COMPETITIVE STRATEGIES AND COMPETITIVE ADVANTAGE OF COCACOLA COMPANY LTD., KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION UNIVERSITY OF NAIROBI

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DECLARATION

This research project is my unique work and has not been submitted for a degree in this or some other College/ university.

Signature ……………………………………….. Date ……………...…………

Huldah Bonareri Bitange

D61/64872/2013

This research project has been submitted for Examination with my approval as the University Lecturer.

Signature. ……………………………………….. Date …………...…………

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DEDICATION

I dedicate this project to the Almighty God for being the pillar of my strength, for wisdom, for good health, for provision of resources to complete the program and being my source of inspiration. I also dedicate this project to my late mother, for being my number one cheer leader, for the prayers, the emotional support, for being my greatest motivation and for believing in me even though she did not live to see me graduate. To my dad and my siblings who have supported me and encouraged me and made sure I gave all it takes to finish what I started. My appreciation and love for you can never be quantified. God bless you.

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I wish to acknowledge the contributions of all those who assisted me in one way or another. To Prof. Bitange Ndemo and Dr. Pamela Bitange, thank you for the support and encouragement.

Your untiring guidance, hard work and encouragement were invaluable without which the research would not have been possible.

For all this, I truly thank you all and may the good Lord bless you richly.

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ABSTRACT

The objective of this study was to determine the competitive strategies and competitive advantage of Coca Cola Company Ltd. The study was grounded using the open systems theory, the game theory and the resource based view theory. The study adopted a case study research design. This type of research design was chosen because it would allow the researcher to execute an in-depth examination about the object being studied. An interview guide was used to collect data. Data was collected by interviewing ten (10) employees in the operations management level of Coca-Cola Company. This category of interviewees was believed to be conversant with matters that are related to competitive strategies and the firm's competitive advantage. This study used content analysis. The respondents indicated that the company is heavily guided by differentiation followed by focus and cost leadership in that order. When the researcher noted that the respondents were comfortably reciting the strategies, it was thought necessary to probe further to determine the source of this knowledge. The respondents argued that Coca Cola differentiates its product offer at nearly all levels: at the core product level, the respondents noted that the company has always taken pride in the fact that it has heavily patented its products so copying of the formulation is never a possibility. At the promotional level, the respondents noted that the company's promotional campaigns were not comparable to any other globally. The reason for this is that for example advertisements by the company have a global appeal.It was argued that the company applies segmentation of markets, effectively indicating that they produce products with specific segments in mind. The respondents were very clear in their minds that mass marketing or the best one for all kind of marketing would not work. Segmentation, they noted, is observed even developing the distribution strategy and channel management. They were all in agreement that the company chooses which segments to involve itself in. This is targeting. The respondents noted that in the beverage industry in Kenya, cost leadership may not be a dependable strategy. The reason for this, they noted was that the industry is rigid such that relying on price manipulations and the price advantage may not yield much by way of competitive advantage. It is recommended that before the management embarks on the choice of a competitive strategy, it must first consider the resource base of the company, the objectives and its position in the market. The choice of a strategy communicates the intentions of the company to the shareholders, the competitors and so on.It is recommended that future research efforts be focused on a census study. A census study comprises all members of the population. In this case all counties in Kenya would be studied. The advantage with such studies is that they provide results that are not only fairly stable in terms of sampling error but also the findings provide enhanced generalizability. This study was a case study and as such only one county was studied. Case studies do have limitations in terms of generazability of findings

CHAPTER ONE

INTRODUCTION

1.1 **Background of the Study**

The high competitive environments in which organizations operate in highly determine how they conduct their operations. Particularly, the increased competition due to globalization and improved technology has led to organizations to experience challenges in gaining competitive advantage (Gupta, 2012). The managements of all types of organization are thus necessitated to reorganize their approaches to both operation and human capacities. To achieve this they need to employ strategies that will make them have a competitive edge against the competition in the industry (Nenzhelele and Pellissier, 2014).

The study will be anchored by open systems theory, Game theory and resource based theory. Game theory and open systems theory hold that the choice of strategy or implementation is highly pre-determined by the choices being used by other firms. Resource Based View Theory on the other hand speculates that the available firms resources are what determines the strategies a particular firm can be able to adopt and to which extent (Gichohi, 2014)

The expansion of trade between countries and globalization lead to the economic growth of nations and the world economy as a whole. However, MNC’s similar to the local organizations of recent have been posed with growing competition ascending from various causes including other MNC’s (Pellissier and Nenzhelele, 2013). They also experience the challenges of unfamiliar business environments and unfriendly laws. The formulation and implementation of strategies is thus hypothesized to help these organizations gain competitive advantage. However, the exact strategies that have been adopted by these multinational corporations is not well established (Ahmad, 2015). The strategies have been established to differ greatly with no uniformity been in the organizations and thus the motivation of this study

Because of investing and having operations in foreign markets, Multinational Corporations (MNCs) are usually faced by dynamic business environments, competition, different cultures and direct operational complexities in their host nations. This necessitates their management to develop and implement successful competitive strategies to remain competitive in their respective countries. A lot of multinationals have recently realized that Kenya because of its population is one of the emerging markets in Africa. Economically, this means more of these multinationals are spending money doing business and implementing growth strategies here. In particular, Nairobi is the head quarter of many international organizations ranging from NGO's, banks, corporate offices and multinational companies (GOK, 2017).

1.1.1 Concept of Competitive strategies

Competitive strategies are termed as the measures put in place so as to accomplish both short term and long term organizational targets (Chandler 1962). They are also defined as the decisions and actions meant to achieve business objectives and purpose, (Johnson and Scholes 2006). Similarly, Pearce and Robinson, (2010) define competitive strategies as the plans intended to maximizing the organizational resources and gain an upper hand in the competitive environment in line with the company objectives. These are the collaboration of the external environment, the resources and values of the organization (Thompson and Strickland, 2008).

Organizations operating in foreign markets may adopt numerous strategies, which will help in attaining the set targets and competing with other firms. These strategies include acquisitions, licenses, contracts and franchises, joint ventures and strategic alliances (Nenzhelele and Pellissier, 2014).However, the competitive strategies may have advantages for the companies to utilize as well as disadvantages that must be well-thought-out by the company’s senior managers. This is because organizations differ both structurally and on the available resources hence a strategy which may work in one organization may not work in another.

1.1.2 Concept of Competitive advantage

Competitive advantage is termed as the capability of companies to produce goods or services better than raver, therefore having an upper hand (Kinicki and Williams, 2006). This requires companies to stretch and use their resources more effectively and more efficiently. Competitive advantage can be characterized into the following five categories: product advantage, knowledge advantage, cost advantage, relationship advantage and structural advantage (Wickham 2006).Product advantage entails providing products of the best quality, knowledge advantage is about the organization having additional knowledge than the competitors such as product knowledge, market knowledge and technical knowledge, relationship advantage is building a trust, loyalty and good rapport with the customers while structural advantage is having the necessary equipment and resources to conduct the operation (Wickham 2006).

Organizations in both the developed and developing countries are faced with numerous challenges on their day to day operations (Mathooko, 2014). These challenges if not well addressed are most likely to affect negatively the performance and success of the business. Regardless of the challenges being faced, adoption of appropriate strategies has the potential of countering this. The multinational corporations in Kenya therefore ought to yearn to gain competitive advantage so as to thrive in the market dominated by the local companies (Ahmad, 2015).

1.1.3 Beverage Companies in Kenya

According to Kenya National Bureau of Statistics (KNBS), (2016) the manufacturing industry in Kenya grew at 3.5% in 2015 and 3.2% in 2014 contributing to 10.3% to gross domestic product (GDP). Wesgro, (2015), Kenya food and beverages; sector overview, observed that soft drinks grew by 5.3% in 2015 and 4.8% in 2014. While fruit juices grew by 1.4% and 1.3% respectively. Among the statistics the beverages sector is equally represented. The beverages industry in Kenya constitutes a large portion in the manufacturing sector thus its significance in offering employment, collection of revenue through tax by the government and earning of foreign exchange through export of the products to foreign markets, (Institute of Economic Affairs, (IEA), 2002).

This industry is very significant because of its linkages with other industries and sectors such as transportation, advertising and glass making. Kenya‘s bottled beverage is composed of carbonated soft drinks portion, the dominant market player being the Coca-Cola Corporation. Softa Bottling Company also having a share of the Kenyan market, (IEA, 2002).

According to Giathi, (2003), the major players included: Picanna Juices, Kuguru Food Complex Limited, Delmonte and Coca-Cola. Currently there are many players in the Kenyan market, e.g. Nairobi Bottlers, Equator Bottlers, Kisii Bottlers, Beverages Services, Coastal Bottlers, (Excise Licensed Manufactures Report– KRA, 2017).

1.1.4 Coca-Cola Company (K) Ltd

The Coca Cola Company in Kenya in November 1995 and followed suit a little over two years later with the purchase of Flamingo Bottlers in Nakuru from the Shah family in December 1997. In 2000, East Kenya Bottling of Machakos was added to the territory, thus reducing the number of bottlers to the current six (Kibera. & Waruinge, 2008). Nairobi Bottlers later formed a corporation in the late 1960s with the Industrial and Commercial Development Corporation (ICDC), which is the government’s initiative for promotion of investment. There were eight bottlers in Kenya, the other seven being: Mt Kenya Bottlers, East Kenya Bottlers, Equator Bottlers, Kisii Bottlers, Flamingo Bottlers, Rift Valley Bottlers and Coastal Bottlers. All these have common ownership in ICDC, while the other investing owners differ. Coca-Cola South Africa bottling company (Sabco), together with a local investment partner, acquired Nairobi Bottlers Limited from

Heineken East Africa Import Company (HEAIC) is a subsidiary of the Heineken Group which is a multinational and one of the world's leading brewer available in over 170 countries in the world. Heineken is the global brewer and distributor of beer and cider. The Company offers its beers under the Heineken, Amstel, Desperados, Sol, Tiger, Tecate, Red Stripe, Krušovice, Birra Morett, Affligem, and Lagunitas brands; and cider under the Strongbow Apple Ciders, Orchard Thieves, Stassen, Bulmers, Old Mout, and Blind Pig brands. Through its distributors, Heineken delivers products to retailers, bars, and restaurants.

1.2 Research Problem

Organizations both in the developed and developed countries are constantly being faced by challenges that pose a threat to their sustainability. With the advancement in technology and increased players in the industry, the competition has been intensified even further. Coping with this increased competitive environment demands companies to do reconsideration of their marketing strategies (Pearce and Robinson, 2005). Particularly, competition among the organizations has intensified leading to most organizations having lower returns. This has raised interest on the exact strategies that may be adopted by these companies so as to remain dominant (Dimba, & Rugimbana, 2013).

The beverage industry in Kenya is arguably the second if not the first most significant industry and sector for various reasons that include: provision of employment, generation of revenue, foreign exchange earner, and most importantly generates the most needed drinks that supplements traditional tea and coffee, (Wesgro, 2015). Besides, beverages industry is important because of the pivotal role in terms of linkage between it and other industries like glass making, advertising and transportation, (The Institute of Economic Affairs, 2002). Beverages forming a larger portion in food sector therefore becomes very interesting and important object of analysis in broader aspects.

Several studies have been done with regards to MNC's. Internationally, Sadaghiani, Dehghan and Zand, (2011) examine the Impact of international market entry strategy on export performance using a descriptive research design.

The study revealed that market entry strategy influence the export performance of the Iranian export companies. However, the study concentrated more on market entry strategy and less on competitive strategies and how they influence MNC's competitive advantage. Poklopová, (2014) sough to establish the Strategic Analysis of the Branch of the Multinational Company a case study of Smurfit Kappa Olomouc, branch using explanatory research design. The study revealed that SKO has optimized processes; it invests in innovation, and puts emphasis on the human resources. Haapalainen and Skog, (2011) focused on Growth Strategies of Multinational Companies: Jewelry Retail Industry using case study research design. The study established the Growth Strategies adopted includes Porter's generic strategies, internationalization and diversification. However, the study was more focused on Growth Strategies. Ajang and Njofor, (2007) did an Assessment of Market Growth Strategies in a multinational company: The case of Komatsu Forest AB. findings showed that this company implements acquisition, partnership/networks and diversification at the corporate level and high pricing, differentiation at the business level as its market growth strategies. However, the study was more focused on Growth Strategies

Locally, Locally, Machau (2009) examined the Strategic Responses to Changes in the External Environment. The Case Study of Kenya Commercial Bank. Case study research design was used.The study established that changes in the external environment were negatively related to the external environment. However the study did not focus on MNC's. Ogutu, and Nyatichi, (2012) examined the competitive strategies adopted by Multinational corporations in Kenya. The findings indicated clearly that for multinational corporations to sustain their competitive advantage in the market they have largely adopted broad differentiation strategy. The study however wasn't able enumerate the other strategies adopted by these companies. Barasa, (2013) did a research on the strategies used by multinational pharmaceuticals firms in Kenya using descriptive research design. The research findings show that Companies that want to internationalize must decide on an appropriate mode of entry. However the study restricted itself to multinational pharmaceuticals firms.

Ndungu, Machuki, and Murerwa, (2014) conducted a study on comeback strategies by commercial multinational corporations to economic changes in Kenya using explanatory research design. The research pointed out that the commercial multinational corporations are aware of some of the dynamic within the extended environment thereby using cost-cutting strategies which deals with reducing costs and divestment of non-core assets. The study failed to explicitly show the linkage between competitive strategies and competitive advantage. Kungu, Desta, and Ngui, (2014) on their study on an assessment of the success of competitive strategies by commercial multinational corporations. The research used a descriptive research design. The research however focused on commercial multinational corporations. However, the available literature is not sufficient enough in explaining the strategies that may be adopted by these companies to help them in gaining competitive advantage. In order to address this knowledge gap, the study seeks to ask the following research question: What are the competitive strategies adopted by Coca-Cola company to gain competitive advantage in Kenya?

1.3 Research Objectives

The objective of this study will be to determine effect of competitive strategies on competitive advantage of Coca-Cola company in Kenya.

1.4 Value of the Study

To the management of Coca-Cola Company they will be able to evaluate which strategies are crucial in gaining competitive advantage. This will afford them ascertain the cracks in their strategies which may improve their strategic response and as an outcome move towards effectively managing their current strategies which will enhance performance.

The study will be important to the shareholders of the multinational corporations in evaluating the effectiveness of the multinational corporations' strategies as they cope with the increasingly competitive financial market locally. By identifying the appropriate strategies in coping with competition, the industry will also be able to achieve their objective much faster and growth of the individual firms.

This study will provide information for other researchers on related topics. The study will also benefit other academicians who undertake the same topic in their research. The results of this study will thus have value in the academic field in that it will help in filling existing gaps in literature on strategies adopted by multinational commercial multinational corporations in coping up with competition in Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

An organization that desires to compete effectively and make profit in the industry it operates in must outwit other players in that industry through developing strategies that gives it an advantage over its competitors. This therefore means that the organization's leadership must think strategically and hence formulate and implement strategies that will enable the organization to achieve its vision and mission and in effect perform better than competitors (Thompson and Strickland, 2003).

For an organization to be able to survive the forces posed by the external environment it must be able to develop strategies that give the organization a unique advantage in comparison to competition. This requires the organization's leadership to adopt strategic thinking and responses in making decisions

This section reviews the existing theoretical and empirical literature on strategies adopted by multinational corporations to cope to competition. The chapter reviews different theoretical frameworks, the competitive strategy practices, and the empirical literature and finalizes by giving a summary of the literature and an overview of the research gap.

2.2 Theoretical foundation

This study is anchored on the following theories, they are as follows.

2.2.1 Open Systems Theory

Open Systems Theory was initially introduced by Ludwig von Bertanlanffy (1956) However, has been modified since then and been used in many disciplines. The theory tries to describe the composite associations between people, responsibilities, and technologies and helps us to see how these can be used to improve companies performance (Pasmore and Sherwood, 1978).The theory expresses the associations among the organizations and the environment in which they are involved.

The study finds this theory appropriate as it tries to establish the influencing nature of the external environment to the firm. Thus the types of strategies kept in place by multinational corporations to cope competition are theorized to be influenced externally; this could be due to competition or government policies. This is due to the fact that any change in the external system could highly influence the performance.

It is therefore due to this continuous interaction with external environment that has seen organizations operating as open systems. The Open Systems theoretical framework implies that the decision on the nature of competitive strategies to be adopted by the multinational corporations is highly dependent to the external environment. For effective strategies, the external environment; for example competitors, should be critically analyzed and used during the formulation of strategies

2.2.2 Game theory

Game theory as described by Kotler (1998) acts as a mathematical tool for the decision-maker in firms. The strength of game theory lies in the method it offers for structuring and analyzing problems of strategic choice. Game theory has shown to be a predominant theory in analyzing the types of competitive strategies adopted by organizations (Shapiro, 1989). This theory holds that the firms choose their strategies based on their competitors' strategies.

The market is seen as a game whereby each firm is termed as a player and each player's action influences the actions of the other player either directly or indirectly. The multinational corporations therefore ought to not only analyze the competitive strategies adopted by companies but also know how to counter attack these strategies. Additionally they have to be able to formulate even better strategies in order to gain competitive advantage (Furrer and Thomas, 2000).

The theory provides a framework upon which participants who are in a conflicting or a cooperating situation are able to make decisions while taking into consideration their opponent's probable move. In game theory, the game must have players, strategies, outcomes and playoff. The strategies developed by the players and the perceived individual payoff when mapped on a matrix will show different combination of choices out of which a dominant strategy might exit (Parkhe, 1993).

2.2.3 Resource based theory

The model can be traced to Penrose (1959). Resource based view theory as an approach to gaining competitive advantage emerged in the 1980s. One of the scholars who espoused this was Wernerfelt (1984) who noted that looking at the internal organization and its resources is important in understanding how competitive advantage is determined within an organization. Hitt et al. (2004) notes that the organizational internal environment which comprises of its resources and capabilities is critical in determining the strategic action of an organization.

Barney (2002) notes that to gain competitive advantage, the organization resources should be imperfectly imitable, rare, not substitutable, and valuable. This make it difficult for competitors to penetrate the market. The resource based view theory supports the study by espousing how and organization can use its resources strategically to optimize its performance and hence gain competitive edge.

Eisenhardt (2000) reinforces resource based theory by introducing concept of dynamic capabilities. Dynamic capabilities are set of identifiable process or resources which are specific to an organization such as product development, strategic decision making and alliances which enables the organization to effectively manipulate, configure and optimally use its resources.

2.3 Competitive strategies and competitive advantage

The increase in trade both locally and internationally has been established to contribute significantly to the growth of the economy. However, with this expansion and increased globalization comes with new emerging challenges. As such, competition has been intensified, and companies which are located in the country have to go an extra mile so as to remain dominant. This has seen many strategies being formulated by these companies in attempts to gain competitive advantage (Buckley, 2005).

Competitive strategies however, speak of an organizations ability to understand the changing dynamic in the external environment and organization ability to align themselves in term of understanding of how, when and where it should compete; against whom it should compete and for what purpose it should compete (Pearce and Robinson, 2010). Although formulating consistent strategies seems a difficult task for any management team, making that strategy work through effective execution is even more difficult (Hrebiniak, 2006). Despite most strategies being well formulated, less than half of them get past the implementation process. This shows appropriate measures must be placed in the organizations so as to ensure the entire strategy implementation goes according to the set plan.

However, mixed results have been obtained into whether competitive strategies have an influence on coping to competitions. While some firms invest greatly on strategy implementation, other companies have been noted to have succeeded without the benefit of an explicitly enunciated strategy (Gichohi, 2014).

Additionally, other scholars hold that strategy implementation may lead to additional expenses been incurred which may negatively affect the financial performance. But yet these strategies have been determined to improve significantly how organizations operate both internally and externally.

Kinicki and Williams (2006) well-defined competitive advantage as the capability of an organization to produce goods or services effectively than its rivals, therefore outstripping them. A company is said to gain competitive advantage if it achieves an advantage than its competitors (Porter, 1989).Similarly, Thompson and Strickland, (2002) argue that a company can also achieve competitive advantage by securing customers and defending against competitive sources. Competitive advantage is positively correlated to the financial performance. Thus attaining competitive advantage is crucial for any organization that aims to improve its financial performance (Porter, 1980).

Competitive advantage in firms may be measured using both long term and short term methods. The long term approach tends to look at the sustained company acquired by the firm. Sustained competitive advantage may be quantified using various constants contained in the sustainability report such as economic and environmental. While the short term approach focuses more in accessing the effectiveness in the day to day operations. However, the extent of benefit from the competitive advantage will depend on the sustainability of the particular strategy (Kiragu, 2014).

2.4 Competitive Strategies and Competitive Advantage of MNC's

Multinational Corporations (MNCs) play a key role in the global economic development platform. MNCs are tasked with helping emerging economies such as Kenya to modernize through providing them with technology, knowledge and skills, access to export markets and intensifying competition by making goods and services that are better and cheaper than those offered by local producers (Mukiri, 2012). The extent and use of the localization strategy in Kenya is highly dependent on the macro environment in Kenya and the organization's key competencies and capabilities. There are various strategies that an organization can adopt to gain competitive advantage in the industry it operates in.

2.4.1 Focus strategy

Ong'olo (2004) explains focus strategy as the act of targeting a particular market segment. This involves developing, marketing and selling products or services to a niche market. Studies indicate that MNC's in Kenya use focus strategy to boost their business operations in the Kenyan. Evidently, focus marketing is a high performance business strategy and technique which helps multinational organizations to focus on the unique needs of a market segment which competitors have not adequately addressed.

Person and Robinson (2012) assert that focus strategy aims towards a focused and narrow market. This business strategy has been part of the long term planning of MNC's marketing functions in Kenya. Further, focus strategy has made it possible for MNC's to meet the needs and wants of consumers in their target market. Upon entering the Kenyan market, a number of multinational organizations have brought products that perfectly suited the local consumer and the business environment. This makes them succeed in emerging markets. For instance, Coca-Cola uses focus strategy to have a deep understanding of local opportunities and conditions in the Kenyan market.

Coca cola in the recent past was more of global company and always used to maintain same product across the globe. Coca cola's most products are standardized than customized. Coca-Cola in the late 90s embarked on a strategy that involved focusing resources on standardization and dissolution of boundaries between coke's US and international subsidiaries. The primary strategy behind this is standardizing the products across the globe would reduce the costs against customization (Rugman, 2005).

2.4.2 Cost leadership

Wheelen and Hunger (2015), have explained cost leadership strategy as based on price to target narrow market. In this business strategy, a multinational corporation sets out to become the low cost producer in its industry. This makes a customer-focused approach important (Stern & Stalk, 2013). Customer-focused marketing is giving customers amazing value across all aspects of the business. It is different from customer-centric marketing, which gives more importance to profits as the customer and their buying habits are put in the middle of a marketing strategy. So how do you apply a customer-focused marketing strategy?, Creating features that respond to customer needs, Keeping their customers engaged, especially during the information-gathering and decision-making is part of the buying process. Know how their customers define value, having clear communication with the support team and find out what customers are always asking about and looking for, and Increasing brand advocacy by keeping your current customers happy. This helps Coca-Cola convert their consumers from buyers or users to brand ambassadors.

Heineken has also utilized cost-leadership strategy as a strong appeal to key populations in Kenya. If the popularity of social media is an indicator of brand awareness, more than 19 million of people on Facebook like it, and Heineken may be the world's most popular beer brand. Heineken offers a reputation as a fashion, recognizable advertisement that embodies the brand's "Open Your World" global campaign.

The slogan, which is based on 2011 of groundbreaking advertisements, was hailed as a marketing effort to revive the brand, and until then "struggled to find a breakthrough marketing message." The campaign attracted the brand's key Millennium male audience. The brand's focus on demographics has led to a huge investment in sports sponsorship: Heineken has become a major sponsor of the UEFA Champions League, with the result being the staple of Night Football in the Wednesday. Heineken skillfully combines creativity with lasers, focusing on key populations and constantly expanding into many areas.

These two multinational corporations have introduced new techniques in their product development and giving their consumers more and improved customer services. Hence, when measuring the effectiveness of this business strategy to the performance of both Coca-Cola and Heineken, it is evident that the focus strategy has brought the intended output within their operations. Sharon (2016) indicates that the cost - leadership strategy has improved the ability of the MNC's to deliver goods and services

2.4.3 Differentiation strategy

A focused differentiation strategy means targeting a small group of customers with differentiated products (Kochan, et al, 2008). Key factors in this type of business strategy are customer loyalty, high margins, limited competition, and customer awareness. And by differentiating their strategy, these MNCs have greater chances of standing out in the crowd, offering something more than what the competition offers, and appealing to the clients. There are three basic differentiation strategies followed by both Coca-Cola and Heineken. Lower Price of their beverages, Product leadership and quality Service delivery

According to Hanah and Camillah (2008) even the most carefully designed competitive strategies can fail, or become obsolete if it doesn't deploy differentiation, for instance, "New Coke" was a great idea on the Kenyan market and it failed miserably. The test of a business strategy is the performance in the marketplace. That said, there are other strategies that are backed on other successful strategies. A strong business strategy would be one that mimics or is strongly similar to an already successful strategy.

2.5 Empirical Studies and knowledge gap

Internationally, Sadaghiani, Dehghan and Zand, (2011) examine the Impact of international market entry strategy on export performance using a descriptive research design. The study revealed that market entry strategy influence the export performance of the Iranian export companies. However, the study concentrated more on market entry strategy and less on competitive strategies and how they influence MNC's competitive advantage. Poklopová, (2014) sough to establish the Strategic Analysis of the Branch of the Multinational Company a case study of Smurfit Kappa Olomouc, branch using explanatory research design. The study revealed that SKO has optimized processes, it invests in innovation, and puts emphasis on the human resources. However, the study was limited to Smurfit Kappa Olomouc.

Haapalainen and Skog, (2011) focused on Growth Strategies of Multinational Companies: Jewelry Retail Industry using case study research design. The study established the Growth Strategies adopted includes Porter's generic strategies, internationalization and diversification. However, the study was more focused on Growth Strategies. Ajang and Njofor, (2007) did an Assessment of Market Growth Strategies in a multinational company: The case of Komatsu Forest AB. findings showed that this company implements acquisition, partnership/networks and diversification at the corporate level and high pricing, differentiation at the business level as its market growth strategies. However, the study was more focused on Growth Strategies

Bartkowicz, S. M. (2014) aimed at developing a growth strategy for a multinational's subsidiary in the logistics industry–based on example of Rhenus Logistics Ltd in Ireland. The research concludes that whilst it is important to be a strong and vital subsidiary, there is no single path to success. A subsidiary growth strategy should be correlated and supported by the corporate level, and a branch should be an active and integrated part of entire group. Kaikkonen (2009) focused on strategies of multinational enterprises in Finland-linkages, autonomy and roles. Information on R&D and know-how rose as the most traded resource to other units and from other units. The study failed to look at how MNC's adopt strategies for them to achieve competitive advantage.

Locally, Machau (2009) examined the Strategic Responses to Changes in the External Environment. The Case Study of Kenya Commercial Bank. Case study research design was used. Thestudy established that changes in the external environment were negatively related to the external environment. However the study did not focus on MNC's. Ogutu, and Nyatichi, (2012) examined the competitive strategies adopted by Multinational corporations in Kenya. The findings indicated clearly that for multinational corporations to sustain their competitive advantage in the market they have largely adopted broad differentiation strategy. The study however wasn't able enumerate the other strategies adopted by these companies.

Barasa, (2013) did a research on the strategies used by multinational pharmaceuticals firms in Kenya using descriptive research design. The research used primary data that was collected alone with structured questionnaire involving closed and open-ended questions. The research findings show that Companies that want to internationalize must decide on an appropriate mode of entry into a foreign market as a means of appropriately utilizing of their resources. However the study restricted itself to multinational pharmaceuticals firms. Ndungu, Machuki, and Murerwa, (2014) conducted a study on comeback strategies by commercial multinational corporations to economic changes in Kenya using explanatory research design. The research pointed out that the commercial multinational corporations are aware of some of the dynamic within the extended environment thereby using cost-cutting strategies which deals with reducing costs and divestment of non-core assets. The study failed to explicitly show the linkage between competitive strategies and competitive advantage

Kungu, Desta, and Ngui, (2014) on their study on an assessment of the success of a competitive strategies by commercial multinational corporations, gathered that there has been an encouraging relationship amid competitive strategy effectiveness; and improvement, clients attention, bench marking and diversity remained statistically important. The research used a descriptive research design. The research however focused on commercial multinational corporations. Gaceri, Mugambi and Wepukhulu, (2015) conducted a study on the issues affecting the implementation of strategy between foreign pharmaceutical companies in Kenya. Using a sample size of 46 foreign pharmaceutical marketing companies in Kenya, the research found that at $p<0.05$, favorable government policies, organizational competitiveness and organizational capabilities are correlates of globalization of strategy execution between foreign pharmaceutical companies in Kenya.

Sharon, (2016) examined the competitive strategies adopted by MNC's located in Nairobi exhibition stalls using explanatory research design. The study revealed that the cost - leadership strategy has improved the ability of the MNC's to deliver goods and services. However the study failed to show how MNC's acquire their competitive advantage as a result of competitive strategies which is the major focus of the current study. Ndwiga, (2012) examined foreign market strategies used by British multi-nationals in Kenya using cross-sectional survey research design and identified differentiation strategy to be the major market strategies used by British multi-nationals in Kenya. However the study limited itself to British multi-nationals in Kenya

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter reviews the research methods and designs that the researcher used to gather, analyze, present data and discuss the findings of the research study. Some of the areas that particularly need to be covered include the research design, population, collection of data, analysis of data, and presentation.

Given that this study focused on Coca-Cola company, the research design adopted was a cross sectional descriptive survey. The data collection process involved the use of questionnaire to collect primary data. The questionnaire was comprehensive to facilitate achievement of this study objective.

This chapter presents the research methodology that was relied on to carry out the research. The chapter describes the; research design, target population, sampling design, method of data collection, and data analysis. It also describes several scientific approaches that were relied on in achieving the research objectives.

3.2 Research Design

The methodology taken by research is denoted by research design with intentions to meet its intended goals and is the guide or a master plan that defines the methods, techniques and processes for gathering and analyzing the required information or simply a model or blue print of operation for the study (Cooper and Schindler 2000)

The study adopted a case study research design. This type of research design was chosen because it would allow the researcher to execute an in-depth examination about the object being studied. Maxwell (2014) maintains that a case study focuses on a single unit of analysis; a single organization. The researcher applied this design in trying to establish the effect of competitive strategies on competitive advantage of Coca-Cola Ltd. company in Kenya.

Under this design, the researcher sought information from interviewees who are grounded on the issues studied. Choice of a case study by the researcher is because it enables her to get first-hand information which is reliable, relevant and accurate.

3.3 Data Collection

An interview guide was used to collect data. Data was collected by interviewing ten (10) employees in the operations management level of Coca-Cola Company. This category of interviewees was believed to be conversant with matters that are related to competitive strategies and the firm's competitive advantage.

The 10 employees were chosen to ease data collection and to minimize on time, human and human resources and so as to complete the research within reasonable time. Because the study targeted managers in the operations department to complete detailed questionnaire, the researcher was able to collect sufficient information to complete the study.

Prior arrangements were made to ensure that the interview meetings would be carried out at a convenient time. This ensured that enough time was created for the interview processes so that the interviewees could respond to all the questions posed by the interviewer.

3.6 Data analysis

This study will apply content analysis. Mugenda and Mugenda (2013) contends that content analysis is an empirical scientific approach that is utilized to draw conclusion concerning the content in several kinds of communication for example interviews and observation protocols. Content analysis is also known as text analysis method applied in qualitative social research. Mugenda (2003) posits that reading of texts is qualitative even if one decides to convert the content into numbers through counting.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the data collection and analysis. The study sought to determine the competitive strategies adopted by Coca Cola Company Ltd to gain competitive advantage. The findings and subsequent discussion of the findings are presented as follows:

4.2 Respondent Characteristics and Number

In the design stage, the researcher had intended to collect data from ten respondents from the case company. Due to reasons of unavailability or simply unwillingness to respond to the interview guide, the researcher finally managed to interview eight respondents. This number was considered good enough for content analysis. The researcher therefore forms the opinion that the number of respondents was good enough for providing reliable results.

All respondents indicated that they held senior management positions within the company. All of the eight respondents indicated that they held senior management positions. They were therefore considered suited for providing the information that the researcher wanted.

All the respondents indicated that they had worked with CocaCola Company for more than five years. In interviews concerning strategy, it is imperative that the the respondents be carefully chosen so as to provide informed responses. The respondents ought to have worked for the company in question for a period of not less than three years.

4.3 Competitive strategies used by Coca cola Company

This section of the interview guide was meant to determine the competitive strategies that are applied by the company. This was in an attempt to collect data on the first variable of the study which was competitive strategies.

4.3.1 Strategies Adopted By Coca Cola to Enhance Competitive Advantage

The strategies that companies choose to enhance their competitive standing are dependent on a number of factors primary of which are company resources, competitive environment, market structure and so on. The respondents indicated that the company is heavily guided by differentiation followed by focus and cost leadership in that order. When the researcher noted that the respondents were comfortably reciting the strategies, it was thought necessary to probe further to determine the source of this knowledge.

Whereas most of the senior managers interviewed indicated that they had been exposed to the generic competitive strategies at college level. They were all emphatic however that in the company and during meetings, no one mentioned the strategies using their academic terminologies. The company had developed operational definitions for each of the three strategies but upon interrogation, the operational definitions were found to concur with academic explanations on what the particular strategy entailed.

4.3.2 The Differentiation Strategies Adopted by Coca Coal company

This question sought to establish the focus strategies that were applied by the company. It is notable that this was mentioned as one of the most used of the competitive strategies. It was indicated that the most used strategy was achieving competitive advantage through differentiation of the company product bundle from those of competitors.

The respondents argued that Coca Cola differentiates its product offer at nearly all levels: at the core product level, the respondents noted that the company has always taken pride in the fact that it has heavily patented its products so copying of the formulation is never a possibility. At the promotional level, the respondents noted that the company’s promotional campaigns were not comparable to any other globally. The reason for this is that for example advertisements by the company have a global appeal.

The respondents also argued that the company’s dealings with their distributors were so intimate that they felt that they were all part of one large family. This they indicated was unlike the kind of middlemen management strategies that their competitors would implement. They therefore felt that this was a key feature of their differentiation strategy.

4.3.3 Focus Strategies Adopted by Coca Cola

On how the company applies the focus strategy, the respondents responded as follows: first the researcher got interested in knowing how the respondents oiperationalized the focus strategy and the realization was that their interpretation of what the focus strategy entailed was consistent with literature.

It was argued that the company applies segmentation of markets, effectively indicating that they produce products with specific segments in mind. The respondents were very clear in their minds that mass marketing or the best one for all kind of marketing would not work. Segmentation, they noted, is observed even developing the distribution strategy and channel management. They were all in agreement that the company chooses which segments to involve itself in. This is targeting.

For carbonated drinks, the respondents for example indicated that some were positioned using sports, others using demographics such as age while others were positioned along lifestyle variables. They indicated that the heaviest aspect of their promotion is designed to communicate the positioning strategy of the particular brand.

4.3.4 Cost Leadership Strategy as Adopted by Coca Cola Company

The respondents indicated that the cost leadership strategy is applied but not as heavily as the other two strategies i.e differentiation and focus strategies. It was indicated that cost leadership was not considered a very critical strategy because of the nature of the industry.

The respondents noted that in the beverage industry in Kenya, cost leadership may not be a dependable strategy. The reason for this, they noted was that the industry is rigid such that relying on price manipulations and the price advantage may not yield much by way of competitive advantage.

4.4 Discussion of Results

The ensuing discussion presents a comparison of the findings of the study and literature.

The findings indicate that the company has adopted the three strategies. In most instances, it has been indicated that companies cannot use one strategy in isolation but must of necessity combine a number of them for maximum effect (Poklopová, 2014). Indeed literature extensively supports the indication that the company uses the three strategies for competitive advantage but one of the three stands out as the most heavily used.

The respondents indicated that differentiation is the most heavily relied on competitive strategy. Coca Cola's products lie in the fast moving consumer goods category and therefore differentiation is one of the most critical sources of competitive advantage. This finding is consistent with Sadaghiani, Dehghan &

Zand (2011). They indicate that the application of differentiation strategy is critical in some sectors and not so dominant in others.

It was also found that focus is a strategy that Coca Cola relies on for competitive advantage. A focus strategy entails market segmentation, choice of a market segment and positioning of the company's products in the minds of consumers. This finding is in agreement with Kaikkonen (2009). Kaikkonen (2009) notes that this is a viable strategy for companies that recognize the fact that its market can be subdivided and each segment approached differently with a different proposition.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Chapter five contains a summary of the findings, a conclusion and recommendations for practice and future research. All these are strongly guided by the findings and the subsequent discussion.

5.2 Summary of the Findings

This study was designed to determine the competitive strategies and the competitive advantage of Coca Cola Ltd., Kenya. The findings that the company uses all the three generic competitive strategies have been reported to be consistent with literature.

It was established that Coca Cola Company uses the differentiation strategy more than any other strategy. The argument was that the case company is a player in the fast moving consumer goods sub sector and differentiation is usually a very strategy for gaining competitive advantage in this subsector.

The findings also indicate that Coca Cola uses the focus strategy to a large extent. The focus strategy has been noted to be concerned with the degree to which a company implements the trio strategy of segmentation- targeting – positioning. The respondents indicated that the company does segment its market into small and manageable divisions. It was indicated most of this segmentation is by way of demographic indicators such as age and lifestyle.

Lastly, it was indicated that the company also uses the cost leadership strategy but this is not as pronounced as the others are. The explanation for this may be that cost leadership may not afford a lot of competitive advantage because it is very limiting especially for industries in which prices tend to be nearly the same because of technological or raw material sources complications.

5. 3 Conclusions

It can be concluded that competitive strategies do influence competitive advantage in Coca Cola company. The three strategies were indicated to be applied simultaneously within the company. Even though the three strategies have found to be relevant by the management of Coca Cola Ltd, the degree of application varies.

Differentiation was reported to be the most dominant strategy. Differentiation means that the management attempts to create real or perceived differences between its products and those of competitors. Creating real differentiation may be achieved by Coca Cola through distinctive tastes of the company products. This may not be very easy. Perceived differences may be created by positioning the company’ products differently from those of competitors.

Focus strategy was also reportedly used. This strategy however was not as greatly used as differentiation. The management indicated that segmenting is considered a viable business approach. Products are also positioned accordingly. Cost leadership was not indicated as a very important strategy even though it is still applied.

5. 4 Recommendations

In line with the findings and conclusion, the following recommendations for both practice and further research are proposed:

5.4.1 Recommendations for Practice

It is recommended that before the management embarks on the choice of a competitive strategy, it must first consider the resource base of the company, the objectives and its position in the market. The choice of a strategy communicates the intentions of the company to the shareholders, the competitors and so on.

It is also recommended that for fast moving consumer goods, differentiation may be the number one strategy holding other factors constant. Focus is another viable strategy that companies in the FMCG industry may have to think about. Cost leadership as a strategy is not very strong given the challenges in differentiating products in is sector.

5.4.2 Recommendations for Further Research

It is recommended that future research efforts be focused on a census study. A census study comprises all members of the population. In this case all counties in Kenya would be studied. The advantage with such studies is that they provide results that are not only fairly stable in terms of sampling error but also the findings provide enhanced generalizability.

It is also recommended that future studies be designed such that they are longitudinal in nature. A longitudinal study enables collection of data across multiple periods of time. It is therefore possible to explain the evolution of strategy in a longitudinal study better. Sometimes is such that the strategy that company is currently applying may not be the same strategy it initially started with.

5.5 Limitations of the study

The study suffers certain limitations:

This study was a case study and as such only one county was studied. Case studies do have limitations in terms of generazability of findings.

The current study was a cross sectional study. In cross sectional studies, data is collected at only one point in time. Data therefore presents the phenomenon under investigation as it is. The evolution of strategy due to changing environment is therefore not captured.

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APPENDICES

APPENDIX: INTERVIEW GUIDE

Section A: Background Information

1. Name of the Sector/Department.

2. What managerial position/Designation do you hold?

3. How long have you been working for the Coca-Cola and Heineken companies?

4. How long have you been working in your present capacity?

Part B: Competitive strategies

5. Have your organization adopted competitive strategies to enhance competitive advantage?

6. To what extent do competitive strategies enhance your organizations competitive advantage?

7. Which are the focus strategies adopted by your company?

8. Which are the cost leadership strategies adopted by your company?

9. Which are the differentiation strategies adopted by your company?

Section C: Competitive strategies and Competitive advantage

10. What effect does customer focus strategy have on competitive advantage of Coca-Cola and Heineken Companies?

11. What effect does cost leadership strategy have on competitive advantage of Coca-Cola and Heineken Companies?

12. How differentiation strategy or offering unique products does affect competitive advantage of Coca-Cola and Heineken Companies?