

**STRATEGIES EMPLOYED BY KEROCHE BREWERIES LTD TO
GAIN COMPETITIVE ADVANTAGE**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF
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DECLARATION

I hereby certify that this research proposal is my original work and has not been presented for examination in any other institution of higher learning.

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This proposal has been submitted for examination with our approval as the University supervisors.

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Date:

Professor Evans Aosa

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DEDICATION

This work is dedicated to my lovely Husband Advine, My Daughter Melanie and most of all my Dad and Mum Jacinta for entirely supporting me in my education journey both financially and emotionally.

ABSTRACT

In the ever growing industry environment, every firm that is interested in becoming successful and remain competitive in the market must employ specific a strategy policies to actualize this. The company must be in a position to adjust its strategies to conform with the varying conditions, improving technology and the move of its competitors. In the recent past, the brewing industry in Kenya has undergone significant changes due to consumer's taste as well as changes in technology. As such, this research seeks to find out the strategies used by Keroche Breweries Limited to gain competitive advantage. This study was guided by the objective of establishing strategies employed by Keroche Breweries Limited in to achieve competitive advantage. The study used a case study design since it involved the Indepth analysis of only one organization. The study Utilized interview guide to gather primary data from Keroche Breweries ltd department managers. The data was collected on the study topic on Strategies employed by Keroche Breweries ltd to gain competitive advantage. The study targeted 3 interviewees and the researcher was able to interview all of them. The researcher used content data analysis to get the research findings, conclusions and recommendation considering that the data was qualitative. The study findings were analyzed in terms of the organizational competitive forces as well as the strategies employed to explore the competitive environment. The research also provided the summary of the findings, conclusion and recommendation. The researcher provided the limitation of the study and finally suggested for further research. The Study found out that in order to gain competitive advantage, the company needed to adopt effective strategy policies as well as keeping track of their implementation. The study concluded that Keroche Breweries ltd seems to be doing commendable job in utilizing the strategy policies which have made it gain competitive advantage. It is evident that the company is conscious of the need for the implementation of the policies. The study recommended that Keroche industries needed to be more aggressive in its innovation, production and marketing of it products. The study also recommended that the company to consider effective implementation of strategic policies geared towards sustained growth in order to survive in the competitive market.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

In the business world, starting a business alone is not enough, but running a successful business is the most important business activity. This indicates that running a successful business is faced with many challenges (Bowen *et al.*, 2009). Today, the markets have become globalized with intensive business operations in every part of the world. This means that the small and local firms are left competing with big and international businesses. The intensive market competition brings the need for businesses to adopt certain strategies in order to win over their competitors. The ability of a company to be superior to its competitors in the same industry is termed as competitive advantage (Baker & Sinkula, 2015). While competitive advantage could involve enhancing business operations efficiency and effectiveness, the strategies in place also guide the business management team to make suitable decisions. For a company to be said to have achieved competitive advantage, it needs to have some unique characteristics that enable it to make more profits than their competitors.

In coming up with an effective strategy that guarantees organization long term profitability, Porter (1979) suggested that a firm must position itself where the effect of competition is weakest and exploit the opportunities in the forces to their favor. Porter further highlights that there are five forces that shape strategy and they include; bargaining power of customers, bargaining power of suppliers, threat of new entrants, threat of substitutes and rivalry of existing competitors.

In current market the brewing industry business has experienced great competition both locally and internationally. This has been the case since beer produced locally is also being exported to different countries and also some organizations bringing inn beer from other countries. Porter (1990) Argues that the industry is the arena in which the competitive advantage is won or lost and therefore its competitiveness is influenced by the following conditions: Factor demand, related and supporting industries, firm's strategy, structure and rivalry.

1.1.1 Concept of strategy

Strategy refers to the overall plan of action which helps organizations to attain a competitive position in the market. According to Mintzberg & Quinn, (1991) Strategy is a deliberate set of actions used to achieve competitive advantage, giving coherence and direction to the organization. Mintzberg argues that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus, one might start with a perspective and conclude that it calls for a certain position, which is to be achieved by way of a carefully crafted plan, with the eventual outcome and strategy reflected in a pattern evident in decisions and actions over time. This pattern in decisions and actions defines what Mintzberg called realized or emergent strategy.

Porter, (1996) defines strategy as deliberately choosing a different set of activities to deliver a unique mix of value. Therefore, firms employ several strategies in order to overcome different market challenges. These strategies include and are not limited to cost leadership, differentiation strategies, defensive strategies, collusive strategies among others. Cost Leadership strategy is where by an organization focuses to offer the best prices as compared to its competitors by cutting down on overheads and the fixed

costs associated with production and distribution of goods. An organization needs to focus on the efficiency of production lines and economies of scale. Differentiation strategy is involved where unique characteristics of a product are highlighted in comparison to similar products or goods presented by the competitors. It allows an organization to charge a higher price and have a greater ability to command customer loyalty market.

Defensive strategies are moves that assist organizations to retain and maintain important customers. Their drive is to protect the position of the organization, protect competitive resources from imitation, and sustain an existing advantage by reducing the risk and weakening the impact of competitor's offensive attacks. Collusive strategies involve collaborative energies that interfere with the industry balance of supply and demand. Competitive advantage is the special way in which an organization can perform its operations differently from others in order to achieve efficiency. This can be in terms of customer management, product and services positioning ahead of the competitors. In other terms, it is the best practices that an organization adopts in order to be better and cut its niche ahead of other players in the market. Different ways organizations gain competitive advantage may be through; niche, cost advantage and differentiation advantage

1.1.2 Concept of competitive advantage

Competitive advantage is the special way in which an organization can perform its operations differently from others in order to achieve efficiency. This can be in terms of customer management, product and services positioning ahead of the competitors. In other terms, it is the best practices that an organization adopts in order to be better

and cut its niche ahead of other players in the market. Baron and DeCarlo (2003) states that building a competitive advantage involves understanding the needs of the market and coming up with a strategy to utilize the available resources to keep the business ahead of the competitors.

Porter, (1985) states that there are four ways in which organizations gain competitive advantage and they include; Cost leadership, differentiation, Cost Focus and differentiation focus. Cost leadership is achieved when firms make use of its available resources such as brand recognition, brand equity, distribution network or trademarks and patents effectively to control costs for improved profitability. When resources are utilized effectively, organizations develop distinctive competences that facilitate innovation and product quality hence improved customer responsiveness and customer satisfaction. Differentiation is achieved when a firm targets large markets with different offerings to increase its market share and realize strengthened brand recognition and Focus means the company's leaders understand and service their target market better than anyone else.

1.1.3 Brewing industry in Kenya

The brewing industry in Kenya was born in the year 1922 following the initiatives of George and Charles, two brothers from England. Initially, their business started as a private company, known as Kenya Breweries (Maina, 2018). The first brewed product from barley was released to the market in the year 1929, though it received mixed reactions. However, during the colonial days, only the Whites were allowed to consume the commercial beer, while Africans consumed the traditional liquor. After the incorporation of Tanganyika breweries into its business, the Kenya Breweries became

a public company in the year 1934, where it was rebranded as East African Breweries limited. In the year 1947, the Africans were also allowed to consume bottled beer and production grew higher. Later on, the EABL merged with Allsopps East Africa and became a holding company (Shiluli, 2011). Other subsidiaries of EABL include the Kilimanjaro breweries, Kenya malting Ltd (for barley production and processing of malt), and central Glass Ltd (for packaging of beer in glasses for sales). However, Kenya owns more investments and shares in this company because it can produce more barley and beer in East African region than any other company. The brewing industry is the biggest source of revenue for the government due to the high taxes imposed on these products.

In brewing business, sustainability practices can be achieved through the adoption of various strategic practices. This helps in the improvement of various aspects all the way from production, efficiency of resources, to the distribution of products to the consumers. Most global brewing companies have adopted auditing protocols to benchmark the efficiency of brewing business. The Brewing industry is quite competitive because there some large corporations which claim a stake in this sector (Juga *et al.*, 2018). Moreover, the brewing industry faces a lot of hardships from the economy in which it operates in, thus making the market to appear flat. These include high rates of competition, imposing of taxes by the government, and low spending by customers on beer. While the overall beer consumption in Kenya is on the rise, the industry faces stiff competition among the players. At the same time, there are foreign companies like SABMiller and Heineken among others have been fighting to have a market share in Kenya (Jernigan & Babor, 2015). This causes high competition to the local brewing firms.

1.1.4 Keroche Breweries Limited

Keroche Breweries was founded in 1997 with its business based in Naivasha Kenya, In the year 2008, the Keroche Breweries was launched so as to get customers in the middle economy class. This is the first Kenyan-owned whose CEO is Tabitha Karanja, with funding from Barclays bank, worth one billion shillings (Mbutia & Kariuki, 2016). This brewery is located in Naivasha with a 40,000 bottles capacity per day. The common brands produced by Keroche include Summit Lager and Summit malt that are widely distributed in the Kenyan markets. According to Madodo (2015), while EABL holds about fifty percent of the Kenyan brewing industry, its closest competitor is Keroche Breweries, and also the Kenya wines Agency (KWAL).

Being Kenya's second largest brewer, it has been making many investments in its bottling plant in order to attract a higher market share, which is a threat to the largest brewer, the EABL. As of the year 2011, the EABL had 80% market share, while Keroche company had 3% (Reuters, 2012). Popular beer brands from EABL are tusker malt, Guinness, and Tusker, which have a low price as compared to the imported beer brands. The Kenya brewery is part of the EABL, and is the manufacturer of Tusker, a very popular beer brand in the region. Keroche Breweries has been operating in the brewing industry with uniqueness of brewing high quality, natural, healthy and sugar-free beer, and hence has attracted a big market share in Kenya (Mbutia & Kariuki, 2016). The birth of Keroche Breweries, was a result of intensive research by the founders, where it was noted that majority of Kenyans lived below the poverty line. Thus, such population could not afford beer owing to lack of money and lack of choice, which led to thriving of local brews. Keroche Breweries are the manufacturers of

Summit Malt and Summit Lager which are one hundred percent Kenyan beer brands (Reuters, 2012).

1.2 Research Problem

In order to survive in the ever-changing business environment, organizations need to be keen on developing competitive strategies that focus on their customer and stakeholders needs. Porter (1985) highlights that there are five forces that determine profitability and they include; bargaining power of customers, bargaining power of suppliers, threat of new entrants, threat of substitutes and rivalry of existing competitors. These strategies therefore must be able to address changes in competition and other environmental factors. In order to achieve competitive advantage, firms need to understand their goals and objectives in the market so as to develop effective strategies from what they already have. Additionally, a competitive strategy makes the businesses to utilize much of their resources to facilitate optimal operations against their competitors.

Keroche Breweries Limited being one of the brewing companies in Kenya is growing rapidly and needs to compete with other breweries within and without the country. Generally, the current growth in the brewing sector has led to very high competition hence forcing the brewing firms to come up with different ways of informing their customers of its products for example advertising and giving out promotion materials e.g. branded T-shirts, water glasses etc. Other organizations have come up with programs that promote its products e.g. the tusker project fame launched by EABL. Competition has become so intense that some brewing companies have even been said to use un-ethical competition mechanisms like threatening distributors to stop them

from stoking other products from their competitors. In order for Keroche to compete with other players and remain relevant in the market it needs to employ several strategies like cost leadership, differentiation, cost-focus and differentiation focus (porter, 1985)

There are several studies that have been conducted related to the study both locally and internationally. Tripathi (2016) in his study on market analysis of Indian beer industry concluded that taste and price seem to be the major attributes that the consumer looks at when he purchases Beer. Juga *at el* (2018) in his study on impact of value adding services on quality, loyalty and brand equity in the brewing industry concluded that Value-adding services play an important role in building the brewery company's brand equity through perceived service quality. In Kenya, Mbovu & Mburu, (2018), investigated the role of reverse logistics strategy in enhancing the level of competitiveness at the EABL. The authors found that manufacturing sector can increase competitiveness by collecting used products and recycling them to make new products for use hence checking on costs. The repair and refurbishing process of used products ensures that the customer expectations are met, and that there is concern and care to the consumers of these products. Additionally, Mbovu & Mburu reported that the storage locations of products in a manufacturing company should review the sales data and minimize the distribution time to gain competitive advantage. With the brewing industry being so agile, the brewing companies need to adopt various strategic practices to achieve competitive advantage over their rivals. Ndungu (2011), in her study of competitive strategies adopted by players in the beer industry in Kenya concluded that players in beer industry are faced by several forces that shape competition. These forces

include: competitive rivalry, threat of new entrants, bargaining power of suppliers and customers, globalization, regulation and information technology

While previous research studies have been done on the brewing industry, they have focused on the performance of the industry as a whole other have focused on East African breweries alone. However, none of the studies has been carried out on strategies used by Keroche Breweries Ltd to gain competitive advantage and therefore the results of these studies cannot be used to make a conclusion on the current study. What are the strategies employed by Keroche Breweries Ltd to achieve competitive advantage?

1.3 Research Objectives

The objective was to establish strategies employed by Keroche Breweries Limited in to achieve competitive advantage.

1.4 Value of the Study

The findings of this research will enable the other investors or players in the brewing industry to determine the practices that can facilitate competitive advantage. Thus, managers in similar business or different businesses can use these findings to adjust their practices. Therefore, during policy formulation, the managers of various organizations will borrow from the successful strategies generated by this study to enable their organizations achieve competitive advantage.

To the researchers and practitioners, the findings of these research will guide them on areas that need further research. Information on the strategies used by Keroche Breweries Ltd will also provide new knowledge to aspiring entrepreneurs and

academicians to further explore this area of research in businesses for other industries as well, and shed more light in achieving competitive advantage.

To the government this study will give insights on how they can form a foundation for helping or enhancing the growth of small and medium enterprises. The study will guide them on which strategies to apply on different stages of business development to ensure profitability and success on the long run.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter is concerned with the review of literature on strategies adopted by brewing companies to gain competitive advantage. It will cover the theoretical and empirical literature, concept of strategy, competitive advantage and competition in various industries.

2.2 Theoretical foundation of the study

There are several theories that have discussed several strategies adopted by organizations in order for them to remain relevant and profitable among its competitors and are discussed as below

2.2.1 Resource based theory

This theory was proposed by BirgeWenefeldt in the year 1984 as a tool to identify and analyze the strategic advantages of a firm. This is achieved by making a close examination of the skills, intangibles, capabilities, and assets of the organization in question. According to the resource-based theory or view, an organization differs from another organization in various ways since each has its unique way of doing things. This distinction is through both tangible and intangible resources and capabilities which determines the manner in which the available resources are used. According to Shelomentsev *et al.*, (2017), an organization achieves competitive advantage based on the manner in which it utilizes the available resources. This is an indication that the implementation of strategic management by a firm is a function of the available

resources. This is true because even if the proposed strategies are so perfect, if there are no resources for implementation, they remain obsolete.

The firms that are endowed with many resources, superior structures and systems thrive more because they incur low costs and produce products of high quality to the consumers. However, the firms with fewer resources incur higher costs to produce and market their products. The relationship between competitive advantage and the available resources is that there is a higher competitive advantage at the upper part of the markets, a function of resources that are not easy to imitate. This theory also deliberates on the importance of management skill in a firm in order to develop other important capabilities (Alvarez & Barney, 2017). The fact that the available resources are linked to the overall economic profits, it is important to acquire the right skills and management team, with continued learning process to manage these resources sustainably.

2.2.2 Porters theory of competitive advantage

This theory was pioneered by the theorist, Porter in the year 1980, to determine the roles of competitive approaches in competitive strategy (Nehme & Nehme, 2014). In this case, the Porters theory relates the company to its environment. The nature of the organization's environment is determined by the exact industry in which it operates. In this case, the structure of each industry lays out the rules of the game in terms of business operations, which in turn determines the nature of strategies to be formulated and implemented. There are five environments in the competitive forces model namely; threat of substitution, the bargaining of power of buyers, rivalry among the incumbents in the industry, bargaining power of suppliers, and entry barriers. These factors assist

in the profitability of this industry, and helps organizations find their position so that they can work against these competitive forces or use them in their favor. Additionally, the competitive strategies change the position of an organization vis-a-vis the suppliers and competitors. This is the reason as to why some sectors in an industry might seem to be attractive as a result of structural impediments to the available competitive forces like low entry barriers.

Porter, (1980) Describes five competitive force environments which are: Power of suppliers which defines the manner in which the pressure emanating from suppliers affects the business operations. When one supplier is so big to an extent of affecting the profit margins of an organization, then such a supplier has a high power. Bargaining power of buyers is the influence that buyers use to exert pressure to the businesses to make them provide high quality products, low prices, and good customer services. Increased buyer bargaining power makes businesses to incur more costs and makes the industry more competitive, causing low profits to the sellers. Threat of new entrants suggests that if it is very easy for existing companies to get entry to a specified industry, then there are high levels of competition which are likely to be experienced. However, when it is difficult to enter the market, then such factors which limit entry are termed as entry barriers, and these limit new companies from entering the industry. Threat of substitutes explains the capability of a customer to move from using one product to using a competitive product. In the event of the cost of this switching being low, this is a big peril to the existing companies since their products can easily face competition (Schwenger *et al.*, 2014) and Competition rivalry is the extent of competition among the companies in a certain industry. When of competition is high, then there are low returns that are realized.

2.3 Strategy in Organizations

Strategy is a means via which companies achieve the laid down objectives. In business management, various strategies in the form of art, science and craft are used to formulate, implement and evaluate the cross-functional decisions which enable companies to meet various tasks. Through strategies, businesses are able to realize their vision, mission, and implement various policies (Hodgkinson *et al.*, 2009). Such strategies are crafted by the top management like the CEO and implemented by the employees under the supervision of the management. Strategies are the decisions that companies make to realize the objectives, and goals. Initially, strategies were indicative of any actions that the company would take to counter the actions of a competitor and avoid adverse effects in a given industry.

There are three levels of strategy implementation in an organization which include corporate level, Business unit level and functional level. All these levels are equally important for all types of business as they answer the what, how and when questions.

According to Goold and Sommers Luchs, (1996) The corporate level strategies are made by the management with contributions from all levels of business. These strategies help to answer the question of what you want to achieve in business it therefore defines a plan to achieve a specific target needed to achieve the business Goals. Strategies formulated at this stage are long-term in nature and allows for dynamic adjustments based on uncertainties and gradual change in market conditions, decisions are complex and affects the entire business. The strategies are therefore exercised throughout the entire organizational structure. Strategies made under this level include but not limited to Growth strategies, Diversification strategies, retrenchment strategies and Stability strategies. Brown and Blackmon, (2005) Defined

Business unit level strategies as those strategies that focus on customer needs and preference satisfaction. Strategies under this level are meant to ascertain actions taken to provide value to customers and gain a competitive advantage by exploiting core competencies in specific, individual product or service markets. Functional level strategies are the day to day strategies that keep the organization moving to the right direction. The strategies are made at the bottom level of organization and are meant to implement the business and corporate strategies. These strategies include marketing, Finance, production and operations, human resource and research and development.

Porter (1985) suggests that for organizations to remain competitive they should come up with strategies that adequately respond to their competitors hence giving them an upper hand in the market. Coming up with an effective strategy is therefore one of the most vital things an organization can achieve regardless of its size. Porter (1998) identified four generic strategies that help companies achieve profitability which are Cost Leadership strategies, Differentiation strategies, Focus strategies and Niche strategies. He defined Cost leadership strategies as where by an organization provides value to its customers at a lower cost compared to its competitors this is achieved by trying to lower on production costs and embracing the economies of scale, he also added that Differentiation being key to competitive advantage organizations has to deliver better benefits than anyone else in the market. This is attained by an organization producing Unique products that are of high quality which is realized through innovation, customer service and focus on quality. Focus involves understanding and serving your target customers better than your competitors. This can be achieved by use of either differentiation or cost leadership. Niche strategy is where by the organization focuses its effort on one particular segment and becomes well known for providing

goods and services within the segment. They form a competitive advantage for this niche market and either succeeds by being a low-cost producer or differentiator within that particular segment.

A well-defined strategy assists the organization in proper allocation of resources. As we all know resources are limited and therefore needs to be properly thought off during allocations in this case therefore strategy is about making choices. These decisions are very critical as they ensure the limited resources are allocated to the most promising projects that will derive the best outputs or returns. With businesses being faced with so many challenges and un taped opportunities, strategies have helped organizations to identify the characteristics that exist within the organization that give it advantage over its competitors, identify characteristics that pose a challenge to the organization compared to other companies, identify elements in the environment that the organization could exploit to its advantage and also identify those elements in the environment that could cause a threat to the organization in other words an organization should carry out SWOT analysis (Humphrey in the 1960). All organizations and their employees need to understand their purpose, destination and the steps they are taking to get there. Without a destination and focus in mind the staff could stay confused without knowing what route to take and what activities to prioritize over others. Providing an organization with a common goal and a set of actions to reach them warrants that every participant is working towards the same outcome which the success of the While strategy can be difficult for many organizations to begin, its benefits are many. From coming up with new business ideas, streamlining the operations and staff engagement. A well-formulated strategy will mean increased growth, profit and productivity both now and into the future.

Organization environment is composed of elements or forces surrounding an organization that affects its operations, resources and performance. All organizations are surrounded by an environment which highly determines its success. There are several elements that lie within and without the organization and are classified as Internal and External factors respectively. Internal factors are those that control the organization internally and they include workers, managers, financial resources and physical resources. It is good for an organization to identify the opportunities and threats outside the organization operations so that they can manage them to ensure success of the business. However, identifying the strengths and weakness within an organization helps the company to make use of the strengths and improve on the weaknesses hence success in the overall business. The external environment also contributes so much to the success of the organization and therefore the organization needs to be aware and understand them well so that they can manage them well. These factors include political, economic, social, technological, environmental and legal factors (Aguilar,1967)

2.4 Competitive advantage in organizations

Competitive advantage is that condition that makes an organization stay superior to other organizations. In order to be successful in business one need to understand the value you provide to your customers that is better than your competitors. In order to attain one need to be clear about your benefits, Target Market and Competition. Competitive advantage can be affected by social, economic and political factors which then determine the overall success of an organization. Of great importance is the political factor which involves the government relationship towards the said industry.

In cases where there is a high favorable terms and government regulations, there are high chances of the business achieving competitive advantage. A company is said to attain competitive advantage when it has an edge over its competitors, and secures its clients alongside creating defense from the forces of competition.

When a company gets an innovative strategy, which is distinct from what the competitors are using, this becomes a powerful tool to make more sales and hence profitability. This calls for close analysis of the sources of competitive advantage by getting to understand the possible business differentiation forces (Acquaah & Amoako-Gyampah, 2016). The companies are also required to develop strengths in resources and skills which are quite unique such that their rivals cannot easily imitate in order to gain competitive advantage. Porter (1985) outlined that just because an organization is leading in the market now, doesn't mean it will be forever and therefore a company must come up with clear goals, strategies, and operations to build sustainable competitive advantage. Porter (1980) identified three main Ways that companies can achieve a sustainable advantage which are Cost Leadership, Differentiation and Focus. He defined Cost leadership as where by an organization provides value to its customers at a lower cost compared to its competitors this is achieved by trying to lower on production costs and embracing the economies of scale, he also added that Differentiation being key to competitive advantage organizations has to deliver better benefits than anyone else in the market. This is attained by an organization producing Unique products that are of high quality which is realized through innovation, customer service and focus on quality. Focus involves understanding and serving your target customers better than your competitors. This can be achieved by use of either differentiation or cost leadership.

The effect of this interaction is unpredictable since actions are often unplanned. The systemic perspective claims that each of the above approaches is characterized by a narrow view of the world and that the rationality of a particular strategy depends on its specific historical, social and cultural context. To a large extent, the aim of business strategy is to reach a sustainable competitive advantage. Competitive advantage examines the economics of a firm's business focusing primarily on its ability to generate good returns on capital. It is a firm's competitive advantage that allows it to earn excess returns for its shareholders. Creating a sustainable competitive advantage could be the most vital goal of any firm and the most significant single attribute on which any firm must place its most focus in order to be successful in the long run.

2.5 Empirical studies and research Gaps

There are several studies that have been carried out in and outside Kenya. According to Saeidi *et al.*, (2015) Overall performance of a business is determined by the relationship between corporate social responsibilities (CSR), customer satisfaction, and competitive advantage. This is because the CSR is associated with positive effects on competitive advantage. At the same time, reputation and competitive advantage determine the outcomes of the relationship between the overall company performance and CSR. Therefore, Saeidi concluded that the CSR has had an indirect role in increasing the firm's competitive advantage which increases the level of customer satisfaction. In Kenya, Mbovu & Mburu, (2018), investigated the role of reverse logistics in enhancing the level of competitiveness at the EABL. The authors found that manufacturing sector can increase competitiveness by collecting used products and recycling them to make new products for use. The repair and refurbishing process of used products ensures that the customer expectations are met, and that there is concern and care to the consumers

of these products. Additionally, Mbovu & Mburu reported that the storage locations of products in a manufacturing company should review the sales data and minimize the distribution time to attain competitive advantage. With the brewing industry being so agile, the brewing companies need to adopt various strategic practices to gain competitive advantage over their rivals.

According to Karemu (1993), in a study of strategic management in the retail sector, there was intense competition among the supermarkets in Nairobi. The study found that service, location and varieties of merchandise were most mentioned as creating competitive advantage. Ndungu (2011), in her study of competitive strategies adopted by players in the beer industry in Kenya concluded that players in beer industry are faced by several forces that shape competition. These forces include: competitive rivalry, threat of new entrants, bargaining power of suppliers and customers, globalization, regulation and information technology. In all the studies it is clear that all businesses are faced with increasing competition. This has led to firms adopting various strategic responses in order to survive in the market. While the reviewed studies compare well to the current study since they all discuss about competition and competitive advantage, they differ from the current study in the aspect that, none of the studies has focused on Keroche industries as a company. The current study therefore finds a research gap in the sector.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The main objective of this study is to find out strategies employed by Keroche Breweries limited to achieve competitive advantage. The chapter guides the researcher on the approaches used in carrying out the study and it covers on the research design, data collection and data analysis.

3.2 Research design

This is a case study design, because it involves the in-depth analysis of only one organization to answer the research question. It involves collection of primary data which is qualitative in nature. According to Kombo and Tromp (2006) a case study design is a way of organizing educational data and focusing at the object to be studied as a whole, and should be used when one is intending to analyze an issue in detail. Research design being a plan that guides researchers in various stages of research, Orodho (2003) refers to research design as the scheme or a plan that is used to get the answers to research problems.

In this case, open ended questions in form of interview guide were used as data collection tool. The target population was the top management team of Keroche Breweries limited who gave their views and experiences of strategies employed by Keroche Breweries ltd to gain competitive advantage. It is these strategic management practices that are linked to the level of competitive advantage and hence the overall performance of this company in the brewing industry.

3.3 Data collection

Data collection refers to the process of gathering and measuring information on targeted variables in an established systematic fashion, which then enables one to answer relevant questions and evaluate outcomes. Data collection was from primary sources. This data was collected using an unstructured interview guide. Three managers from three departments of the organization were used as the interview respondents.

According to Cooper and Schindler (2003) interview guide helps obtain in depth information as the researcher can adjust the questions as required, clarifies doubts and ensures that the responses are well understood through paraphrasing or repeating as required. Interviews was the main method of collecting data and necessary care and due diligence was observed to ensure the validity and reliability of the data collection.

3.4 Data Analysis

Data analysis is said to be the process of inspecting, transforming, cleansing, and modeling data with the aim of determining useful information, making conclusions, and supporting of decision-making. Since an interview approach was used in data collection, qualitative content analysis of data was used to interpret the information gathered.

After conducting the interviews, transcription and organization of data followed. The transcripts were analyzed systematically for easier interpretation, comments on similar themes were then grouped together in order to interpret them and draw conclusions.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the analysis, findings and discussion of the research. It discusses the strategies employed by Keroche Breweries Ltd in its quest to navigate the competitive brewing environment. From the study population target of 3 respondents, the researcher managed to interview all of them, constituting 100% response rate.

4.2 Profile of the respondent

The study sought to know the positions of the respondents and the number of years they had worked for Keroche Breweries Ltd. The researcher interviewed three managers from Sales and marketing department, Projects management department and Strategy planning department. According to the interview, all the managers had worked for 7 to 15 years at Keroche Breweries Ltd. The study sought to find out the overview of brewing industry in terms of competition and general business environment. According to the interviewees, the company felt that the intensity of rivalry was skyrocketing among the existing firms despite few players in the industry. One of the respondents cited instances of rivalry particularly those involving competitors investing ahead; that is, they were spending more on retail merchandise, upgrading plants and machineries and spending more on billboards while advertising their products. The interviewees indicated that they had projected a more intensified level of competition and rivalry in the near future. They indicated the need to increase the sales and advertisements of particularly, their new products such as Summit lager, Summit malt and Valley wine.

4.3 Strategies employed by Keroche Breweries Ltd to gain competitive advantage

The study sought to understand the competitive forces including the buyer power, threat of new entrants, competitive rivalry and threat of new substitutes and how they affect the brewing industry. While answering to the buyers' power question, the interviewees noted that the buying power of buyers had no tremendous change in the industry hence did not offer high risk in the company. The reason they advanced was that the buyers for spirits and wines were represented by alcoholic beverage wholesalers, restaurants and bars as well as supermarkets which form part of the associations that had not reached a stage to bargain as a group. According to the one of the respondents, the company organized bar owner meetings in different regions covered by sales people to get insights on the business trends in those areas, the challenges the bar owners were facing and the advantages the company may leverage its key resources on. These strategies proved to be effective since they gave the bar owners the opportunity to interact with the company and give them feedback in terms of performance and demand of their products. This assists the policy makers in making effective adjustments that are geared in meeting the consumers' demands. While responding to the question of threat of new entrants, the interviewees indicated that the threat of new entrants had been increasing since more competitors were entering in the Kenyan market. They all agreed that the move was accelerated by the friendlier government policy that had made entry into the industry much easier for the firms. The interviewees added that the growing middle class in the country who have more disposable income had attracted competitors in the industry. As such, there was a growing demand for Keroche products from the consumers who have been exposed to the luxury products. The interviewee indicated that some of the strategies they have put in place are timely analysis of the

consumers' insights. The resulting data is then analyzed to give information that will form the basis for various decisions making including consumers' motivation, new consumer trends and consumers' aspirations. The interviewees felt that the competitive environment resulted to the success of new innovations and brands by the company including Summit malt and Valley wine.

The study sought to know whether competitive rivalry affected the Keroche Breweries Ltd. According to the interviewees, felt that there was stiff rivalry among the existing companies. Despite the fact that the Brewing firms are few in number, they offer significant competition to Keroche Breweries Ltd. According to the one of the repondents, the East Africa Breweries limited has remained a key competitor in matters of products quantity, diversity as well as marketing and advertisements. The interviewees indicated that they are looking forward for a more robust, appealing and customer centered brand as well as marketing and advertisement of their products going forward.

The study also wanted to investigate whether threat of substitute had an influence in the Brewing industry. The interviewees considered the threat of substitute as not a threat to the company. They indicated that there was no product in any other industry that could outcompete with the brewing industry in terms of operation and scale. Additionally, the benefits that consumers get from alcohol could not match any other product in any other industry. Therefore, the interviewees did not state any strategy to alleviate this force.

The study sought to find out where the company ranked in the brewing industry in terms of performance. The interviewees claimed they were among the leading brewers of beers, spirits and wine in East and Central Africa. One of the repondents stated that

Summit lager was among the best selling beer not only in Kenya but in East Africa as well. The respondents added that Viena has for almost a decade remained the one of the best peoples' brand particularly middle and low income earners.

The sought to find out the company's market share in the brewing industry. The interviewees stated that the company had between 3% to 8% market shares in the industries in Kenya. One of the repondents indicated that they are looking forward to increasing market shares through implementation of effective strategic policies geared towards improvement of the quality of their products.

The study sought to know the company's niche or rather the customers that the company focus on. According to the interviewees, the company basically focused on the growing middle class individuals across the country. This group is believed to have more available disposable income which has really attracted the competitors since they are exposed to luxury products particularly the premium. Additionally, the study sought to understand the opportunities that the interviewees expected the organization to exploit in the future to sustain its competitive advantage. One of the repondents stated that the company intended to increase engagement with the barley farmers and to support them produce more hence increase its supply to the company. According to repondents, the company intended to improve on advertisement of their products in order to reach as many potential consumers as possible. This move is expected to increase sales significantly.

The study sought to identify the formal strategies employed by Keroche Breweries ltd to gain competitive advantage. The interviewees stated that the company carried out constant market research as well as keeping track of their clients. The management

organized bar owner meetings in different regions in order to get insights on the business trends in those areas. They identified the challenges the bar owners were facing and assisted them where possible. This engagement improved their relationship with the bar owners hence giving the policy makers the opportunity to understand the consumers' need as well as to evaluate their performance.

The interviewees also indicated that the company had prioritized products advertisement on various platforms including on social media, Radios, Television, print media and billboards as well. The company's strategy was to make more appealing and customer centered products advertisements that would significantly translate to increased sales by the company. They indicated that consumer needs was their key concerns in ensuring quality products in the market. The company conducted shows and offered promotions to their customers to increase brand awareness to the public. They also carried out market surveys to assess their position in the market and plan ahead. This assisted the management in making various decisions such as consumers' satisfaction and new consumer trends.

The interviewees indicated that improvement of technology is paramount for the company to survive in the ever growing and competitive brewing industry. They indicated that the company has remained sensitive on matters of plant and machinery improvement and upgrade to conform to the current needs in the industry. Improved technology is important in saving time and increasing the efficiency in production process.

Study sought to know the strategy has been most successful and the company's competitive edge over its competitors. According to the interviewees, the engagement with the barley farmers and their support towards increased production has been fundamental in ensuring constant and regular supply of the barley in and out of the season. The company is determined to offer even more financial assistance to the farmers in order to increase the supply at the same time improving their living standards. The interviewees noted that their strategies were the companies top priority policies that were geared towards gaining competitive advantage. They added that the managers considered implementation of these policies rather than just formulating them. The respondents indicated that if these policies were not effectively implemented and constantly reviewed, then achieving competitive advantage would be a mere wish. They emphasized the need for fast-tracking the implementation of the policies as the only way of gaining competitive advantage over their competitors. The sought to understand what make Keroche products acceptable in the market. The interviewees indicated that the company produced high quality products which are sugar free and safe for human consumption.

4.4 Discussions of findings

This study is in concurrent to the study done by Nehme & Nehme (2014) on the roles of competitive approaches in competitive strategy, using Porter's theory of competitive advantage. Porter's model is a useful tool as it is used by the firm to understand it strength of their competitive position in comparison to the environment they are operating in as well as the position they are considering moving into. The strategic planning is a requirement for any firm that wants to be competitive and thrive in the industry it is operating in. Keroche Breweries ltd is not any different and the study

found that the firm does engage in strategic planning to ensure that it remains competitive and able to navigate the brewing industry. The Porter's five forces theory is employed to give good insight on the strategies employed by Keroche Breweries Ltd to gain competitive advantage. Given the knowledge about the power of competitive forces, organizations develop options to influence them in a way that improves their own competitive positions. The competitive strategies are used to exploit opportunities in the firm's environment given its strength at the same time neutralizes threats in its environment while avoiding firm's weaknesses.

The study established that Keroche Breweries Ltd engage in periodic strategic planning based on the objectives and goals set out by the policy makers and other stakeholders. The company is charged with the responsibility of ensuring that the strategies chosen to achieve these objectives take into account the environmental changes and how they will affect their achievement. The strategies are cascaded to all the company employees so that they all put their effort towards achieving a common goal. These strategies promote collective responsibility and synergy which result in increased productivity and performance of the firm. This study was in concurrent with a study that was done by Goold and Sommers Lunchs, (1996) who said that the corporate level strategies are made by the management with contributions from all levels of business.

This study is in concurrent to the resource-based theory proposed by BirgeWenefeldt in the year 1984. According to the resource-based theory or view, an organization differs from another in various ways since each has its unique way of doing things. It defines how tangible and intangible resources and capabilities determine the manner in which the available resources are used. According to the interviewees, Keroche

Breweries Ltd policy makers formulate unique but informed policies for the firm. In addition, they ensure implementation of those policies through effective monitoring and evaluation program by the firm. This guarantees efficient utilization of resources on various projects and programs by the company. The study is also in concurrent to the study done by Shelomentsev *et al.*, (2017) that states that an organization achieves competitive advantage based on the manner in which it utilizes the available resources. Keroche Breweries Ltd policy makers take into consideration the implementation of strategic policies set by the firm as a fundamental role in the utilization of available resources. The firm support barley farmers as a strategy of ensuring that there is constant supply of enough produce as when the company requires it. As such, the company endeavors to implement its policies using the available resources to gain competitive advantage.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary of findings, conclusions, recommendation for policy and practice, limitation and suggestion for further study.

The study set out to determine the strategies employed by Keroche Breweries ltd to gain competitive advantage. The study made use of primary data that was collected through personal interviews with the interviewees.

5.2 Summary of findings

The study found out that in order to gain competitive advantage, the company needed to adopt effective strategy policies as well as keeping track of their implementation. The company carried out constant market research and keeping track of their clients. They organized bar owner meetings in different regions in order to get insights on the business trends in those areas. The company made several products advertisement on various platforms such as social media, Radios, Television, print media and billboards in order to increase product awareness to potential clients. The management prioritized the need for conducting shows and offering promotions to their customers to increase brand awareness to the public. They also carried market surveys to assess their position in the market and plan ahead. The company was sensitive on matters of technology in order to conform to the current needs in the industry, save time and increase efficiency in production. In addition, the company considered supporting the barley farmers as a sure way of enhancing constant and regular supply of the barley for industrial use.

5.3 Conclusions

The study concluded that Keroche Breweries Ltd seems to be doing commendable job in utilizing the strategy policies which have made it gain competitive advantage. It is evident that the company is conscious of the need for the implementation of the policies. The study concluded that there was a need for managers and policy makers to consider the implementation of the strategic policies rather than just formulating them. Additionally, the study emphasized the need for Keroche Breweries Ltd to advance fast-tracking and monitoring the implementation of the policies in order to gain competitive advantage over their competitors. The study also found out that production of quality product was crucial in ensuring consumers' satisfaction as well as public trust in the company's products. As such, this will increase its competitive advantage in the market.

5.4 Recommendations

Keroche Breweries Ltd has done considerably well and continues to be among the leading alcohol brewing firm in Kenya. However, with the increasing number of competitors entering the market, it needs to be more aggressive in its innovation, production and marketing of its products. This is because other than competition coming from local firms, the companies taking root are international and soon will start out spending them in order to get a piece of their market share. Therefore, it is important for the company to consider effective implementation of strategic policies geared towards sustained growth in order to survive in the competitive market.

5.5 Limitation of the study

The findings of this research were limited by the time available for the research and particularly data collection. This is because the interview method was used to collect data. Some interviewees were very cautious about the amount of time they were willing to give for the interview. The other challenge was accessing the senior managements during the time of study. Additionally, the companies would like to keep their strategies confidential because they would use them to gain competitive advantage. Therefore, the interviewees were not willing disclose all their strategies in some cases or give details of how they have implemented their responses.

5.6 Suggestion for further research

The study focused on Keroche Breweries ltd and the strategies it uses to gain competitive advantages. However, further research can be done on other major players in the brewing industry in Kenya. Another area of further research would be comparative analysis of the strategies used by all players in the industry and their significance in the growth of the industry.

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APPENDICES

Section A: Interview Guide

- 1) What is your position in Keroche Breweries limited?
- 2) How long have you worked for Keroche Breweries limited?
- 3) Kindly give me an overview of the brewing industry in terms of competition and the general business environment.
- 4) There are five competitive forces: buyer power, supplier power, threat of new entrants, competitive rivalry and threat of substitutes. How do they affect the brewing industry?
- 5) Where does Keroche Breweries ltd rank in the brewing industry in terms of performance?
- 6) What is the company's market share in the industry?
- 7) What is the company's niche or what customers does the company focus on?
- 8) Which opportunities do you expect the organization to exploit in the future to sustain its competitive advantage?
- 9) Does Keroche Breweries have any formal strategies in place? Which are they?
- 10) Which strategy has been most successful and gives the company competitive edge over its competitors?

11) What strategies does your company utilize to develop competitive advantage?

12) How does the company develop competitive advantage?

13) What makes Keroche products acceptable in the market?