

**COMPETITIVE MARKETING STRATEGIES ADOPTED BY ANIMAL FEEDS
MANUFACTURING FIRMS IN KIAMBU COUNTY, KENYA, TO IMPROVE
OPERATIONAL PERFORMANCE**

BY

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DECLARATION

This research project is my original work and has not been presented for any award in any other university or institution.

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This study is devoted to all the Kenyan farmers, among them my loving mother Wanjiku Gatinu, who continuously work hard to feed the Kenyan people.

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ABBREVIATIONS AND ACRONYMS.

AKEFEMA: Association of Kenya Feed Manufacturers

BSC: Balanced Score Card

IFIF: International Feed Industry Federation

KNBS: Kenya National Bureau of Statistics

LDCs: Least Developed Countries

PIMS: Profit Impact of Market Strategy

SME: Small and Medium Sized Enterprises

USDA: United States Department of Agriculture

ABSTRACT

The primary objective of marketing is to manage profitable relationships between a firm and its customers. A firm gains a competitive advantage through adoption of competitive strategies which enable it improve its operational excellence, liquidity and net revenue. The objective of this study was to identify the competitive marketing strategies adopted by animal feeds manufacturing firms in Kiambu County, Kenya, to improve operational performance. The study is supported by the dynamic capabilities view and the relationship marketing theory. Descriptive research design survey was undertaken. All the animal feeds manufacturing firms registered with the Association of Kenya Feeds Manufacturers operating in Kiambu County and which number 23 were approached out of which 18 responded. The study utilized primary data collected using structured questionnaires. Data was analyzed using quantitative statistical methods. Multiple regression model was applied to establish existence of a relationship between the variables. Based on the evidence presented, this study concludes that most of the firms involved had adopted focus strategy to a larger extent compared to cost leadership and differentiation strategies; firms constantly reviewed and adapted to market changes, continually gathered purchaser and competitor intelligence and regularly updated their operations to match the market dynamics. Firms involved had also adopted cost leadership strategy to a large extent than differentiation strategy but to a smaller extent compared to focus (niche) strategy; adoption of cost leadership strategy had a significant positive impact on operational performance of firms since it created market barriers which protected the firm from competition by business rivals. The study further concludes that firms involved had adopted differentiation study but to a lesser extent than focus (niche) strategy and cost leadership strategy; adoption of market differentiation strategy positively impacted the operational performance of firms involved in the manufacture of animal feeds in Kiambu County. The study observed that most of the firms implemented their own product costing systems and continually communicated their products' unique characteristics to customers thus creating a niche market. This study recommends continuous adoption of competitive marketing strategies to enhance operational performance. In addition, firms need to fully understand the market in order to guarantee quality product delivery guided by the need to meet customer dynamism.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The primary objective of marketing is to manage profitable relationships between a firm and its customers (Keelson, 2012). Marketing is critical to any firm's operational performance since it involves attraction of new customers through provision of superior products and retention of old customers through customer satisfaction (Kotler & Armstrong, 2012). A firm gains market leadership position by giving superior value to customers through pursuing operational excellence, embracing customer intimacy or pursuing product leadership (Treacy & Wiersema,1993).

According to Gupta, (2013) firms adopt competitive marketing strategies by utilizing distinctive resources, activities, processes and systems to gain entry and remain in the market as well as overcome market entry barriers which are mostly powerful against startup businesses (Gupta, 2013). Organizations continuously adopt competitive marketing strategies to align themselves to the ever-changing external business environment so as to enable them thrive (Thompson & Strickland, 2001). Key generic competitive marketing strategies adopted include Cost Leadership Strategy, Differentiation Strategy and Focus Strategy (Porter, 1980).

Firm operational performance means a firm's ability or inability to achieve favourable business outcomes which reflects the interaction between a firm's internal and external ability to achieve pre-conceived business objectives as per formulated standards (Guimaraes & Armstrong, 1998). Performance is measured using financial and non-financial parameters (Venkatraman & Ramanujam, 1986). Operational performance

indicates business growth and profitability (Vorhies, Harker & Raoet, 1999) and is therefore an important decision-making consideration at corporate, strategic business unit and operational levels of a firm (Barney, 2002).

The study is supported by the Dynamic Capabilities Theory which focuses on a firm's ability to build, adapt and reorganize both its internal and external capabilities such as assets, knowledge and skills in order to gain competitiveness in the ever-changing business environment (Teece., et al, 1997). Asset specialization and implicit knowledge and skills give a firm competitive advantage over competitors (Barney, 1991). It is further supported by the Relationship Marketing Theory which emphasizes the need to identify, develop, maintain and terminate relational exchanges between a firm and its stakeholders such as customers, suppliers, distributors and competitors for the purpose of enhancing firm performance (Palmatier., 2008).

Kiambu County hosts several major livestock based firms and many small scale livestock farmers who together offer a huge market potential for animal feeds as livestock production is a major economic activity having produced livestock products namely milk, beef, mutton, poultry meat, eggs and honey worth KSh.13.1 billion in the year 2010 (info@kiambu.go.ke).The county has approximately 23 animal feeds manufacturing firms which are operational (AKEFEMA, 2014); they distribute their products either directly to consumers or through institutional middlemen such as wholesalers, retailers and cooperative societies (Donnelly, 1976).

1.1.1 Competitive Marketing Strategy

Competitive marketing strategy involves a high-level plan of action aimed at achieving specific sets of marketing objectives. Mintzberg and Quinn (1992), identified five main interrelated components of a strategy; a plan which is a consciously formulated course of action, a ploy which is a maneuver to outwit competitors, a pattern which is the consistency of doing things, a position which is how customers perceive a firm and its products and a perspective which is an abstract concept of a firm and its products in the people's minds.

To plan an effective competitive marketing strategy, a firm should thoroughly understand its competitors and customers by constantly comparing its marketing strategies with those of close competitors through regular monitoring of competitor and customer behavior; this helps in identifying areas of competitive advantage which the firm then exploits to its advantage (Kotler & Armstrong, 2012). Porter (1980), identified three generic competitive marketing strategies for gaining competitive advantage namely: cost leadership strategy, differentiation strategy and focus(niche) strategy; a firm adopts marketing strategies based on one or a combination of these competitive marketing strategies so as to improve its operational excellence, liquidity level and net revenue. Marketing strategies should be aligned with the overall firm strategy (Kotler & Armstrong, 2012).

1.1.2 Firm Operational Performance

Firm performance evaluates the level of satisfaction among the various stakeholders of a firm since measures of stakeholder satisfaction differ; investors will be interested in

returns on investment, customers need value for money, employees want improved working conditions, government targets increased tax collections while other publics such as media may be interested in the firm's environmental conservation (Keelson, 2012). Firm performance evaluates actual output against expected output after a periodic review of a marketing activity by carrying out a cost-benefits analysis.

1.1.3 Animal Feeds

Animal feed is food given to domestic animals and is a major current input in an animal production business enterprise. Its cost is dependent on the level of production. Market for animal feeds is dynamic and often transforms due to its external environmental effects precipitated by globalization, economic liberalization, unemployment, economic empowerment, climate change, terrorism, legal reforms, technological advancement and change in customers' knowledge and attitudes; an enterprise should react to external business environmental changes so as to maintain its sustainability and market leadership (Gupta, 2013). Manufactured animal feed should be safe in order to ensure the safety of the animal and humans.

1.1.4 Animal Feeds Industry in Kenya

There are 77 registered animal feeds manufacturing firms in Kenya (Association of Kenya Feed Manufacturers (AKEFEMA), (2014) which manufacture approximately 60% of the demand while the unregistered ones manufacture the remaining 40% (United States Department of Agriculture (USDA), (2014). Animal feeds manufacturers operate mostly in Nairobi and central Kenya region due to the high number of commercial poultry and dairy enterprises in the areas; poultry and dairy feeds account for 41% and 39%

respectively of all animal feeds manufactured in Kenya (International Feed Industry Federation (IFIF), 2013). Most animal feeds' manufacturers are small scale; those manufacturing less than 1000 Tons per month form 90%, those producing 1000 to 5000 Tons per month form 7% while those manufacturing more than 5000 Tons per month comprise 2 % to 3%. Wheat, maize and their byproducts are the main raw materials used for feed manufacture (KMT, 2017).

1.1.5 Animal Feeds Manufacturing Firms in Kiambu County

Kiambu County has twenty-three registered animal feeds manufacturing firms (AKEFEMA, 2014). They mainly manufacture feeds for cattle, pigs and poultry and also manufacture mineral supplements; varieties of manufactured animal feeds are dairy meal, sow and weaner's meal, chick and duck mash, grower's mash, layer's mash, broiler starter mash, broiler finisher mash, poultry pellets and pet food (KMT,2017). Animal feeds are distributed directly to consumers or through agents such as wholesalers, retailers, farmer cooperative societies, chick hatcheries, agro-vet shops and hardware shops (AKEFEMA, 2014).

1.2 Research Problem

Profitable legitimate businesses in a liberalized economy have competitors hence a firm operating in such an economy has to adopt competitive marketing strategies which position it strongly against competitors to give it a competitive edge to compete effectively for resources, customers and revenue; it should constantly gather, analyze and utilize information on the market, key competitors and customers and quickly respond to new trends in the market (Teece, Pisano & Shuen, 1997). When adopting competitive

marketing strategies, a firm should consider the market forces in the industry as well as its resource base and dynamic capabilities (Rainbird, 2004). A firm overcomes competitive market forces by adopting an effective competitive marketing strategy which enables it to compete favourably so as to remain relevant and maintain customers' loyalty in order to improve performance, outperform competitors and gain superior performance (Anetra, Martin & Akridge., 2006). Superior performance enables a firm to gain more market share as it works towards becoming the market leader in the industry.

Kiambu County has high growth in livestock sub sector as a result of urban market towns within it and the neighbouring Nairobi City which offer ready market for livestock products such as eggs, milk and meat (Kenya National Bureau of Statistics (KNBS),2009).Animal feeds' industry is a direct result of demand for livestock products hence a ready market for livestock products in Kiambu County has resulted in high demand for animal feeds since animal feeds availability and pricing highly influence livestock production (Breimyer & Rhodes, 1975).Animal feeds manufacturing business is a viable business venture in the county and has attracted about 30% of all registered animal feeds manufacturing firms operating in Kenya; it is however greatly hampered by frequent shortages and erratic supplies of the main raw materials which forces animal feed manufacturers to import them from neighbouring countries (AKEFEMA,2014).

Several studies have been undertaken on competitive marketing strategies and their effect on firm operational performance. Internationally, Anetra., et al (2006) assessed agricultural inputs brand loyalty as a marketing strategy in the U.S and concluded that marketing strategies for establishing and reinforcing brand loyalty for agricultural inputs should focus more on quality and processes and less on price. The study also established

that marketing strategies for loyal customers should be different from those of new customers and suggested that advertising is more effective when targeting new customers while repeat purchase rewards is more appropriate for loyal customers. Papulova and Papulova (2006), undertook a study on the competitive strategies and competitive advantages among small and medium sized (SME) manufacturing enterprises in Slovakia and established that the firms had built competitive edge by formulating and adopting competitive strategies to improve their performance.

Ayupp and Tudin (2013), examined the growth strategies by Malaysian food manufacturing firms and established that ability to respond to market indicators, personal networking and systematic operational management are the most crucial performance success factors. Mitchell (2001), carried out an evaluation of a market entry model and concluded that target marketing is the most ideal marketing strategy that can help agricultural inputs' suppliers to enter new markets in the least developed countries (LDCs).

Locally, Ndubai (2003), studied the competitive strategies adopted by firms in the retail sector of the pharmaceutical industry in Nairobi, Kenya and found out that firms adopted similar marketing strategies and undercutting on prices was very common. Ogutu (2012), undertook a related study and concluded that product delivery speed, packaging and after sales services are important approaches for pharmaceutical products distributors' operational performance in the ever-changing business environment in Nairobi, Kenya. Kagwe, (2009) studied the competitive strategies used by agricultural chemical suppliers in Kenya and established that to remain competitive, the firms used the following approaches; engaging highly skilled labour, publicity, having wide range of products,

advertising, outsourcing of non-core activities, packaging of products into new and trendy packs and education and training of staff.

Kisu (2015), carried out a research on the effect of marketing strategies on the performance of seed companies in Kenya and found out that marketing strategies contributed 82.5% of the overall performance of seed firms and the most important strategies used included pricing and processes strategies. He noted that his results were limited only to seed manufacturing companies operating in Kenya. Onyango (2017), undertook a study on the competitive strategies' effects on performance of multinational fast moving consumer goods in Nairobi and established a significant association between competitive strategy and performance of firms and identified the following as limiting the implementation of competitive strategies; frequent changes in government regulations, financial constraints, high implementation costs and complexity of customer needs .

From the above studies reviewed, none has been undertaken on the competitive marketing strategies adopted by animal feeds manufacturing firms in Kiambu County, Kenya, to improve operational efficiency. This study therefore seeks to answer the research question; what are the competitive marketing strategies adopted by animal feeds manufacturing firms in Kiambu County, Kenya, to improve operational performance.

1.3: Research Objective

The study sought to identify the competitive marketing strategies adopted by animal feeds manufacturing firms in Kiambu County, Kenya, to improve their operational performance.

1.4 Value of the Study

Knowledge gained in this study will assist animal feeds manufacturers in Kiambu County adopt competitive marketing strategies to improve operational performance thus produce desired business outcomes. This will increase and sustain their market share for enhanced profitability. The knowledge will also help upcoming entrepreneurs in the sub sector to get insights into the agro inputs market before venturing in.

Empirical insights gained in this study will assist the National Government of Kenya and Kiambu County Government to formulate animal feeds marketing related policies, laws and regulations that enhance strategic partnerships among key stakeholders in the livestock sub sector. This will ensure that profitable relationships are formed and maintained.

Insights gained from this study will help grow existing knowledge in the field of animal feeds manufacturers' competitive marketing strategies and firm performance effects and provide new ideas for further related scholarly research. It will also add to existing literature in the area of the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews relevant literature on which the study is anchored including the conceptual framework, theoretical foundation, marketing strategies, competitive marketing strategies, operational performance and the relationship between competitive marketing strategy and operational performance of firms.

2.2 Theoretical Framework

A theory comprises of universally asserted propositions written in the form of universal sentences derived from empirical evidence and observations which can be corroborated and agreed on (Krishnaswamy, Sivakumar & Mathirajan, 2009). This study is supported by two theories namely Dynamic Capabilities View and Relationship Marketing Theory.

2.2.1 Dynamic Capabilities View

Dynamic capabilities are the capacity of an organization to intentionally create, extend or modify its resources so as to achieve competitive advantage (Helfat., et al, 2009). It suggests that a firm needs to constantly integrate, redesign, upgrade and reengineer its resources and capabilities to respond to the ever-changing business environment in order to gain and sustain competitive advantage over business rivals (Ambrosini & Bowman, 2009). Teece, Pisano and Shuen, (1997) identifies three dynamic capabilities that a firm needs in order to gain a competitive edge namely: an organization and employees capable of learning fast to become strategic assets; acquisition of new strategic assets such as technological capability and customer feedback; and adaptation of the firm's existing

strategic assets such as raw materials' source and product distribution network. Unlike the RBV that is seen by critics as static and at equilibrium, Dynamic Capabilities View emphasizes on dynamism to help build alternatives to invest in different types of expertise (Ambrosini & Bowman, 2009., Teece., et al, 1997).

2.2.2 Relationship Marketing Theory

Marketing involves creating, maintaining and delivering value to customers and also managing profitable stakeholder relationships to benefit the firm and its customers. Relationship marketing helps retain existing customers by preserving and strengthening their loyalty so that acquiring a new customer becomes intermediate step (Tillman, Henning-Thurau & Rudolph, 2009). (Palmatier., et al, 2006) Scope of relationships involves identifying other parties in a relationship because firms compete through their network of inter-firm relationships (Sivadas & Dwyer, 2000). Locus of benefits assesses whether the benefits in a relationship only goes to the firm or to both the firm and the consumer (Palmatier., et al, 2006). Relationships are either between individuals, between an individual and a firm or between firms and in many cases, simultaneous relationships which affect performance occur with multiple targets; customer appreciation enhances customer loyalty and trust (Palmatier., et al, 2006)

2.3 Competitive Marketing Strategies

Competitive marketing strategy aims at establishing a profitable and sustainable market position against industry competitive forces from customers, competitors, suppliers, new entrants and substitute products (Porter, 1980). A firm has to identify its competitors so as to adopt competitive marketing strategies; this is done from the industry point of view

or from the market point of view (Kotler & Armstrong, 2012). Competitive marketing strategies assist a firm to understand areas to compete in, both in terms of market or industry and also define its day to day business (Lester, 2009).

An organization adopts competitive marketing strategies to maintain a competitive edge over competitors by establishing, building, defending and adapting marketing mix elements to marketing forces in its business environment (Baker & Hart, 2012). An organization only achieves competitive advantage over its competitors if it has capabilities that competitors lack or cannot acquire readily (McGrath, 2013). A firm should create protection against competitors' replication by creating competitive barriers to sustain competitive advantage. It also needs to exploit its core competencies effectively (Teece, 2017). The competitive marketing strategies adopted by a firm should aim at growing a category of products and not necessarily the firm's market share (Yoon & DeRensis, 2018). Competitive marketing strategies include; Overall Cost Leadership Strategy, Differentiation Strategy and Focus Strategy (Porter, 1980).

2.3.1 Cost Leadership Strategy

In this strategy, a firm focuses on achieving the lowest production and distribution costs so that it sells its products at the lowest price and achieves a large market share (Kotler & Armstrong, 2012); it thus offers identical products to consumers at a lower cost than its competitors, (Czinkota & Ronkainen, 2010). To achieve this, the firm scales down its operational costs such as advertisement, research and development costs, (Czinkota & Ronkainen, 2010). Cost leadership strategy is used by defender firms; those that use their

financial resources to defend existing business through efficiency in production and competitive product pricing (Luliya; et al., 2013).

2.3.2 Differentiation Strategy

Differentiation strategy involves product modification to make a product more attractive to target customers by making it appear distinct from a similar competitor product and the firm's own product mix; a firm creates highly differentiated products' line and marketing program to become a class leader in the industry (Kotler & Armstrong, 2012). It may also involve making minor changes to product packaging or advertising theme to position the product in the market (Chiliya, Herbst & Roberts, 2009). The strategy utilizes its unique competitive advantages such as design, expertise and experience to produce superior products for a specific market segment. The firm monitors its operational costs for affordability of its products since consumers want value for their money in this era of increased level of global information and education among consumers (Czinkota & Ronkainen, 2010). Differentiation strategy is used by those firms that continuously explore new products and new markets to attain high growth (Luliya., et al., 2013).

2.3.3 Focus (Niche) Strategy

The strategy entails concentrating on serving a few selected market segments well instead of going after the whole market (Kotler & Armstrong, 2012). Nichers target one or a few market sub segments. According to Davidson (2008), an organization that pursues this strategy must target a specific market niche in the industry. This strategy can be highly profitable since the nicher knows its customers so well that it meets their needs better than competitors and builds a lot of skills and customer loyalty (Kotler & Armstrong,

2012).Nichers can charge substantial markup due to added value to customers thus gaining high net profit margins by charging premium prices(Kotler & Armstrong, 2012).The nicher needs to build competitive strategies to defend itself against major competitors when niche markets grow substantially thereby attracting major competitors such as market leaders and market challengers. A firm can focus on cost leadership and production differentiation (Porter, 1980).

2.4 Conceptual Framework.

The conceptual framework below shows the relationship between competitive marketing strategies and firm operational performance.

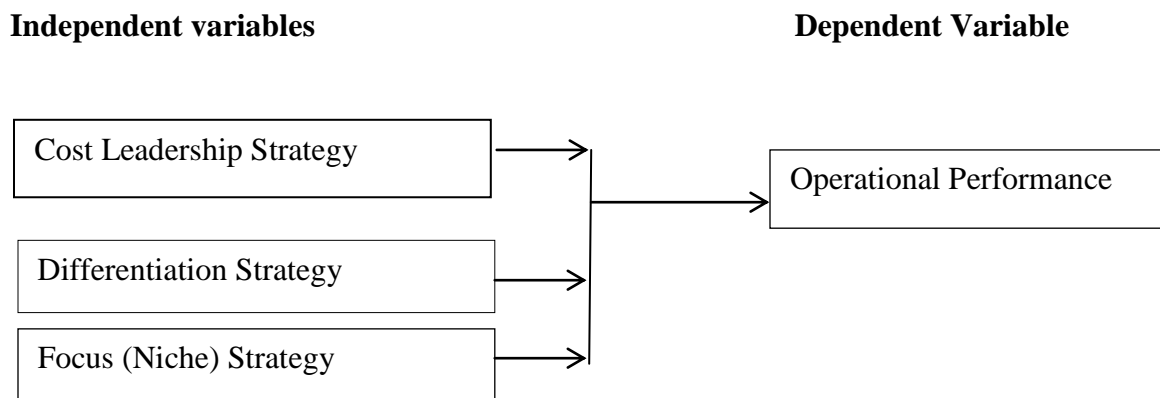


Figure: 2.1 Conceptual Framework.

Source: Researcher (2018).

2.5 Firm's Competitive Position.

A firm's competitive position is the place a firm and its products occupy in the market. A firm may be regarded as a market leader, market challenger, market follower or market nicher (Kotler & Armstrong, 2012). A market leader has the largest share in the market. Its marketing approaches include finding ways of expanding the total demand, defending

and expanding its current market share through good offensive and defensive strategies such as encouraging new uses for a product or fixing its weaknesses thus denying opportunities to competitors (Kotler & Armstrong, 2012). A market challenger has substantial shares in the market and tries to outperform the market leader to become the market leader itself or lead its equals through either frontal attack targeting the market leader's strengths or indirect attack targeting the market leader's weaknesses (Kotler & Armstrong, 2012). A market challenger must have a very well defined and attainable business objective.

A market follower imitates the market leader and is a major target by the market challenger; its approaches include learning from the market leader's experience and copying or improving on the leader's products with very little investment ; it must work to retain its current customers, win new customers and avoid retaliation by the market leader and the market challenger (Kotler & Armstrong, 2012). A market nicher is a smaller firm with limited resources and targets a specific market sub segment such as specific customers or geographic areas. Larger firms may also have Strategic Business Units acting as nichers.

2.6 Firm Performance

Firm performance can be predicted using the Profit Impact of Market Strategy (PIMS) principles (Mugambi & K'Obonyo, 2011). The Balanced Score Card (BSC) is used to measure financial and non-financial firm performance (Johnson, Scholes & Whittington., 2006). BSC was formulated from works by Kaplan and Norton (1996), and measures performance based on four critical success factors' perspectives namely; financial

perspective, customer perspective, internal business process and innovation perspective and learning and growth perspective. Full, efficient and effective implementation of BSC has more benefits than costs (Nzuve., et al,2013) as it allows a firm monitor its current performance and predict future performance (Kaplan & Norton,1996).Financial parameters for measuring business performance include; profitability, volume of sales, cash flow and earnings per share while non- financial parameters include customer satisfaction level, business process, innovation, market share, new product introduction, brand awareness, marketing efficiency ,technological efficiency and product quality (Johnson., et al., 2006). Product quality is an important firm performance predictor (Mugambi & K'Obonyo, 2011).

2.7 Relationship Between Marketing Strategy and performance.

Firm performance is an outcome of an effective competitive strategy (Hax & Majluf, 1991). Performance determines profitability and is a key strategic consideration at a firm's corporate, business and operational level (Barney, 2002). Generally, all competitive marketing strategies positively and significantly improve the performance of a firm; differentiation strategy has both direct and indirect positive and significant effect on firm's performance while cost leadership strategy has no direct impact on performance but has a significant indirect impact (Luliya, et al,2013).Superior firm performance is achieved through undertaking excellent competitive marketing strategies through investment in specific marketing activities and events that give competitiveness to a firm thus enabling it gain a huge competitive advantage over its competitors (Porter, 1985).An organization should develop distinctive marketing strategies to avoid losing

out to competitors(Thompson & Strickland,2001) A firm should target superior performance than its closest competitors (Hunt & Morgan, 2001).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers; the research design, study population, data collection instrument and process, data analysis and presentation.

3.2 Research Design

Research design is a plan for carrying out a scientific study. It involves arrangement, structure and procedure of examination to find answers to research questions and control irregularities (Lukwata., et al.,2005). Descriptive research design survey was undertaken in this study. The survey is the systematic collection of data in standardized forms from an identifiable population and is appropriate for describing and portraying characteristics of an event, situation, group of people, community or a population (Oso & Onen, 2009).

3.3. Population

Population is the aggregate of all study units that complies with a given specification (Mugenda & Mugenda, 2003). Animal feeds manufacturing firms operating in Kiambu County number twenty-three according to the Association of Kenya Feeds Manufacturers (AKEFEMA, 2014). Since the population was small, a census approach was undertaken.

3.4 Data collection

The study utilized primary data collected using questionnaires. The questionnaire was structured into four sections namely; Section A covering the background information; Section B covering competitive marketing strategies adopted by the firm; Section C

covering the firm operational performance and section D which covered the challenges faced by the firm in implementing competitive marketing strategies. The questionnaire was administered to chief executive officers, heads of marketing department, managing partners in partnerships and owner managers in sole proprietorships. Some questionnaires were emailed and others dropped and picked at the firms' premises.

3.5 Data analysis

Data analysis entails making meaning of collected data. Questionnaires were verified for completeness and accuracy. They were then coded numerically to facilitate analysis. Data was analyzed using quantitative statistical methods such as frequencies, percentages, mean score and standard deviation and results presented in the form of tables and graphs. Multiple regression model was applied to establish existence of a relationship between the independent variables (competitive marketing strategies) and the dependent variable (firm performance). Statistical Package for Social Sciences computer program (SPSS) was used to aid in the analysis. The study applied the following regression model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where Y = Operational Performance

X₁ = Cost Leadership Strategy

X₂ = Differentiation Strategy

X₃ = Focus (Niche) Strategy

β₀ = Intercept

ε = error

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS.

4.1 Introduction

This chapter covers data analysis, findings and discussions. It also examines the respondents' background information based on the study's objectives. The study sought to identify the competitive marketing strategies adopted by animal feeds manufacturing firms in Kiambu County, Kenya, to improve operational performance. Both descriptive and inferential statistical methods of analysis were employed to discuss the results of the study.

4.1.1 Response Rate

This research targeted a total population of 23 respondents out of which 18 responded which constituted 78.3% respondents. Based on Mugenda and Mugenda (2003) recommendations, this response rate was adequate enough to draw conclusions for the study since it exceeded 70% which the author indicates as being excellent.

Table 4.1: Response rate.

Response	Frequency	Percentage
Questionnaires filled and reverted.	18	78.3%
Questionnaires not filled and not reverted.	5	22.7%
Questionnaires issued.	23	100.0%

Source: Research Data, 2018

4.1.2 Reliability Analysis

In order to establish reliability as well as the internal consistency of the research tool used, that is, the questionnaire, a pre-test analysis was carried out. A reliability scrutiny was done using SPSS and determined by Cronbach's Alpha recorded. Cronbach Alpha was employed to help establish reliability for the study objective in the research. Cronbach's alpha is regarded as a suitable measure of internal reliability in social sciences' inquiry. Gliem and Gliem (2003), prescribes an Alpha value exceeding 0.7 as the desirable minimum measure for benchmarking the research tools' internal consistency. Nunnally (1978) further indicates that only when the obtained alpha value exceeds the minimum prescribed threshold of 0.7 can it be utilized in a study analysis reporting

Table 4.2: Reliability Analysis

Variable	Cronbach's Alpha	Number of Items
Cost Leadership Strategy	.785	6
Differentiation Strategy	.779	6
Focus Strategy	.793	6

Source: Research Data, 2018

Reliability findings presented in table 4.2 above shows that focus strategy had the highest reliability as depicted by a Cronbach alpha value of 0.793, followed by cost leadership strategy with a Cronbach alpha value of 0.785, and lastly the differentiation strategy with a Cronbach alpha value of 0.779; each of the three independent variables attained the minimum prescribed threshold of 0.7 implying that all the variables were reliable.

4.2 Respondent's Background Information

Section 4.2 presents information related to the respondent's backgrounds. The section presents statistical findings on respondents' current job title, period of service, distribution of survey respondents in respect to their gender, educational qualifications and age. It also presents statistical information on the number of employees in the firm, the number of years the firm has operated and the varieties of animal feeds that the firm manufactures.

4.2.1 Firm which the respondent worked with.

Survey respondents were required to indicate the firm each worked with, the findings show that the respondents worked with 18 different firms.

4.2.2 Current Job Title

Survey respondents involved were required to disclose their job position. The findings show that each respondent held one of the following job titles; director, general manager, sales manager, operational manager, sales administrator or accountant; all these were competent to answer the questions asked in the questionnaire.

4.2.3 Period of service with the current firm

Respondents were required to indicate the period of time for which they had worked with the firm, evidence presented discloses that majority of respondents served for a period exceeding 5 years while the least had served the firm for less than 2 years. These findings disclose that survey respondents had vast knowledge in their firm's operations

thus implying that they were in a position to give quality information regarding the study inquest.

4.2.4 Distribution of survey respondents in terms of Gender

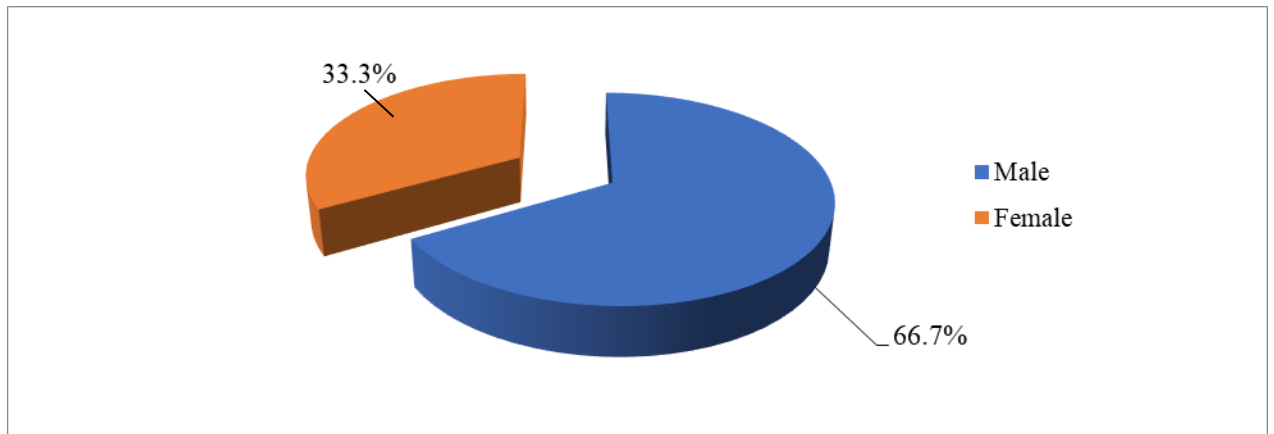
Statistical findings presented in table 4.3 relate to respondents in terms of gender category.

Table 4.3: Distribution of survey respondents in terms of Gender

Gender	Frequency	Percentage
Male	12	66.7
Female	6	33.3
Total	18	100

Source: Research Data, 2018

Figure 4.1: Distribution of survey respondents in terms of Gender



Source: Research Data, 2018

Statistical evidence presented in table 4.3 and in figure 4.1 above shows that majority of the respondents (66.7%) were males while the minority (33.3%) were females. Drawing from the above findings, it is evident that both male and female respondents were equitably engaged in this investigation.

4.2.5 Distribution of Survey Respondents In Terms Of Age Category

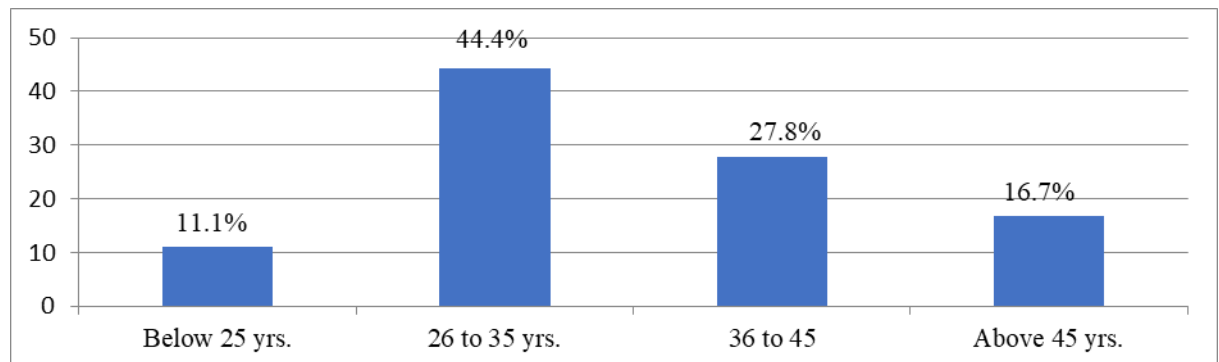
Different age groups are generally perceived to hold dissimilar opinions. In order to gather diverse opinions and suggestions, respondents were required to specify their age group.

Table 4.4: Age Category

	Frequency	Percentage
Below 25 yrs.	2	11.1
25 to 35 yrs.	8	44.4
35 to 45	5	27.8
Above 45 yrs.	3	16.7
Total	18	100

Source: Research Data, 2018

Figure 4.2: Age Category



Source: Research Data, 2018

Drawing from the findings presented in table 4.4 and in figure 4.2 above, it is clear that majority of the respondents (44.4%) were aged between 25 to 35 years, 27.8% of the respondents were aged between 35 to 45 years, 16.7% of the respondents were aged above 45 years and 11.1% of the respondents were aged below 25 years. This indicates a normal distribution.

4.2.6 Highest educational qualification attained by the survey respondents

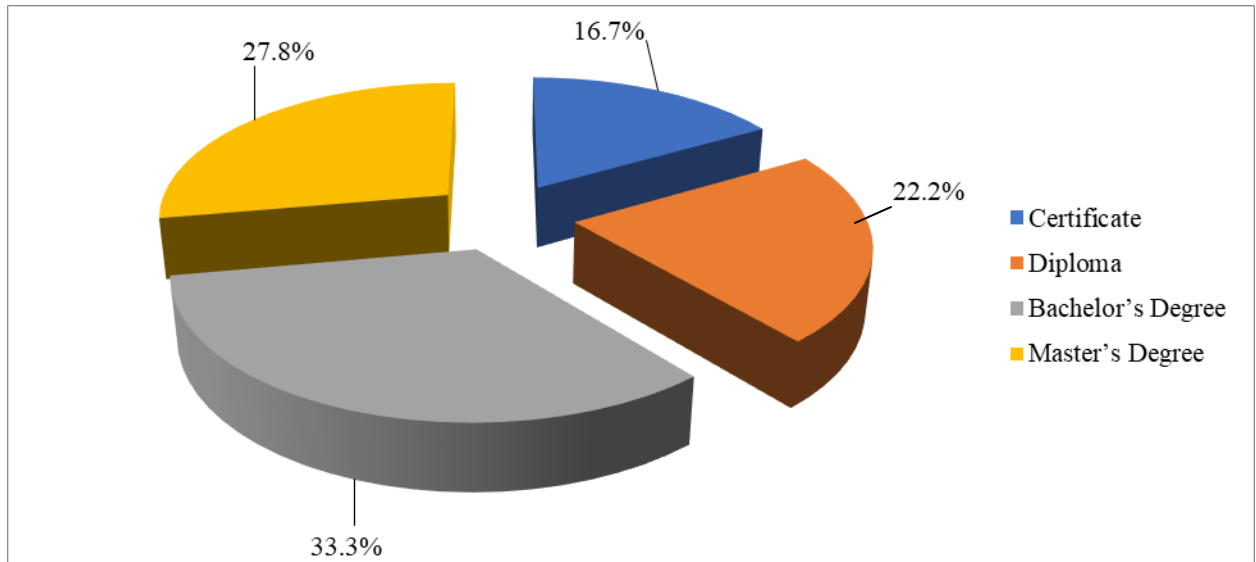
In order to ascertain the respondents' ability to answer the study questions, they were asked to indicate their highest educational qualifications.

Table 4.5: Educational qualification.

Level	Frequency	Percentage
Certificate	3	16.7
Diploma	4	22.2
Bachelor's Degree	6	33.3
Master's Degree	5	27.8
Total	18	100

Source: Research Data, 2018

Figure 4.3: Educational qualifications.



Source: Research Data, 2018

Statistical findings presented in table 4.5 and in figure 4.3 above disclose that 33.3% of the respondents held a Bachelor's degree, 27.8% held a master's degree, 22.2 % held diplomas whereas 16.7% of the respondents held a certificate qualification. Evidence presented shows that majority of the respondents were highly qualified thus could understand the research subject and respond accordingly.

4.2.7 Number of years since Firm Establishment.

Respondents were requested to indicate the period for which their firm had operated. Descriptive evidence presented discloses that most of the firms had been in operation for more than five years with the least in the category having operated in the last three years. Drawing from the above findings, it's evident that market experience gained by these

firms could be relied on in making conclusions and recommendations that could better shape animal feed manufacturing sector in adapting to market dynamics.

4.2.8 Number of employees in every firm.

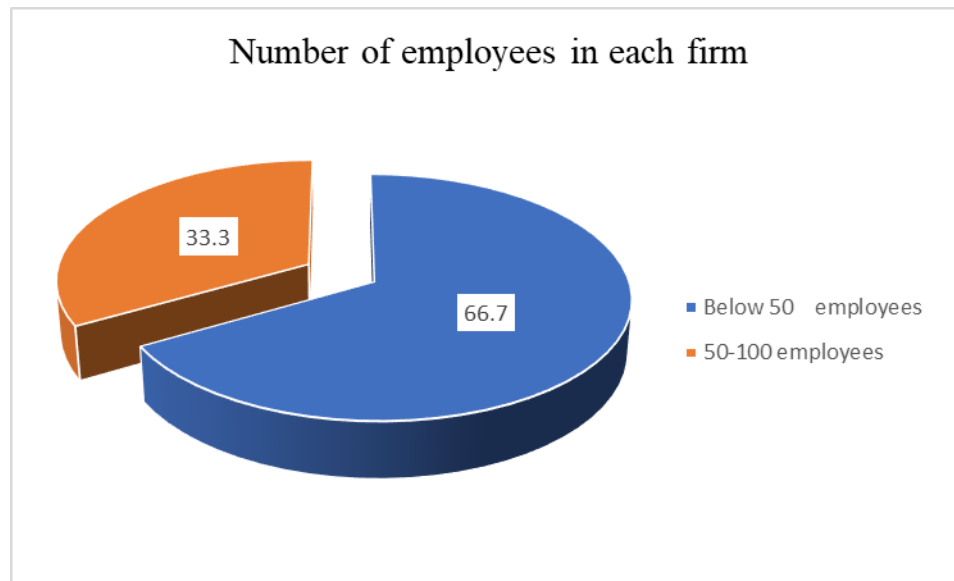
Table 4.6 shows the number of employees in each of the firms.

Table 4.6: Number of employees in each firm.

Level	Frequency	Percentage
Below 50 employees	12	66.7
50 to 100 employees	6	33.3
Total	18	100

Source: Research Data, 2018

Figure 4.4: Number of employees in each firm



Source: Research Data, 2018

Evidence presented in table 4.6 and figure 4.4 above shows that 66.7% of the respondents indicated that their firms had a workspace not exceeding 50 employees whereas 33.3% of

the respondents indicated that the firms had between 50 and 100 employees. None of the firms had more than 100 employees.

4.2.9 Animal feeds varieties manufactured

In order to ascertain the respondent's capability to respond to the study questions, respondents were asked to indicate varieties of animal feeds manufactured by the firms.

Table 4.7: Varieties of Animal Feeds Manufactured

Type of feeds	Frequency	Percentage
Dairy feeds only	3	16.66
Mixed varieties of feeds	15	83.33
Total	18	100

Source: Research Data, 2018

From the table above, it is clear that most firms manufactured mixed feeds varieties as shown by 83.33% while the remaining 16.66% were manufacturing dairy feeds only.

4.3 Competitive Marketing Strategies.

This section presents statistical assessment on the extent to which firms manufacturing animal feeds in Kiambu County had adopted competitive marketing strategies. In particular, this study gives an assessment on the extent to which firms had adopted cost leadership strategy, differentiation strategy and focus (Niche) strategy.

4.3.1 Cost Leadership Strategy

This section presents statistical assessment on the extent to which firms involved in manufacture of animal feeds in Kiambu County had adopted cost leadership strategy.

Table 4.8: Statements assessing on extent in adoption of cost leadership strategy

Statements	N	Mean	Std Dev
The firm does its own costing of all its products.	18	4.15	0.55
The firm applies cost reduction strategies to maximize profits.	18	3.90	0.64
The firm increasingly improves operational efficiency to reduce wastes.	18	4.08	0.14
The firm invested in process innovation to minimize cost.	18	4.16	0.18
The firm maintained optimal staff establishment with the right matching skills as per the job tasked with.	18	3.85	0.16
The firm has unique source of raw materials.	18	4.11	0.28
The firm charged a relatively lower price on commodities compared to prices of competitors.	18	3.75	0.17

Source: Research Data, 2018

Evidence presented in table 4.7 above discloses that manufacturers of animal feeds in Kiambu County invested in process innovation to minimize costs (M= 4.16 SD =0.18), most firms had implemented their own product costing systems(M= 4.15 SD =0.55), a considerable number of manufacturers of animal feeds in Kiambu County had distinct source of raw materials (M= 4.11 SD = 0.28) and that manufacturers of animal feeds increasingly improved their operational efficiency to reduce wastes (M = 4.08 SD =0.14) These findings support the contention by Ronkainen, & (Czinkota 2010) that cost leadership strategy is instrumental in creating benefits that give relative competitive advantage to potential new market entrants.

The findings also reveals that firms involved in the manufacture of animal feeds in Kiambu County applied cost reduction approaches to maximize capital returns (M= 3.90 SD = 0.64); maintained optimum staff establishment with the right matching skills as per the job tasked with (M=3.85 SD =0.16) and that a bigger number of the firms offered their products at a relatively lower price compared to their competitors (M=3.75 SD =0.17). These findings are consistent with the contention by Luliya (2013) that utilization of cost leadership strategy helps create market barriers that protect the firm against brand rivalry.

4.3.2 Differentiation strategy

This section presents statistical assessment on the extent to which firms involved in the manufacture of animal feeds in Kiambu County had adopted product differentiation strategy.

Table 4.9: Statements assessing the extent in adoption of product differentiation strategy

Statement	N	Mean	Std Dev
Firm manufactures products with unique quality characteristics	18	4.39	0.25
The firm continuously keeps customers fully informed on products' unique qualities.	18	3.98	0.85
Firm's products are characterized with unique appealing features	18	4.27	0.14
Firm strived to meet purchaser needs by constantly involving their clientele in market surveys and product development.	18	4.25	0.24
Firms continuously responded to complaints and concerns raised by their customers	18	3.90	0.20
Firms involved in the business of manufacturing of animal feedstuff always strived to be at the top market position.	18	4.15	0.37
Firms involved highly avoided unhealthy market competition.	18	4.44	0.41
Firms complied with all government policies and regulations in conducting their business.	18	3.85	0.29
Firms involved had adopted the latest technology in manufacturing and distribution process.	18	4.05	0.18

Source: Research Data, 2018

Evidence presented in table 4.8 above discloses that firms involved in animal feeds manufacturing business highly avoided unhealthy marketing competition (M = 4.44 SD = 0.41), most firms offered products with unique quality characteristics (M= 4.39 SD = 0.25), products from animal feeds manufacturing firms in Kiambu county had unique appealing features (M= 4.27 SD =0.14), firms involved endeavored to meet purchaser

needs by constantly involving their clientele in market surveys and product development (M = 4.25 SD =0.24) and that firms always strived to be the market leaders (M= 4.15 SD = 0.37). These findings support the contention by Herbst Roberts, and Chiliya, (2009) that through differentiation strategy, business firms accord themselves a chance to communicate some of the new unique product characteristics which are paramount in creating niche for the developed product.

The findings also revealed that firms involved in manufacturing of animal feeds had adopted latest technology in manufacturing and distribution processes. (M= 4.05 SD =0.18), Most of the firms continuously kept their customers fully informed on products' unique qualities (M=3.98 SD = 0.85), most firms continuously responded to complaints and concerns raised by their customers (M = 3.90 SD = 0.20) and that most of the firms complied with all government policies and regulations in conducting their businesses (M= 3.85 SD = 0.18) These findings support the contention by Kotler and Armstrong (2012), that when a business firm employs differentiation strategies that concentrates mostly on cost value between a new product and other comparable products, it builds a perceived value amongst clients and other potential buyers.

4.3.3 Focus strategy

This section presents statistical assessment on extent to which firms involved in manufacture of animal feeds in Kiambu County had adopted market focus strategies.

Table 4.10: Statements assessing on extent in adoption of market focus strategies

Focus Strategy	N	Mean	Std Dev
The firm fully understands its market niche and demands.	18	4.05	0.15
Firms involved specialized in their niche market.	18	4.14	0.31
Firms involved regularly updated their operations to match the market dynamics.	18	3.95	0.71
The firms strived to extend and maintain their market share.	18	3.80	0.85
Firms involved constantly kept on reviewing and adapting to market changes.	18	4.26	0.40
Firms engaged continually gathered competitor intelligence to combat competitor's entry or domination of the market.	18	3.88	0.16
The firms continually gathered customer intelligence in their current market niche.	18	4.34	0.23

Source: Research Data, 2018

Statistical evidence presented in table 4.9 above discloses that considerable number of firms involved in manufacture of animal feeds in Kiambu County continually gathered purchaser intelligence in their current market niche ($M = 4.34$ $SD = 0.23$), firms constantly kept reviewing and adapting to market changes ($M = 4.26$ $SD = 0.40$), firms capitalized on maintaining their position in the market ($M = 4.14$ $SD = .31$) and that the firm's management fully comprehended its market niche and demands ($M = 4.05$ $SD = 0.15$). These findings support the contention by Davidson (2008) that in order for business firms to succeed in the utilization of focus strategy, its management must have full understanding of market dynamics and continually ensure quality service delivery guided by the desire to meet customer dynamism. The findings also revealed that firms involved in the manufacture of animal feeds in Kiambu County regularly updated their operations to match market dynamics ($M = 3.95$ $SD = 0.71$), firms continually gathered

intelligence on competitors to combat competitors' entry or market dominance (M= 3.88 SD = 0.16) and that all firms involved in manufacturing of animal feeds targeted to extend and maintain their market share (M =3.80 SD = 0.85). These findings are in support of Porter, (1980) who contends that for focus strategy to ultimately work effectively, firms should fully concentrate only in a defined market segment which guarantees average net returns and decreases the threats from other competitors.

4.4 Operational performance

This section presents statistical information related to the firm's operational performance. To ascertain firm's performance, measures such as quantities in sales, growth in market share and gross margins were utilized.

Table 4.11: Average Monthly Sales' Volumes

		Period in years									
		2013		2014		2015		2016		2017	
		<i>f</i>	%	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%
Market sales in tons	Below 1000 Tons	10	55.6	5	27.8	2	11.1	1	5.6	6	33.3
	1000 to 5000 Tons	6	33.3	10	55.6	7	38.9	4	22.2	9	50.0
	Above 5,000 Tons	2	11.1	3	16.7	9	50.0	13	72.2	3	16.7
	Total	18	100	18	100	18	100	18	100	18	100

Source: Research Data, 2018

Statistical findings on annual sales show that, least sales volumes were recorded in the year 2013 when most of the companies sold less than 1000 Tons (F=10, 55.6%) while the highest sales volumes were recorded in the year 2016 when most of the companies sold above 5000 Tons (F=13, 72.2%), however this study noted that in the year 2017, most of the companies recorded a significant decline in sales with most of them selling between 1000 and 5000 Tons (F=9,50%). Drawing from the above findings, it is clear that adoption of differentiation strategy, cost leadership strategy and focus (niche) strategy significantly improved operational performance of firms involved in manufacturing of animal feeds in Kiambu County.

The study further assessed the firm's growth in terms of market share as presented in table 4.12 below

Table 4.12: Market Share

	Period in years									
	2013		2014		2015		2016		2017	
	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%
Below 20%	10	55.5	5	27.8	3	16.7	0	0	8	44.4
21 to 25%	6	33.3	9	50.0	2	11.1	2	11.1	6	33.3
26 to 50%	1	5.6	2	11.0	6	33.3	7	38.9	2	11.1
51 to70%	1	5.6	1	5.6	6	33.3	6	33.3	1	5.6
Above 70%	0	0.0	1	5.6	1	5.6	3	16.7	1	5.6
Total	18	100	18	100	18	100	18	100	18	100

Source: Research Data, 2018

Evidence from computed mean averages as shown in table 4.12 above discloses that in the year 2013 and 2014 most of the firms involved in this research had a market share of 21 to 25%, however negative trend is recorded in the year 2017 where most of the firms recorded a huge decline in market share with all the firms recording less than 50 percent market share.

Table 4.13: Gross Margin

		Period in years									
		2013		2014		2015		2016		2017	
		<i>f</i>	%	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%
Profitability Ranges	Below KSh.10 million	9	50.0	4	22.0	1	5.6	0	0.0	1	5.6
	KSh.11 to 20 million	6	33.3	12	67.0	2	11.1	2	11.0	3	61.1
	KSh.21 to 30 million	2	11.1	2	11.0	10	55.6	12	67.0	3	16.7
	Above KSh.30 Million	1	5.6	0	0.0	5	27.8	4	22.0	11	16.7
	Total	18	100	18	100	18	100	18	100	18	100

Source: Research Data, 2018

Assessment on profitability trends from the year 2013 to 2017 reveal that most of the companies in the year 2013 made less than Ksh 10, 000 million in gross margins as depicted by ($f=9$, $\% = 50$), in-depth examination of the average gross profit margins revealed a positive trend from years 2013 to 2016 ,however a stiff decline was registered in the year 2017 where most of the animal feeds manufacturing firms registered a gross profit raging between KSh.11 to 20 million ($f=3$, $\% = 61.1$)

Respondents were required to indicate the average amount of money spent per annum, on Corporate Social Responsibility (CSR) in the last three years by firms involved in manufacturing of animal feeds in Kiambu County.

Table 4.14: Amount spent on CSR.

	Frequency	Percentage
Below KSh.50,000.00	1	5.6
KSh.50,000.00 to 100,000.00	5	27.8
KSh.100,000.00 to 150,000.00	7	38.9
KSh.150,000.00 to 200,000.00	2	11.1
Above 200,000.00	3	16.7
Total	18	100

Source: Research Data, 2018

Results in table 4.13 above shows that 38.9% of the respondents indicated that the firms spent an average of KSh.100, 000.00 to 150,000.00 on CSR, 27.8% indicated an average of KSh.50, 000.00 to 100,000.00 spent on CSR, 16.7% of the respondents indicated an average of more than KSH 200,000.00 on CSR, 11.1% indicated an average of KSh.150, 000.00 to 200,000.00 while 5.6% of the respondents indicated that the firms spent less than that KSH 50,000.00 on CSR. This implies that on average, most of the firms involved spent between KSh.100,000.00 and 150,000.00 on CSR yearly for the last three years; this figure is low compared to the gross margins ,an indication that animal feeds manufacturing firms in Kiambu County have not derived value from CSR as a marketing strategy.

4.1.1 Animal Feeds Manufacturing Industry Challenges

Respondents were required to indicate the extent to which the following challenges affected growth and development of the firm.

Table 4.15: Challenges affecting the growth and development of the firm.

Challenges	N	Mean	Std Dev
Low motivation from top management in implementation of competitive marketing strategies	18	2.09	0.74
High competitive strategy implementation costs	18	1.63	0.45
Financial constraints	18	1.76	0.14
Lack of good and favorable market regulations	18	1.93	0.58
Poor quality infrastructure	18	1.71	0.22
Unhealthy price related competition in the market	18	1.85	0.27
Low quality of raw materials supplied	18	1.90	0.15
Complexity of requirements raised by the customer	18	1.98	0.18
Counterfeiting of firms' products	18	1.61	0.13
Corruption	18	1.77	0.78
Lack of competent and well-trained staff	18	1.81	0.49
Disloyalty among employees	18	1.98	0.18

Source: Research Data, 2018

Assessment on challenges encountered by animal feed manufacturing firms as shown in table 4.15 above reveals several challenges among them; counterfeiting of firm's animal products (M= 1.61 SD =0.13), competitive strategy implementation expenses (M= 1.63 SD =0.45), poor quality infrastructure (M= 1.71 SD =0.22), financial constraints (M= 1.76 SD =0.14), corruption (M= 1.77 SD =0.78), lack of competent (M= 1.81 SD =0.49), and unhealthy price related competition in the market (M= 1.85 SD =0.27) These

findings are in support of the findings by Rainbird, (2004) who cite lack of quality infrastructure, expensive workspace and lack of adequate financing as some of the challenges affecting growth and development of small manufacturing industries. Other challenges indicated include low quality of raw materials supplied (M= 1.90 SD =0.15), unfavorable market regulations (M=1.93 SD =0.58), disloyalty among employees (M= 3.68 SD =0.18), complexity of requirements raised by the customer (M=1.98 SD =0.18) and low motivation from top management on implementation of competitive marketing strategies (M= 2.09 SD = 0.74). These findings are in support of the contention by AKEFEMA, (2014), that unfriendly government regulations and corruption by government regulatory agencies, lack of business management skills, unfair competition and substandard raw materials are some of the challenges hindering the development of animal feeds manufacturing industries.

4.4.2 Firms' Most Serious Threat

Respondents involved were requested to indicate the kind of threat that they considered most serious to growth and development of their business.

Table 4.16: Firms' Most Serious Threat

	Frequency	Percentage
Competitors	9	50.0
Real Estate Developers	3	16.7
Government policies and regulations	5	27.8
Suppliers of raw materials	1	5.6
Total	18	100

Source: Research Data, 2018

From the research findings in table 4.16 above, 50.0% of the respondents indicated competitors as the most serious threat to their business, 27.8% indicated government regulations, 16.7% indicated real estate developers while 5.6% of the respondents indicated suppliers of raw materials; this implies that most of the firms consider competitors as their biggest threat, followed by bad government policies, laws and regulations, then real estate developers and finally the suppliers of raw materials in that order.

4.5 Regression Analysis

The researcher conducted a multiple regression analysis so as to test the relationship among independent variables on the operational performance of firms involved in the manufacture of animal feeds in Kiambu County.

4.5.1 Model Summary

The model summary provides information about the regression line's ability to account for the total variation in the dependent variable (operational performance of firms involved in manufacture of animal feeds in Kiambu County).

Table 4.17: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.896	.803	.794	.1468

Source: Research Data, 2018

The findings in table 4.17 above disclosed that Cost Leadership Strategy, Differentiation Strategy and Focus (Niche) Strategy significantly influenced the operational performance of firms involved in the manufacture of animal feeds in Kiambu County as shown by an $R = 0.896$. The product($R = 0.896$) indicates high strength between the dependent variable (operational performance) and the independent variables (Cost Leadership Strategy, Differentiation Strategy and Focus (Niche) Strategy); these collectively only explain 79.4% changes in operational performance as represented by the adjusted R^2 . This means that other factors not studied in this research contributed 20.6% on operational performance of firms involved in the manufacture of animal feeds in Kiambu County.

4.5.2 ANOVA Results

The researcher also conducted ANOVA test to ascertain model fitness

Table 4.18: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.343	3.000	0.781	4.705	.006 ^a
	Residual	3.154	19.000	0.166		
	Total	5.497	22.000			

Source: Research Data, 2018

The findings in table 4.18 above show P- value of 0.006 (which is less than 0.05) implying that the whole model is statistically fit in forecasting how cost leadership strategy, differentiation strategy and focus (niche) strategy affect operational performance

of firms involved in the manufacture of animal feeds in Kiambu County. The value of F calculated (F= 4.705) was greater than F critical (3.22) which demonstrates that the overall model was worthy and fit.

4.5.3 Regression Coefficients

To establish the coefficients of determination, multiple regression analysis was conducted. The results are as shown in the table.4.19

Table 4.19: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	Beta	Std. Error	Beta		
Constant	1.886	0.625		3.018	.017
1 Cost Leadership Strategy	0.619	0.185	0.552	3.346	.012
Differentiation Strategy	0.544	0.128	0.454	4.250	.021
Focus Strategy	0.673	0.169	0.606	3.982	.014

Source: Research Data, 2018

Table 4.19 above presents results of the beta coefficients as well as the p-values for each independent variable.

The regression function extracted using the unstandardized betas are as follows ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$):

$$Y = 1.886 + 0.619X_1 + 0.544 X_2 + 0.673X_3$$

According to the regression function, holding all factors constant at zero (cost leadership strategy, differentiation strategy, focus (niche) strategy), the coefficient for operational

performance of firms involved in the manufacture of animal feeds will be 1.886. From the above table of regression coefficients, it is clear that the relationship between competitive marketing strategies and operational performance is statistically significant because the significant values of cost leadership strategy (0.012), differentiation strategy (0.021) and focus strategy (0.014) respectively is less than 0.05. The findings further show that holding all other factors at constant zero, a unit increase in cost leadership strategy will enhance operational performance of firms involved in the manufacture of animal feeds by 61.9%; a unit increase in differentiation strategy will lead to a 54.4% increase in operational performance; and that a unit change in focus (niche) strategy will enhance operational performance of firms involved by 67.3 percent.

4.6 Discussion of the Findings

4.6.1 Cost Leadership Strategy

The findings of this study revealed that adoption of cost leadership strategy had a significant impact on operational performance of firms involved in the manufacture of animal feeds in Kiambu County. Test regression statistics predict that, if all other factors are held at constant zero, further adoption of cost leadership strategy will enhance operational performance of the said firms by a factor of 61.9 percent. Descriptive statistics disclose that manufacturers of animal feeds in Kiambu County invested in process innovation to minimize costs (M= 4.16), most of the firms in Kiambu County had implemented their own product costing systems (M= 4.15), considerable number of manufacturers of animal feedstuffs in Kiambu County had distinctive method of sourcing raw material for manufacturing (M= 4.11) and that manufacturers of animal

feeds increasingly improved their operational efficiencies to reduce waste (M = 4.08) These findings support the contention by Ronkainen, & Czinkota (2010) that cost leadership strategy is instrumental in creating benefits that give relative advantage to possible new market entrants.

The findings also revealed that firms involved in the business of manufacturing of animal feeds in Kiambu County applied cost reduction approaches to maximize capital returns (M= 3.90), firms maintained optimal staff establishment with the right matching skills as per the job tasked with (M=3.85) and that a bigger number of firms involved in the manufacture of animal feeds in Kiambu County offered their feeds at a relatively lower price compared their competitors. (M=3.75). These findings support the contention by Luliya; (2013) that utilization of cost leadership strategy can help to create market barriers that protect the organization against rivalry competition.

4.6.2 Differentiation Strategy

Assessment on the extent to which firms involved in manufacture of animal feeds in Kiambu County had adopted product differentiation strategy show that a unit increase in differentiation strategy will enhance operational performance by a factor of 54.4% percent; results also disclose that the firms highly avoided unhealthy market competition (M = 4.44), firms offered feeds with unique quality characteristics (M = 4.39), their products had unique appealing features (M = 4.27), the firms strived to meet purchaser needs by constantly involving their clientele in market survey and product development (M = 4.25) and that the firms always strived to be the market leaders (M= 4.15). These findings support the contention by Herbst „Roberts., and Chiliya., (2009) that through differentiation strategy, business firms accord themselves a chance to communicate

some of the new unique product characteristics which are paramount in creating a niche for the developed product.

The findings also revealed that firms involved in manufacturing of animal feeds had adopted the latest technology in manufacturing and distribution processes (M = 4.05); most of the firms continuously kept their customers fully informed on products' unique qualities (M = 3.98), most firms continuously responded to complaints and concerns raised by their customers (M = 3.90) and that most of the firms complied with all government policies, laws and regulations in conducting their business (M= 3.85) These findings are in support of the contention by Kotler and Armstrong, (2012) that when a business firms employ differentiation strategies that concentrates mostly on cost value between new product and other comparable products, it builds a perceived value amongst clients and other potential buyers,

4.6.3 Focus Strategy

Assessment on the extent to which firms involved in manufacture of animal feeds in Kiambu County had adopted focus (niche) strategy show that a unit increase in focus (niche) strategy will enhance operational performance of the firms by 67.3 percent; evidence presented discloses that a considerable number of firms involved continually gathered purchaser intelligence in their current market niche (M = 4.34); descriptive statistics revealed that firms involved in manufacture of animal feeds in Kiambu County constantly kept on reviewing and adapting to market changes (M = 4.26); firms involved capitalized on maintaining their position in the niche market (M = 4.14) and that the firm's management fully understands its market niche and demands (M= 4.05). These findings support the contention by Davidson (2008) that in order for business firms to

succeed in the utilization of focus strategy, its management must have full understanding on the market dynamics and continually ensure quality product delivery guided by the quest to meet the ever-changing customer requirements.

The findings also revealed that firms involved in the manufacture of animal feeds in Kiambu County regularly updated their operations to match the market dynamics (M=3.95); the firms continually gathered competitor intelligence to guard against competitor's entry or domination of the market (M= 3.88 SD = 0.16) and that all the firms struggled to maintain and extend their market share (M =3.80). These findings are in support of the contention by Porter, (1980) that for focus strategy to ultimately work effectively, firms should fully concentrate only on a defined part of a market segment which helps to guarantee average profits and decrease the threat from other competitors who try to enter the niche.

4.6.4 Operational Performance

Assessment of data related to firm's operational performance showed that least average monthly sales volumes were recorded in the year 2013 when most of the companies sold less than 1000 Tons per month (F=10, 55%), while the highest sales volumes were recorded in the year 2016 when most of the companies sold an average of more than 5000 Tons per month (F=13, 72%);however, this study noted a huge decline in average monthly sales volumes in the year 2017 with most of the companies recording an average monthly sales volumes of between 1000 to 5000 Tons per month (F=9,50%) compared to years 2015 and 2016 when 50% and 72.2% of the firms respectively, recorded an average sales volumes of more than 5000 tons per month. Drawing from the above findings it is clear that adoption of differentiation strategy, cost leadership strategy and

focus (niche) strategy had significantly improved operational performance of firms involved in manufacturing of animal feeds in Kiambu County.

Evidence from computed mean averages discloses that in the year 2013 and 2014 most of the firms involved in this research had the market share of 21 to 25%, however negative trend is recorded in the year 2017 whereby most of the firms recorded a significant decline in market share of less than 50 percent

Further Assessment on profitability trends from the year 2013 to 2017 reveal that most of the companies made less than Ksh 10, 000 million gross profit in the year 2013 as depicted by ($f = 9$, $\% = 50$), however in-depth examination of the average gross profit margins, revealed a positive growth in gross profit margins where most of the companies recorded decline in profits which were between KSh.11 to 20 million in the year 2017 as depicted by ($f = 11$, $\% = 61.1$) respectively. On CSR, the study revealed that on average most of the firms involved in manufacturing of animal feeds had spent between ksh.100, 000.00 to 150,000.00 in the last three years

4.6.5 Animal Feeds Manufacturing Industry Challenges

Respondents were required to indicate the extent to which the following challenges affected growth and development of the firm.

Table 4.20: Challenges affecting the growth and development of the firm.

Challenges	N	Mean	Std Dev
Low motivation from top management in implementation of competitive marketing strategies	18	2.09	0.74
High competitive strategy implementation costs	18	1.63	0.45
Financial constraints	18	1.76	0.14
Lack of good and favorable market regulations	18	1.93	0.58
Poor quality transport infrastructure	18	1.71	0.22
Unhealthy price related competition in the market	18	1.85	0.27
Low quality of raw materials supplied	18	1.90	0.15
Complexity of requirements raised by the customer	18	1.98	0.18
Counterfeiting of firms' products	18	1.61	0.13
Corruption	18	1.77	0.78
Lack of competent and well-trained staff	18	1.81	0.49
Disloyalty among employees	18	1.98	0.18

Source: Research Data, 2018

Assessment on challenges encountered by animal feed manufacturing firms as shown in table 4.15 above reveals several challenges among them; counterfeiting of firm's animal products (M= 1.61 SD =0.13), competitive strategy implementation expenses (M= 1.63 SD =0.45), poor quality infrastructure (M= 1.71 SD =0.22), financial constraints(M= 1.76 SD =0.14), corruption (M= 1.77 SD =0.78), lack of competent well trained staff (M= 1.81 SD =0.49), and unhealthy price related competition in the market (M= 1.85 SD =0.27) These findings are in support of the findings by Rainbird, (2004) who cite lack of quality infrastructure, expensive workspace and lack of adequate financing as some of the challenges affecting growth and development of small manufacturing industries.

Other challenges indicated include low quality of raw materials supplied (M= 1.90 SD =0.15), unfavorable market regulations (M=1.93 SD =0.58), disloyalty among employees (M= 3.68 SD =0.18), complexity of requirements raised by the customer (M=1.98 SD =0.18) and low motivation from top management on implementation of competitive marketing strategies (M= 2.09 SD = 0.74). These findings are in support of the contention by AKEFEMA, (2014), that unfriendly government regulations and corruption by government regulatory agencies, lack of business management skills, unfair competition and substandard raw materials are some of the challenges hindering the development of animal feeds manufacturing industries

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary, conclusions, recommendations and suggestions for further studies drawn from the findings. The aim of this study was to identify the competitive marketing strategies adopted by animal feeds manufacturing firms in Kiambu County, Kenya, to improve operational performance.

5.2 Summary of the Findings

5.2.1 Cost Leadership Strategy

Drawing from the statistical findings and the discussions, it is evident that firms involved in animal feeds manufacturing in Kiambu County had adopted cost leadership strategy to a large extent; adoption of cost leadership strategy significantly influenced the operational performance of firms involved. Descriptive evidence presented show that a considerable number of the firms had distinctive method of sourcing raw materials for manufacturing; that they increasingly improved their operational efficiencies to reduce waste; a bigger number of firms involved offered their products at a relatively lower price than their competitors and that most of the firms in had implemented their own product costing systems. These findings are in support of the contention by Luliya (2013) that utilization of cost leadership strategy can help to create market barriers that protect the organization against business rivals.

In-depth assessment also discloses that firms involved in the business of manufacturing of animal feeds in Kiambu County applied cost reduction approaches to maximize capital returns, invested in process innovation to minimize costs and that firms maintained optimal staff establishment with the right matching qualifications as per the job each was tasked with. These findings support the contention by Ronkainen and Czinkota (2010) that cost leadership strategy helps in creating benefits that give relative competitive advantage to new market entrants.

5.2.2 Differentiation Strategy

Assessment of differentiation strategy revealed that firms involved in the manufacture of animal feeds in Kiambu County had adopted product differentiation strategy to a lesser extent compared to cost leadership strategy and focus(niche) strategy; most of the firms offered products with unique quality characteristics; firms strived to meet purchaser needs by constantly carrying out market surveys and product development. Results also disclose that the firms highly avoided unhealthy market competition. These findings are in support of the contention by Kotler and Armstrong, (2012) that when a business firm employs differentiation strategies that concentrate mostly on cost value between new products and other comparable products, it builds a perceived value amongst clients and other potential buyers.

Further assessment revealed that most of the firms continuously kept their customers fully informed on products' exclusive qualities, firms always strived to be the market leader, most firms continuously responded to complaints and concerns raised by their customers, most of the firms complied with all government policies and regulations in conducting their business, and that firms involved in manufacturing of animal feeds had

adopted latest technology in manufacturing and distribution process. These findings support the contention by Herbst, Roberts, and Chiliya, (2009), that through differentiation strategy, firms accord themselves a chance to communicate new unique product characteristics which are paramount in creating a niche market for the developed product.

5.2.3 Focus Strategy

Evidence presented discloses that a considerable number of firms involved in the manufacture of animal feeds in Kiambu County had adopted focus (niche) strategy to a larger extent compared to cost leadership and differentiation strategies; firms continually gathered purchaser intelligence in their current market niche, they struggled to extend and maintain their market share and also capitalized on maintaining their position in the market. These findings are in support of the contention by Porter, (1980) that for focus strategy to ultimately work effectively, firms should fully concentrate only on a defined market segment which helps to guarantee average profits and decrease the threat from competitors who try to enter the niche market.

Descriptive statistics also revealed that the firm's management fully understands its market niche and demands, firms continually gathered intelligence on competitors to combat competitor's entry or domination of the market, firms involved reviewed and adapted to market changes and that firms involved in manufacture of animal feeds in Kiambu County regularly updated their operations to match the market dynamics. These findings support the contention by Davidson (2008) that in order for a firm to succeed in utilization of focus strategy, its management must have full understanding of the market

dynamics and continually ensure quality product delivery guided by the quest of meeting customer dynamism.

5.2.4 Operational Performance

Information related to the firm's operational performance showed that adoption of differentiation strategy, cost leadership strategy and focus (niche) strategy had significantly improved operational performance measured in terms of quantities in sales, growth in market share and gross profit. However, further assessment revealed challenges confronting animal feeds manufacturing firms in Kiambu County while implementing competitive marketing strategies among them; high competitive strategy implementation costs, counterfeiting of firm's products, poor quality infrastructure, financial constraints, corruption, lack of competent and well trained staff and unhealthy price related competition in the market; these findings are in support of the contention by AKEFEMA, (2014) that unfriendly government regulations, corruption by government regulatory agencies, lack of business management skills, unfair competition and substandard raw materials are some of the challenges hindering development of animal feeds manufacturing industry in Kenya.

Other challenges identified include low quality of raw materials supplied, lack of good and favorable market regulations, disloyalty among employees, complexity of requirements raised by customers and low motivation from top management on implementation of competitive marketing strategies. Respondents indicated bad government policies and regulations and unhealthy competition as their biggest threats. These findings are in support of the findings by Rainbird, (2004) who cite lack of quality

infrastructure, expensive workspace and inadequate financing as some of the challenges affecting the growth and development of small scale manufacturing industries.

5.3 Limitations of the study

Some limitations were experienced while carrying out the study; some of the respondents were unwilling to fill the questionnaires and it took a lot of persuasion for some directors to permit the questionnaire to be administered in their firms, the study was carried out within a short time span thereby inconveniencing the respondents and the study only targeted AKEFEMA registered feed manufacturing firms operating in Kiambu County and therefore may not be generalizable to the whole country and beyond.

5.3 Conclusions.

Based on the evidence presented, the study concludes that most of the firms involved in manufacturing of animal feeds in Kiambu County have adopted focus (niche) strategy to a larger extent than cost leadership and differentiation strategies; firms constantly reviewed and adapted to market changes to maintain focus through continuous gathering of purchaser and competitor intelligence in their current market niche and regular updating of their operations to match the market dynamics. Adoption of focus (niche) strategy had a very positive impact on performance of these firms.

This study also concludes that firms engaged in animal feeds manufacturing had adopted cost leadership strategy to a larger extent than differentiation strategy but to a lesser extent compared to focus strategy; adoption of cost leadership strategy had significantly impacted positively on operational performance of the firms involved since it helped create market barriers that protected the firm from competition from business rivals. Most

animal feeds manufacturing firms in Kiambu had implemented their own product costing systems.

The study further concludes that animal feeds manufacturing firms had adopted differentiation strategy but to a lesser extent compared to cost leadership strategy and focus (niche) strategy; adoption of market differentiation strategy positively enhanced operational performance of firms involved; through differentiation strategy, firms communicated some of the new unique product characteristics which helped to create and retain a niche market for the firm's products. Some of the differentiation measures used includes pricing methods, incorporation of distinctive product characteristics in production process and adoption of strategic supply mechanisms that are dissimilar to the ones by rival companies.

5.4 Recommendations.

Evidence presented reveals that cost leadership strategy is positively correlated to organizational operational performance; therefore this research recommends continuous adoption of cost leadership strategy by firms involved in manufacturing of animal feeds in Kiambu County. However, implementation of this strategy should be based on product price in order to serve the targeted market niche effectively.

Firms involved in manufacturing of animal feeds should also continuously engage in implementation of differentiation strategies. This should include aspects such as development of high quality products, pricing mechanism and more engagement in corporate social responsibility. Since not all differentiation strategies work, firms should

continuously conduct sufficient market surveys and product pre-tests before the actual product introduction so that firms deliver superior value to buyers at an affordable price.

This study further recommends more emphasizes on continuous adoption of focus (niche) strategy; however, the management of animal feeds manufacturing firms should have a good understanding of the market dynamics and continually ensure quality product delivery that is guided by the need to meet the ever-changing customer requirements.

The study noted several challenges encountered by firms involved in manufacture of animal feeds while implementing competitive marketing strategies and recommends that the government reviews regulations and policies that appear to suppress development of animal feeds manufacturing firms; both the National Government and Kiambu County Government should work closely with other stakeholders to improve transport infrastructure and also come up with a comprehensive mechanism that provides flexibility against challenges that suppress development of the firm.

5.5 Suggestions for Further Research

The study aimed at identifying the competitive marketing strategies adopted by Association of Kenya Feed Manufacturers registered animal feeds manufacturing firms in Kiambu County, Kenya, to improve operational performance. More studies should be done on competitive marketing strategies adopted by similar firms in Kiambu County but not registered with AKEFEMA. Similar studies should also be carried out on animal feeds manufacturing firms in other counties in Kenya other than Kiambu. The study should also be replicated in other agro-inputs in Kenya and beyond.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Dear Respondent,

RE: ACADEMIC RESEARCH

I am an MBA student at the University of Nairobi undertaking a study on the Competitive Marketing Strategies Adopted by Animal Feeds Manufacturing Firms in Kiambu County, Kenya, to Improve Operational Performance.

Your firm has been selected for this study. Information requested for is only for academic purposes and will be handled with utmost confidentiality. A report of the study will be availed to you on request.

This is therefore a kind request for you to take part in this study and give honest answers to all the questions asked.

Thank you for your support.

Yours Sincerely

Karumbi John Gatinu

APPENDIX II: RESEARCH QUESTIONNAIRE

This questionnaire is designed to collect information from animal feeds manufacturing firms in Kiambu County, Kenya, on the competitive marketing strategies adopted and how these strategies affect operational performance in these firms. Your participation in this study will be highly appreciated.

Part A: Background Information.

1. Name of your firm

.....

2. What is your current job title?

.....

3. For how many years have you worked in this firm?

.....

4. What is your gender?

.....

5. What is your age? (Please tick accordingly)

Below 25 [] 25 to 34 [] 35 to 45 [] Above 45 []

6. What is your highest educational qualification?

Certificate [] Diploma [] Bachelor's Degree [] Master's Degree [] Any other []
(please specify)...

7. In which year was your firm established?

.....

8. How many employees does your firm have? (Please tick accordingly).

a) Below 50 []

b) 50 to 100 []

c) 100 to 200 []

d) 200 to 500 []

e) Above 500 []

9. Kindly indicate the varieties of animal feeds manufactured by your firm?(please tick accordingly)

a) Poultry feeds

b) Dairy cattle feeds.

c) Pig feeds.

d) Pet feeds.

e) Any other (please specify)

Part B: Competitive Marketing Strategies

Please indicate to what extent you disagree or agree with the statements below in regard to the competitive marketing strategies adopted by your firm by ticking as appropriate.

1=Strongly Disagree 2=Disagree 3=Neither Disagree nor Agree 4=Agree 5=Strongly Agree.

Statement					
Cost Leadership Strategy	1	2	3	4	5
The firm does its own costing of all its products					
The firm applies cost reduction strategies to maximize profits					
The firm continuously improves its operational efficiency to reduce					

wastage					
The firm invests in process innovation to minimize costs					
The firm has optimal number of employees with the right qualifications for the job each does.					
The firm has unique source of raw materials.					
The firm offers its products at a lower cost than its competitors.					
Differentiation Strategy					
The firm offers products with unique characteristics.					
The firm always keeps customers informed about its products' unique qualities.					
The firm's products have appealing features.					
The firm offers products that meet customer needs by continuously engaging in consumer research and development.					
The firm always responds to customers' concerns.					
The firm works continuously to become the market leader.					
The firm avoids unhealthy competition.					
The firm abides by all government regulatory requirements.					
The firm has embraced the latest modern information communications technology.					
Focus Strategy					
The firm understands its market niche and demands.					
The firm specializes on its niche market.					
The firm constantly updates its mandate to match the changes in the niche market environment.					
The firm strives to remain relevant in its niche market.					
The firm constantly reviews changes in the niche market.					
The firm constantly gathers competitor intelligence in its niche market.					
The firm constantly gathers customer intelligence in its niche market.					

Part C: Firm Operational Performance.

Kindly indicate the performance of your firm for the last 5 years by ticking the box with the correct answer based on the below variables:

1. Average Monthly Sales Volumes

Year	Below 1000 Tons	1000 to 5000 Tons	Above 5,000 Tons
2017			
2016			
2015			
2014			
2013			

2. Market Share

Year	Below 20%	21 to 25%	26 to 50%	51 to 70%	Above 70%
2017					
2016					
2015					
2014					
2013					

3. Gross Profit

Year	Above KSh.30 Million	KSh.21 to 30 million	KSh.11 to 20 million	Below KSh.10 million
2017				
2016				
2015				

2014				
2013				

4. What is your firm's average spending on corporate social responsibility (CSR) per annum for the last 3 years?

a) Below KSh.50, 000.00

b) KSh.50, 000.00 to 100,000.00

c) KSh.100, 000.00 to 150,000.00

d) Above KSh.150, 000.00 to 200,000.00

e) Above 200,000.00

Part D: Animal Feeds Manufacturing Industry Challenges

1. To what extent do the following challenges affect your firm's operational performance? Tick as appropriate.

Very large extent 2 =Large extent 3=Small extent 4=Very small extent 5=Does not Affect

	1	2	3	4	5
Lack of top management commitment to implementing competitive marketing strategy					
High competitive strategy implementation costs					
Financial constraints					
Unfavorable laws and regulations					
Poor road infrastructure					
Un healthy price wars from competitors					
Poor quality of raw materials					
Complexity of customer needs					
Counterfeiting of your products					
Demand for bribes					

Lack of highly skilled employees					
Lack of loyalty by employees					

2. What does your company consider its most serious threat to business? Please tick one.

- a) Competitors
- b) Real Estate Developers
- c) Government Policies, laws and Regulations
- d) Suppliers of raw materials
- e) Others (please specify)

Thank you for your time.

APPENDIX III: LIST OF ANIMAL FEEDS MANUFACTURING FIRMS IN KIAMBU COUNTY

1. Chania Feeds.
2. Jubilee Feed Industries Ltd.
3. Njuca Feeds Ltd.
4. May Feeds Ltd.
5. Pwani Feeds Ltd.
6. Ohami Millers Ltd.
7. Trust Feeds Ltd.
8. Legorn Feeds International.
9. Afri-Vet Ltd.
10. Bedson E.A. Ltd.
11. Thika Farmers Group Ltd.
12. Aroma Suppliers Ltd.
13. Treasure Industries Ltd.
14. Tosha Products (K) Ltd.
15. Jupiter Manufacturers Ltd.
16. Ngenia Feeds Ltd.
17. Sifa Feeds Ltd.
18. Turbo Feeds Ltd.
19. Tuvune Feeds Ltd.
20. Limuru Dairy Farmers Co-operative Ltd.

21. Masters Manufacturers (K) Ltd.

22. Jakarada Feeds Ltd.

23. Wakulima Dairy Feed Co. /Bora Feeds

Source: AKEFEMA magazine, 3rd edition, 2014.