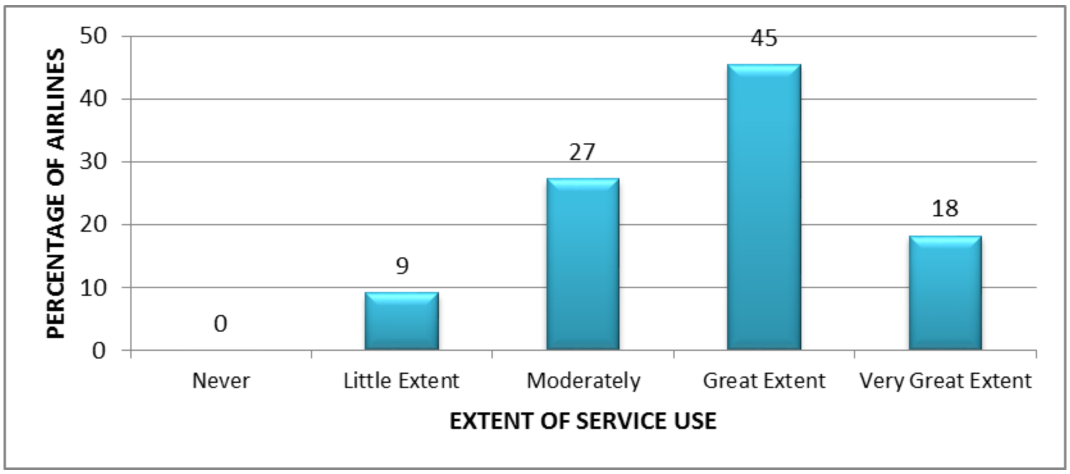

Figure 4: Use of In-flight Entertainment

Figure 2 below summarizes the extent of use of customer service flight attendants in their product positioning strategy. The figure shows that 27 percent of the airlines used customer service flight attendants to a very great extent. 55 percent of local airlines use customer service flight attendants in their product positioning to a great extent. 19 percent of airlines used customer service flight attendants to a little extent. Generally, 82 percent of local airlines used customer service flight attendants.

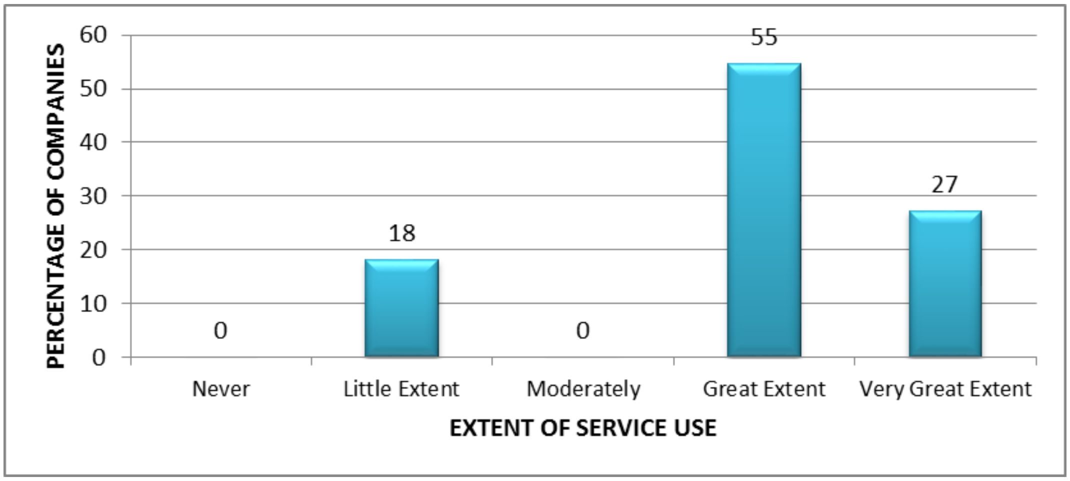

Figure 5: Use of Customer Service Flight Attendants

Figure 3 below presents the summary of responses regarding how they used on-time performance of aircraft as a component of their service to customers. As shown in the figure, 9 percent of local airlines used on-time performance of the aircraft to a very great extent. 55 percent of the local airlines used on-time performance of the aircraft to a great extent. The remaining 36 percent moderately used on-time performance of the aircraft. Generally, 64 percent of local airlines used on-time performance of the aircraft to satisfy their customers.

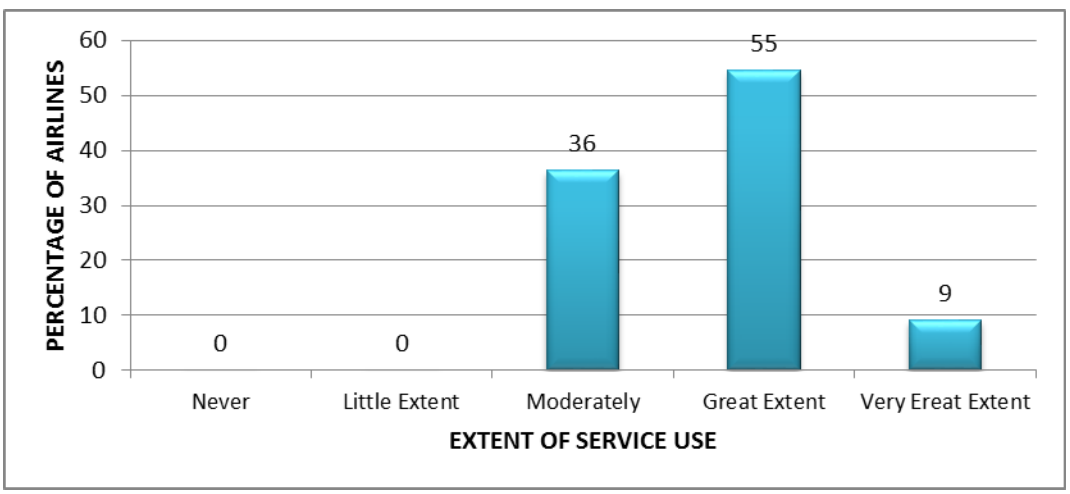

Figure 6: Use of On-Time Performance of the Aircraft

In figure 4, the presentation focuses on the summary of responses regarding the extent to which they used lost luggage services to serve their customers. As shown, 27 percent of local airlines used lost luggage services to a very great extent in serving their customers. 45 percent used lost luggage services to a great extent in serving their customers. 9 percent of the respondents indicated they used lost luggage services to serve their customers to a little extent. On aggregate 72 percent of airlines indicated the used lost luggage services to at least a great extent when serving their customers.

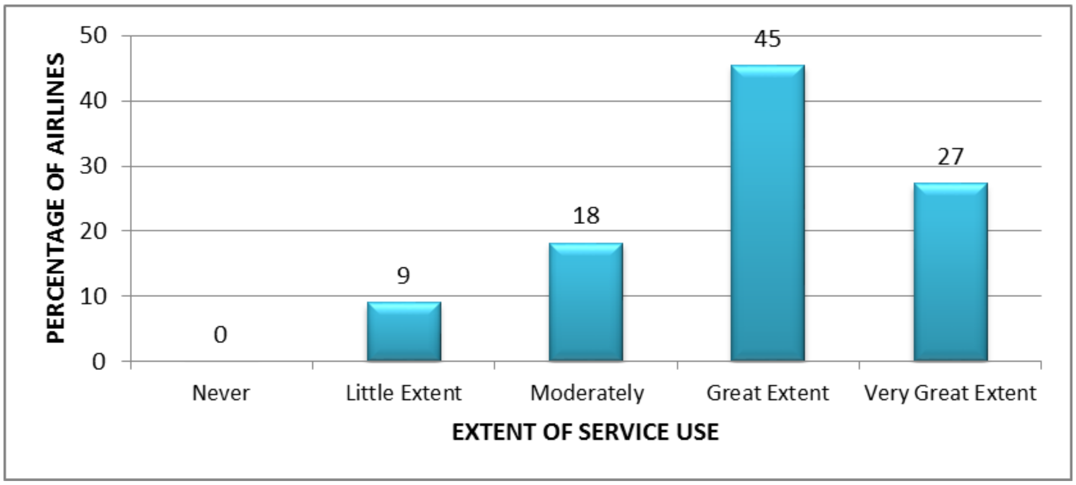

Figure 7: Use of Lost luggage Service

Figure 5 presents the summary of the extent to which airlines use destination served network of the airlines as part of the service products for their customers. As shown, 18 percent of airlines use destination served networks to a very great extent to position their services. 55 percent used destination served networks to a great extent. Only 9 percent of airlines used it to a little extent. Generally, 73 percent of local airlines used destination served networks.

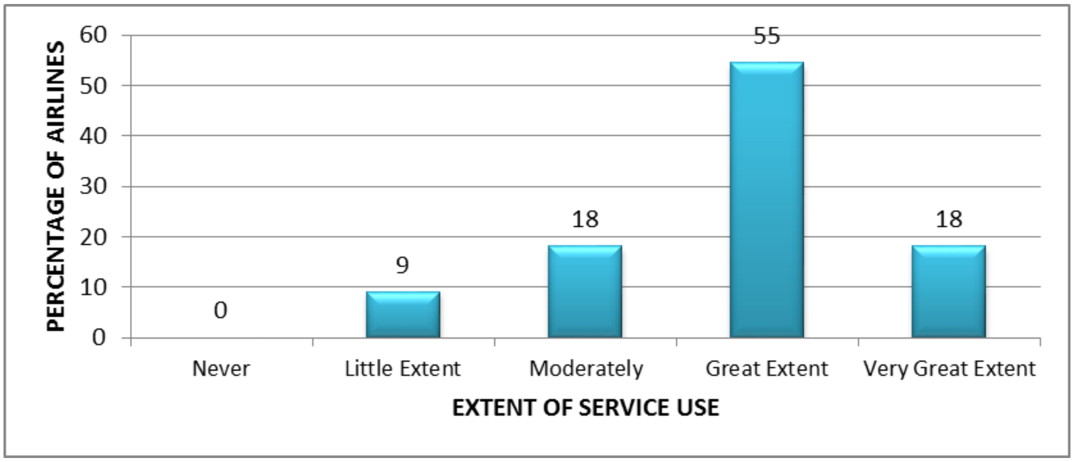

Figure 8: Use of Destination Served Network of the Airlines

Figure 9 presents a summary of the responses by the managers of local airlines regarding the extent of use of pricing arrangements strategies to serve their customers. As shown, 9 percent of airlines used pricing arrangements when serving their customers. 64 percent used pricing arrangements while 9 percent used pricing arrangements to position their products to the customers they serve. A total of 73 percent of local airlines used pricing arrangements to a great extent to serve their customers.

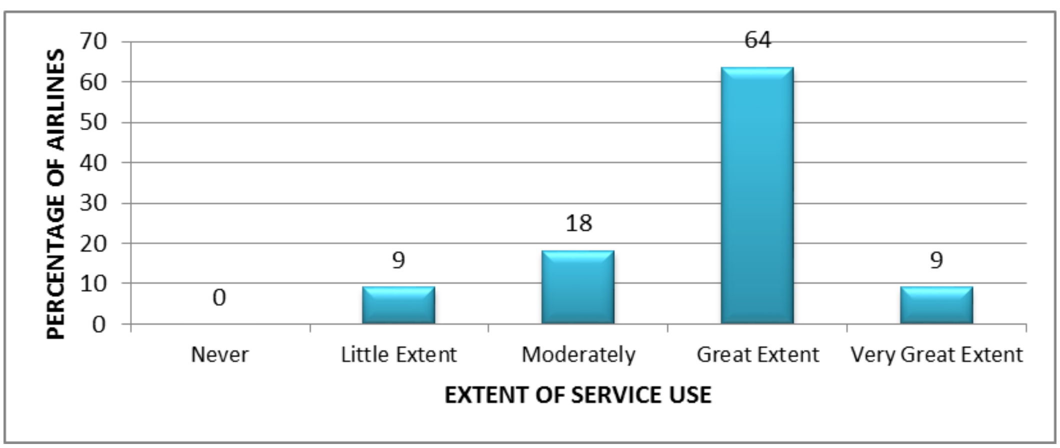

Figure 9: Use of Pricing Arrangements

4.2.4 Competitive Advantage of Local Airlines in Kenya

This section addresses the competitive advantage of the local airlines. The aim was to describe the competitive advantage position assumed by local airlines in the Kenyan air transport market. The managers responded to questionnaire items requiring them to indicate the extent to which they agreed with the statements regarding their competitive advantage on a Likert scale of 1 to 5. In the Likert scale 1=Not at all; 2= Little extent; 3=Moderately; 4=Great extent; 5=Very great extent. The results are summarized in Table 4.2.

Table 4. 2: Competitive Advantage of Local Airlines

	Mean	Std. Deviation
The services are difficult for competitors to imitate	3.45	.820
Our service are applicable to multiple situations	4.00	.775
The services focus on being different from competitors services	3.73	1.272
The position of your products is not easy to challenge	3.91	1.136
Our services are superior to those provided by competitors	3.82	.751
We have strong relationship with your suppliers	3.91	.831
We have a strong Research & Development department	3.82	1.168
Your services have highest value at the lowest cost	3.64	.809
The location makes it easier for customers to reach you	4.09	.539
It is easy for your company to change in line with the market	3.73	1.191
GRAND MEAN	**3.81**	

(Cronbach's Alpha = 0.812)

The managers of local airlines indicated that their location made it easier for customers to reach them (M = 4.09, σ = 0.539) and that the services they provided were applicable to multiple situations (M = 4.00, σ = 0.775). To a lesser extent, the airline managers indicated that the positions occupied by their products were not easy to challenge (M = 3.91, σ = 1.136) and that they had strong relationship with suppliers (M = 3.91, σ = 0.831). They also indicated, to a lesser extent that their services were superior to those provided by competitors (M = 3.82, σ = 0.751) and that they have a strong Research & Development department (M = 3.82, σ = 1.168). To the least extent the respondents indicated that their services had highest value at the lowest cost (M = 3.64, σ = 0.809) and that their services are difficult for competitors to imitate (M = 3.45, σ = 0.82). The Cronbach's Alpha of 0.812 indicates the responses are reliable. The grand mean of 3.81 indicates that they have achieved a moderately sustainable competitive advantage in the Kenyan air transport market.

4.2.5 Positioning Strategies and Competitive Advantage of Local Airlines

This section addresses the relationship between the product positioning strategies and the resulting competitive advantage gained by local airlines operating in Kenya. To assess the relationship, correlation and regression analysis were done on the mean responses of managers on positioning strategies and competitive advantage. Before conducting regression analysis it was important to assess correlation between the variables. The results of correlation analysis are presented in Table 4.5

Table 4. 3: Correlation Matrix

Correlations			
		Y	**X**
Y	Pearson Correlation	1	.428
	Sig. (2-tailed)		.005
	N	11	11
X	Pearson Correlation	.428	1
	Sig. (2-tailed)	.005	
	N	11	11

The results of the correlation analysis as shown in the table show the correlation r = 0.428 (p=0.005) which was statistically significant. There was moderatly high correlation between the two variables allowing for regression analysis.

To assess the relationship between product positioning strategies and the resulting competitive advantage gained, regression analysis was conducted and results presented in Table 4.4.

Table 4. 4: Regression Analysis

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	**(Constant)**	1.952	1.793		1.089	.005
	X	.472	.453	.328	1.041	.005

a. Dependent Variable: Competitive Advantage

The model of the regression is summarized as:

Sustainable Competitive Advantage = 1.952 + 0.472 (Positioning Strategy)

The constant term was 1.952 ($t = 1.089$, $p = 0.005$). The coefficient of product positioning strategies (X) was 0.472 ($t=1.041$, $p = 0.005$) which was statistically significant at 0.95 confidence level. Product positioning strategies positively contributed to sustainable competitive advantage of the local airlines.

Probe: The analysis of variance (ANOVA) conducted to assess the strength of the relationship between Sustainable Competitive Advantage (Y) and product positioning strategy (X). Results are presented in Table 4.5.

Table 4. 5: Analysis of Variance

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	**Regression**	.366	1	.366	1.083	.005[b]
	Residual	3.043	9	.338		
	Total	3.409	10			

a. Dependent Variable: Competitive Advantage
b. Predictors: (Constant), Product Positioning Strategy

As shown in the table, F = 1.083 (p = 0.005), which was statistically significant. This indicates that relationship between product position strategies and sustainable competitive advantage of local airlines was significant.

The researcher intended to establish the strength to which product positioning strategies explained the variation in sustainable competitive advantage. The results are presented in Table 4.6.

Table 4. 6: Coefficient of Determination

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.328[a]	.507	.008	.5814526

a. Predictors: (Constant), Product Positioning Strategy

As shown in the table, variation in product positioning strategies explains 50.7 percent of the variation in sustainable competitive advantage. This indicates that product positioning strategies explain a significant variation of the sustainable competitive advantage positions of the local airlines.

The regression analysis has shown a positive relationship between product positioning and sustainable competitive advantage of local airlines in Kenya and statistically significant. The findings agree with those of Yasar (2010) who established that the competitive strategies used by a firm positively contribute to its competitive advantage. The findings also agree with those of Dirisu, Iyiola, & Ibidunni (2013) who established that product positioning contributed to performance. Their study also found low significance levels between strategies used and sustainable competitive advantage.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary conclusions and recommendations of the study. The first part presents the summary of findings while the second part draws conclusions based on the findings. The third part makes the recommendations while the last part suggests areas for further research.

5.2 Summary of Findings

This section presents a summary of the findings from analysis of data. According to the analysis, local airlines in Kenya use product positioning to market their services and gain sustainable competitive advantage. The product positioning strategies most used and that have the greatest effect on sustainable competitive advantage include increasing the sizes of carriers to accommodate more travelers, increased number of flights to every destination and maintaining presence in the business till customers accept it. Positioning strategies less used and had less effect on sustainable competitive advantage include having as many destinations as possible on a given route and ensuring customers get high quality comfort when travelling.

Regarding the relationship between product positioning and sustainable competitive advantage, the study established that there was a positive relation and the relationship was statistically significant.

5.3 Conclusion

Based on the findings, this study concludes that local airlines in Kenya use product positioning to market their services as a strategy to gain sustainable competitive advantage. Most used product positioning strategies include increasing the sizes of carriers to accommodate more travelers, increasing the number of flights to every destination and persistently maintaining presence in the business till customers accept it. The strategies they use but to a lesser extent due to their less effective effect on sustainable competitive advantage include having as many destinations as possible on a given route and ensuring customers get high quality comfort when travelling.

The product positioning strategies used by local airlines had a positive effect on sustainable competitive advantage. This indicates that the strategy improved the performance of the companies by sustaining the competitive advantage of the local airlines in the air transport business.

5.4 Recommendations

This study makes the following recommendations. First, local firms should ensure that they improve their use of product positioning strategies to improve their sustainable competitive advantage. To do this, the airlines can improve their strategy widening their destinations as much as possible on a given route and ensuring customers get high quality comfort when travelling. They can also strive to connect as many routes as possible to a particular destination, carry all classes of service users in the same plane and using flexible time rules to reduce flight cancelations.

5.5 Limitations

The study was conducted as a survey with primary data collected using questionnaires in which were Likert scale responses. Due to the use of the Likert scale, the responses of the managers were likely to have been influenced by their biases at the time when the researcher asked them to complete the questionnaire. Strategy being a dynamic issue, the situations may have changed soon after collecting the data.

The findings of this study, though using the most current information the respondents, they are instantaneous and may not be generalizable across time. The findings cannot help tell what the companies did in the past and what they are likely to do in future regarding product positioning and sustainable competitive advantage.

The study focused on the local airlines. However, there are foreign and international airlines conducting their air transport business here in Kenya. The findings of this study may not be generalizable to the whole airline companies applying in Kenya.

5.6 Suggestions for Further Research

To address the identified limitations, this study makes the following suggestion for further research. A study can be conducted using secondary data. On feature of secondary data is its better level of objectivity since the data is not prepared with any research in mind. Conducting a similar research using secondary data will reduce biases arising from the respondents' subjectivity.

A study can be done to improve the generalizability of finding to the whole air transport industry. The study will establish the status of how product positioning strategy by all the airlines is conducted and how this is affecting their sustainable competitive advantage.

A longitudinal study can be conducted to see how the product positioning strategy in the local airlines is transforming with changes in the market and how the effect of the strategies is affecting sustainable competitive advantage. Such a study will provide results that can be generalized across time.

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APPENDICES

Appendix I: Questionnaire

SECTION A: GENERAL INFORMATION

1. What is your job position in the company?

   [ ] Marketing Manager
   [ ] Strategic Manager
   [ ] Operations Manager
   [ ] Other (Specify)

2. For how many years has your airline been operating? Tick as appropriate.

   [ ] Less than 5 years
   [ ] 5-10 years
   [ ] 11-15 years
   [ ] over 15 years

3. Which segment of business does your airline deal with?

   [ ] Passengers
   [ ] Cargo
   [ ] Both passengers and cargo

SECTION A: PRODUCT POSITIONING STRATEGIES

4. By use of a tick (✓) to what extent your organization adopts the product positioning strategies below.

(1-Never; 2- Little extent; 3-Moderately; 4-Great extent; 5-Very great extent)

POSITIONING STRATEGIES	1	2	3	4	5
Focusing on affordable pricing as the selling point of your services					
Connecting as many routes as possible to a destination					
Having as many destinations as possible on a given route					
Carrying all classes of service users in the same plane					
Aligning your services with the Airline brand					
Maintaining presence in the business					

Ensuring customers get high quality comfort when travelling					
Increased number of flights to every destination					
Increasing the sizes of carriers to accommodate more travelers					
Flexible time rules to reduce flight cancelation					

5. How else have you positioned your product and services? Please explain briefly

____
____
____
____
____
____
____
____

6. To what extent has your airline adopted the various services below?

(1-Never; 2- Little extent; 3-Moderately; 4-Great extent; 5-Very great extent)

	1	2	3	4	5
In-flight entertainment					
Customer service of flight attendants					
On-time performance of the Aircraft					
Lost luggage service					
Destination served/ Network of the Airlines					
Pricing arrangement					

SECTION B: SUSTAINABLE COMPETITIVE ADVANTAGE

1. By use of a tick (✓) indicate the extent to which you agree with each of the following statements about your competitive advantage.

(1-Not at all; 2- Little extent; 3-Moderately; 4-Great extent; 5-Very great extent)

COMPETITIVE ADVANTAGE	1	2	3	4	5
Your services are difficult for competitors to imitate					
Your service are applicable to multiple situations					
Your services focus on being different from competitors services					
The position of your products is not easy to challenge					
Your services are superior to those provided by competitors					
You have strong relationship with your suppliers					
You have a strong Research & Development department					
Your services have highest value at the lowest cost					
Your location makes it easier for customers to reach you					
It is easy for your company to change in line with the market					

2. What else do your products have above those of competitors? Please explain briefly

____
____
____
____
____
____

3. What in your opinion affects competitive advantage of your airline?

____
____
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____
____

4. How can you improve competitive Advantage of your airline?

____
____
____
____
____
____

5. To what extent do you think financial resources are sufficient for your airline to achieve Competitive Advantage?

[ ] No extent
[ ] Little extent
[ ] Moderate extent
[ ] Great extent
[ ] Very great extent

6. To what extent do employees contribute to Competitive Advantage?

[ ] No extent
[ ] Little extent
[ ] Moderate extent
[ ] Great extent
[ ] Very great extent

7. To what extend does management contribute to Competitor Advantage?

[ ] No extent
[ ] Little extent
[ ] Moderate extent
[ ] Great extent
[ ] Very great extent

END

Appendix II: List of Local Airlines in Kenya

1) Kenya Airways(KQ)
2) Jambo jet
3) Fly540
4) Fly Sax
5) Mombasa Air Safari
6) Safari Link
7) Air Kenya Express
8) East African Safari Air
9) ALS limited
10) Blue sky Aviation
11) Blue bird
12) Freedom Airlines Express Limited
13) Scenic Air Safaris
14) Skyward Express limited
15) Pan African Airways

(Source: Kenya Civil Aviation Authority, 2016)