STRATEGIC RESPONSES TO COMPETITION AMONG LARGE FAST FOOD RESTAURANTS IN NAIROBI CENTRAL BUSINESS DISTRICT

BY

CATHERINE W. MWANGI

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DECLARATION

This is my original work and has not been presented for a degree in any other university.

Name: **Catherine Wanjugu Mwangi** Signature……………………………………

Registration No.: **D61/70056/2008** Date ……11/11/2010………………

This project has been submitted for examination with my approval as University supervisor.

Signature ………………………………………… Date …11/11/2010…………………

ZACK B. AWINO PhD

LECTURER

DEPARTMENT OF BUSINESS MANAGEMENT

SCHOOL OF BUSINESS

COLLEGE OF HUMANITIES AND SOCIAL SCIENCES

UNIVERSITY OF NAIROBI

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DEDICATION

To my late dad, Francis John Gikibi, my hero, for his upbringing, believing in my capabilities and a staunch supporter of the girl child education. I miss you greatly and wish you were around to witness your dreams being fulfilled.

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LIST OF ABBREVIATIONS AND ACRONYMS

DSTV – Digital Satellite Television

NCBD – Nairobi Central Business District

NCBDA – Nairobi Central Business District Association

SPSS – Statistical Package for Social Sciences

SWOT – Strengths, Weaknesses, Opportunities, Threats

ABSTRACT

The fast food industry in Nairobi Central Business District has in the past years witnessed dramatic changes brought about by competition. The fast food outlets try to outdo each other by way of differentiation in terms of the food they serve. Consequently, all fast food outlets have to continuously monitor and adapt to the environmental changes. As a result of this, firms have to employ various strategies to survive in the industry. The study sought to find and establish the strategic responses to competition among large fast food restaurants in Nairobi Central Business District (NCBD). The study also sought to highlight the various challenges these firms have to contend with. Towards this end, the study collected primary data from the outlets on the strategic responses they apply. The data was collected through the administration of questionnaires to the outlets. The study established that the outlets have specific target markets to serve, what they stock mostly determines the type of customers, branding of an outlet differentiates it from others, the outlets use brand names in order to cultivate customer loyalty, ensuring high quality of food and services and entrance into new markets. Increasing number of outlets, security measures, convenience and ease of accessibility, attractive outlet layout and design, consistency with other outlets, general cleanliness of outlet and uninterrupted power and water supply were all used by the outlets to beat competition in the market. The findings also show that the outlets use all the three strategic options available to a firm that is focus, differentiation and cost leadership. Key challenges faced by the outlets were identified as financial requirement, competition from smaller outlets, substitutes, changing consumer tastes and preferences, provision of reliable utilities by suppliers and ability and skills of staff. The study therefore recommends the use of market survey before deciding target customers, use of brand name to the satisfaction of customers and the outlets should factor in competitive challenges faced which have been highlighted as affecting the customers.

Key Words: Strategic responses, Competition, Large fast food restaurants, Nairobi Central Business District

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The service sector is expanding at an increasing rate and is becoming intensely competitive. As such, every organization needs to adopt some strategies which will enable it to have a competitive edge over the others. As competition intensifies, many businesses continue to seek profitable ways in which to differentiate themselves from competitors. Strategies are at ends and these ends concern the purpose and objectives of the organization. They are the things that organizations do, the paths they follow and the decisions they take in order to reach certain points or level of success.

In global and highly competitive markets, organizations strive to be innovative and agile enough to meet customers' demands. Competitiveness, based on organizational capabilities and production strategies, may lead to quality, efficiency and flexibility. In the pursuit of 'mass customization', flexibility and scale economies are followed simultaneously. The search for a system's flexibility, responsiveness and reliability on the one hand, and low costs on the other, has led to the reconfiguration of the design and production activities and thus advocated the changes in the overall supply chain management (Suri,1998).

In today's world of cut-throat fierce competition, customer satisfaction is very essential for an organization to not only exist but excel in the market. Today's market is enormously more complex. Henceforth, to survive in the market, the company not only needs to maximize its profit but also needs to satisfy its customers and should try to build upon from there. The fast-changing competitive environment and firms' competitive positions are constantly challenged by the emergence of new technologies, products, markets and competitors. Flexibility and adaptability have become key management concepts to develop a sustainable competitive advantage. Successful firms apply them in new organizational strategies that put into question many conventional tenets on organizations and their management. These strategies involve a decentralized and responsive work organization, based on co-operative relations not only within the firm but also in its relations with customers, suppliers and competitors. However, firms are also increasingly resorting to traditional market mechanisms through the use of contingent workers and arms'-length subcontracting relations.

1.1.1 Strategic response

A strategy is a pattern or plan that integrates an organizations major goal, policies and action sequences into a cohesive whole (Porter, 1980). Strategic management is therefore concerned with deciding on a strategy and planning how the strategy is to be put into effect through strategic analysis, strategic choice, strategic implementation and control (Johnson and Scholes, 1993). The strategic management process allows an organization to take advantage of key environmental opportunities to minimize the impact of external threats, to capitalize upon internal strengths and overcome weakness. A large number of research studies have concluded that organization's that have adopted strategic management are likely to be more profitable and successful than those that do not (Fred, 1996).

Strategies which are implemented within an organization should support the culture associated with the firm. The proposed strategy should preserve, emphasize, and enhance the culture, in accordance with the culture supporting the proposed strategy. The fast food industry has of late been under intense competition from the other eating points within the town and therefore for them to sustain the competition they should develop strategies that can enable them to survive. Environment is a key factor to a firm's success. Environment can be relatively stable or highly turbulence. Each level of environmental turbulence; has different characteristics, requires different strategies and requires different firm capabilities (Ansoff and McDonell, 1990). Thus there is need for continuous strategic diagnosis. Strategic diagnosis is a systematic approach to determining the changes that have to be made to a firm's strategy and internal capability in order to assure the firm's success in the future environment. Based on appreciation that periodic planning systems are not able to perceive and respond to threats and opportunities in a turbulent/chaotic environment.

One of the most prevalent questions within strategic management is how firms are able to attain profits that allow them to gain superior competitive performance compared to their competitors. Porter's (1980) model of competitive strategy proposed that firm's position within an industry was an important factor in attaining competitive advantage. This position is largely influenced by the firm's strategic responses to the continuous environmental changes.

According to Pearce and Robinson (1988) strategic responses are a set of decisions and actions that result into formulation and implementation of plans designed to achieve a firm's objectives. In order to effectively achieve the firm's objectives, these set of plans and actions must be strategically fit to the complexities and dynamism of a rapidly shifting environment. Firms largely are open systems where there is continuous interaction and interfaces with the external environment. Strategic responses are the strategies that firms take and largely triggered by continuous changes in the external environment. Johnson and Scholes (1997) defined strategy as the direction and scope of an organization over the long term which achieves advantage for the organization over the long term through its configuration of resources within a changing environment to meet the needs of the markets and fulfill stakeholders expectations.

Ansoff and McDonnel (1990) argued that this can be done by positioning of the firm through strategy and capability planning in its rightful competitiveness, use of real time response through issue management and systematic management of resistance to change during strategic implementation. According to Ross (1996), the firm has to learn, adopt and reorient itself to the changing environment. He also postulates that when a discontinuity begins to affect a firm in a turbulent environment, brought about by globalization and trade liberalization for instance, its impact typically remains hidden within the normal fluctuations in performance. According to Byar's (1991) operational responses are concerned with efficiency of operations while strategic responses affect several areas of operation, require top management decisions and huge financial commitments, are forward looking and affect long term prosperity of the firm and most critical are dependent on the environment.

Timely response is critical to avoid adverse effects or missed opportunities. Costs of none response could be lost accumulative profits and cost of reversing the loss. Strategic response may include development of new products, new markets, new process, new services, and new strategies for attaching the market, restructuring, marketing, information technology, leadership and culture change. Firms need strategy to sustain and grow profitability, revenues, market share and most importantly-acceptance. Stand alone strategies are not enough. Competitive strategy is concerned with how a company competes in a particular business and gains a competitive advantage through a distinctive way of competing. Business firms need to consider the overall strategy if a company diversifies. It is concerned with the mix of businesses the company should compete in, and the ways in which strategies of individual units should be coordinated and integrated. Competition is at the core of the success or failure of firms. Competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture and good implementation. Competitive strategy helps to search for a favorable competitive position in an industry, aims to establish a profitable and sustainable position against the forces that determine industry competition. The ability of a company to capture the opportunity that an industry gives depends on its core competency.

According to Pearce and Robinson, (2002), for organizations to achieve their goals and objectives, it is necessary for them to adjust to their environment. The dynamism of the environment implies that the organization has constantly redesigned their strategies in order to remain competitive. Failure to effectively adapt the organization to its environment leads to a strategic problem. Such a problem will be evidenced by a mismatch between what the organization offers and what the market demands. Considering that performance is the major objective of an organization, it is generally accepted that the structure and decision making in an organization is influenced by environmental complexity and volatility, Miles and Snow (1978). It is further argued that the alignment of strategies of organizations with the requirements of their environment outperform organizations that fail to achieve such an alignment, (Chaganti et al. 1988; Beal 2000). Environment scanning is generally accepted as being the first step in the process of aligning strategy with environment, (Hambrick 1982; Daft and Weick 1984; Beal 2000). This is because environmental scanning will help the organization to learn more about opportunities for taking competitive advantage and threats referring to its survival (Dess 1987; Bourgeois 1980; Lang et al 1984).

1.1.2 Competition in the Fast Food Industry

Competition is a contest between individuals, groups, nations, restaurants and animals for territory, a niche, or a location of resources. It arises whenever two or more parties strive for a goal which cannot be shared. Competition occurs naturally between living organisms which co-exist in the same environment. Business is often associated with competition as most companies are in competition with at least one other firm over the same group of customers, Lynch (2003).

According to David (2000), the level of competition a firm faces will depend on a number of factors which include; the greater the number of firms operating in the industry, the greater will be the level of competition faced by each firm in that industry, on the extent to which its products are similar to its competitor's products. If a firm operates in an industry where its competitor's products are an almost perfect substitute for its products, then the firm will generally face a high level of competition. If however a firm is able to offer a product which is different from that of its rivals, then the firm will face less competition and the ease with which competitors can enter or leave the industry. If firms find it difficult or costly to enter the industry, then existing firms may find that they face limited competition. Whereas if it is relatively easy to enter an industry, firms will generally find that they face a high level of competition. Generally speaking, an industry could be described as being highly competitive whenever a large number of relatively small firms, who offer similar products, operate in the industry. If however the industry is dominated by a small number of large firms, the industry could be described as being highly concentrated, Darrow *at al.*, (2001).

1.1.3 Hospitality Industry in Kenya

Kenya lies along the East Coast of Africa covering an area of 586,350 sq. km. with an estimated population of over 30 million people. Agriculture is the mainstay of the economy. Tourism is currently the second largest contributor to the economy after agriculture. The Hospitality industry exists as a subset of the Tourism industry.

The Hospitality industry in Kenya dates back to pre-independence days. At that time, there was already a relatively well developed but limited hospitality infrastructure. The available restaurants were spartan but ideal for the settler community in Kenya. However, soon after independence, the Kenya Government realized the enormous potential of the nascent Hospitality industry and hence undertook to upgrade the existing infrastructure and superstructure as well as investing in additional facilities. To achieve its goal, the Government encouraged local and foreign entrepreneurs to invest in the Hospitality industry thus paving the way for the future development of the sector.

In view of the proven potential of the Hospitality sector, the Government formulated Sessional Paper No.8 of 1969 of the Development of Tourism in Kenya which defined the growth targets that it hoped to achieve in the years ahead as well as outline the areas where the Government would participate jointly with the private investors in developing the Hospitality industry. The growth in demand for fast food restaurants increased proportionately. Presently we see a dynamic Hospitality industry where the need to have ready to eat meals has tremendously and continuously increased. This leaves the Hospitality industry with a lot of opportunities. Strategic management therefore is inevitable to enable investors, government, industry professionals and scholars with a duty to spur exploitation of these opportunities for the industry. This is clearly seen in the government strategic plans like the vision 2030 economic pillar. The Hospitality industry today covers diverse infrastructural facilities including fast food restaurants of small, medium and large sizes.

1.1.4 Fast Food restaurants in Nairobi Central Business District

The concept of fast food is generally associated with urban development. Fast food restaurants or outlets in the NCBD are either kiosks or elaborate quick service restaurants. The franchise operations have generated restaurant chains that offer standardized meals in the NCBD, for example Galitos, Kenchic, Steers. On account of popularity of fast food, fast food restaurants are common throughout the NCBD and cater to the dry food demands of the younger generation, extremely tight adult work schedules and distinct ambiance preferences.

An overview of the fast food restaurants in the NCBD highlights the availability of meals that suffice the need to eat amidst tight work schedules. This has offered great respite to parents who shuttle between work and home for major part of the day. Delicacies like fish and chips, vegetarian and non-vegetarian burgers and pizzas are washed down with great relish, with ales and aerated drinks served complimentary at many of these fast food restaurants. Though accompaniments like coleslaw, baked potatoes and mushy peas satisfy the established and widely accepted compulsion for vegetable-intake, the fried foods are becoming addictive, depriving the modern child of a balanced diet. There is no dearth with regards to the variety available at these outlets. Most clientele indulge in the semi-dry and dry meals, to avoid interruption while working or to fulfill a family commitment that otherwise require a considerable amount of time to be spent in the kitchen.

This fast food industry now thrives on international appeal promoted by niche chains. The development of healthier alternatives to the conventional servings at fast food restaurants has resulted in mass promotion of portable foods that can be put together by the consumers themselves. At many outlets, the customers can see the food being prepared, thus confirming to advertisements that flaunt hygienic standards. Standardized menus, signage and a unique ambiance are flaunted at take-away services and sit-ins in the NCBD. The concept of eat-on-the-go not only eliminates the need for traditional cutlery, but also enables customers to indulge in foods that are characteristic of certain cultural or ethnic traditions. The common menus include pitas, fried chicken, nuggets and tacos, served along with complimentary salads and breads. The fast food restaurants operate out of convenience stores, elaborate restaurants and independent vendors, who have popularized chant sales-pitches, standardized cooking, and production methods, and easy availability of low-cost delicacies. The fast food restaurants in the NCBD have been categorized by the City Council of Nairobi as small, medium or large based on the area size they occupy.

1.1.5 Nairobi Central Business District

The Nairobi Central Business District is defined by the Nairobi Central Business District Association (NCBDA) which is a registered society under the Societies Act (Cap 108) and was formed in May 1997 as a rectangular shape, around the Uhuru Highway, Haille Selassie Avenue, Moi Avenue and University Way. It includes many of Nairobi's important buildings, including the City Hall and Parliament Building. The city square is also located within the perimeter.

NCBDA's mission is to make Nairobi the choice of Africa-Clean, secure, and vibrant-Home for all. This is supported by their clarion call, "Improvement through Action". By targeting urban regeneration, NCBDA is simply investing in the future. Through partnerships, NCBDA hopes to see significant, visible redevelopment of downtown Nairobi. This will present increasingly more attractive opportunities for investment. To meet this goal, NCBDA's objectives are: to eliminate obstacles to business growth through trouble-shooting and strategic planning of key issues facing the business community i.e. security, traffic management, infrastructure development, informal traders, street people etc. to analyze trends and key economic indicators critical to the Central Business District and its environs as a means to maintaining a competitive and comparative business environment to foster a positive image for Nairobi and to be facilitator and support, along with other community partners, in driving investment and development and making Nairobi the regional hub.

1.2 Statement of the Problem

An organization's strategy must be appropriate for its resources, environment circumstances, and core objectives. The process involves matching the company's strategic advantages to the business environment the organization faces. One objective of an overall corporate strategy is to put the organization into a position to carry out its mission effectively and efficiently, Mosskanter (1999). A good corporate strategy should integrate an organization's goals, policies, and action sequences (tactics) into a cohesive whole, and must be based on business realities. Strategy must connect with vision, purpose and likely future trends.

There are many local studies that have been done in Kenya regarding strategic responses to environment challenges. Some of them include; Kombo (1997) did strategic responses by firms facing changed environmental conditions in motor vehicle franchise holders and found out that they made substantial adjustment in their variables in order to survive in a competitive environment. Sheik (2000) did strategic responses by Kenyan insurance companies following liberalization and established that firms in Insurance industry in Kenya made moderate adjustment in their strategic variables in order to cope with increased competition; Kandie (2001) did strategic responses by Telkom Kenya Ltd in a competitive environment and found out that although Telkom Kenya has responded to its environment, financial constraints and lack of managerial empowerment considerably limited the organization's capacity to respond.

Kiptugen (2003) researched on strategic responses by Kenya Commercial Bank to a changing competitive environment and established that Kenya Commercial Bank responded to its changing competitive environment through restructuring, marketing, embracing information technology and culture change; Atheru (2007) worked on strategic responses by meteorological department to the needs of their customers and found out that Kenya Meteorological Department did not have adequate capacity to respond to the needs of their customers. None of the studies had covered large fast food chains. Most of the studies also focused on firm's competitive environment. No two organizations are perfectly similar and thus whatever works for one company may not work for the other. This is because the managerial processes at large fast food restaurants are different from those of industries covered in previous studies due to the difference in environmental and organizational factors. Thus a gap of knowledge was left in the area of strategic responses to competition among large fast food restaurants in Nairobi Central Business District environment.

Organizations have to be able to respond effectively to challenges and opportunities as they arise. Waverman (2001), the customer has increasing expectations of service standards and availability. In response, organizations are working towards an outward-focused view of the way services should be provided–a fundamental shift from the traditional focus on internal concerns. At the same time, major opportunities for improvement may arise from developments such as new information and communications technologies, and the availability of additional financial resources. In many cases the response to the problem or opportunity will require the continuous attention of senior management .Thus the study seeks to answer the following question: What are the strategic responses to competition among large fast food restaurants in Nairobi Central Business District?

1.3 Study Objectives

The objectives of the study are to:

i) Identify the nature of competition faced by large fast food restaurants at Nairobi Central Business District.

ii) Determine the strategic responses adopted by large fast food restaurants at Nairobi Central Business District.

1.4 Value of the study

The study has shown that competition is and shall continue impacting on the performance of small outlets dealing with fast food products. As such, for a firm to survive in such an environment it should be able to identify its target market. The research observed that there are different types of clientele visiting these fast food restaurants and when an outlet identifies its clientele and tailors its products and service to the same clients, they manage to survive the stiff competition. In addition, price differentiation during off- peak times can boast the sales of such outlets. To these end what an outlet needs to do is identify a specific clientele to serve and strive to meet their unique type of requirement. The research also noted the importance of a firm anticipating competition in its area of operation, because with such a move, it will provide it with ammunition to counter any challenge that arises and should initiate strategies that will retain the existing customers and absorb new ones.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are theoretical review, empirical review, Porter's generic business strategies, competitive forces that shape strategy and the environment. The scope of this study will be limited to identifying the strategic responses to competition among large fast food restaurants operating in the NCBD.

2.2 Theories and concepts of strategic responses

Theories of strategic response demonstrate that strategies create a competitive edge for a firm. While this strategic response might be necessary for optimal strategic use, they are not sufficient conditions. Elliott, Huffman and Makar (2003), argue that, given these strategies, a firm's ultimate decision to use a strategy also depends on the level of its competitors. In addition, a firm's choice to use a certain strategy depends on the costs of strategy formulation and implementation.

2.2.1 Strategic response theories

According to Whittington (2002), for classicists profitability is the highest goal of business and rational planning as the means to attain it. The strategic aim of a business is to earn a return on capital, and if in any particular case the return in the long run is not satisfactory, the deficiency should be corrected or the activity abandoned. This theory requires that managers be ready and capable of adopting profit-maximizing strategies through rational long-term planning.

According to the evolutionary theory, its approaches do not rely on top management's skill to plan and act rationally. Instead of depending on managers, they believe that markets will determine profit maximization and not the managers. Whatever methods the managers will adopt, the best performance will be the ones that survive. Rational methods are not the basis for this approach because it is 'evolution that is nature's cost-benefit analysis' (Einhorn and Hogarth 1988). Competition is not overcome by detached calculation such as in classical perspective but by constant struggle for survival in the jungle. The biological principle of natural selection is at the core of evolutionary theory wherein the most apt strategies often translate in the best performance allowing them to survive and progress. The weaker performers are driven out of the market.

Processual approaches does not subscribe to rational strategy-making forwarded by Classical approach. However they do not either agree with the evolutionary perspective of leaving the profit-maximizing outcomes to the market. According to McGrea (2005), organizations and markets are wrought with confusion and mess. The best Processual method is not to strive for the ideal but to work with what the reality offers. This theory believes that rational economic man is not possible because we cannot overlook all factors at the same time. Human nature is simply flawed. Micro-political view implies that firms are not united towards a single goal such as profit. Instead it is made up of a number of individuals with different interests and brings them to the organization. The members of the organization bargain between themselves to arrive at a set of goals that is acceptable to them all. The main strategy for this approach is to simplify complex processes.

This systematic theory believes that the organization is capable of planning and acting effectively. According to Cox and Dale (2002), economic activity cannot be separated from social relations such as family, state or religion. These social factors influence the means and ends of a systemic approach and define what the suitable behavior is for their members. In this approach, the organization is not just made up of individuals but of social groups with interests. The variables that Systemic contend with are class and professions, nations and states, families and gender. The strategy then depends on the social environment of the firm.

2.3 Porter's generic business strategies

Strategy is an essential part of any effective business plan. By using an effective competitive strategy, an organization finds its industry niche and learns about its customers (Porter, 1980). Porter (1985) asserts there are basic businesses strategies differentiation, cost leadership, and focus and a company performs best by choosing one strategy on which to concentrate. However, many researchers feel a combination of these strategies may offer a company the best chance to achieve a competitive advantage (Hlavacka *et al.*, 2001). Whatever strategy a business chooses, it must fit with the company and its goals and objectives to gain a competitive advantage (Ross, 1999).

According to Suutari, (1999), Porter purports companies must be competitive to become an industry leader, to be successful both nationally and abroad, and these strategies for gaining competitive advantage apply to all industries in most nations. While various types of organizational strategies have been identified over the years, Porter's generic strategies remain the most commonly supported and identified in key strategic management textbooks and in the literature (David, 2000). Porter's (1980) generic strategies can yield competitive advantage and also ensures long-term profitability, the firm must make a choice between one of the generic strategies rather than end up being "stuck in the middle".

Differentiation is one of Porter's key business strategies. When using this strategy, a company focuses its efforts on providing a unique product or service (Hlavacka *et al.*, 2001). Since, the product or service is unique; this strategy provides high customer loyalty (Porter, 1985). Product differentiation fulfills a customer need and involves tailoring the product or service to the customer. This allows organizations to charge a premium price to capture market share.

The differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support. Firms following a differentiation strategy can charge a higher price for their products based on the product characteristics, the delivery system, the quality of service, or the distribution channels. The quality may be real or perceived based on fashion, brand name, or image. The differentiation strategy appeals to a sophisticated or knowledgeable consumer interested in a unique or quality product and willing to pay a higher price.

According to McCracken, (2002) the key step in devising a differentiation strategy is to determine what makes a company different from a competitor's. Factors including market sector quality of work, the size of the firm, the image, graphical reach, involvement in client organizations, product, delivery system, and the marketing approach have been suggested to differentiate a firm (McCracken, 2002). To be effective, the message of differentiation must reach the clients, as the customer's perceptions of the company are important (Berthoff, 2002) suggest bending the customer's will to match the company's mission through differentiation.

When using differentiation, firms must be prepared to add a premium to the cost (Hyatt, 2001). This is not to suggest costs and prices are not considered; only it is not the main focus (Hlavacka *et al.*, 2001). However, since customers perceive the product or service as unique, they are loyal to the company and willing to pay the higher price for its products.

Some key concepts for establishing differentiation include: speaking about the product to select panels, writing on key topics affecting the company in the association's magazine or newsletter, becoming involved in the community, being creative when composing the company's portfolio, offering something the competitor does not or cannot offer, adding flair and drama to the store layout, providing e-commerce, making access to company information and products both quick and easy, using company size as an advantage, training employees with in-depth product and service knowledge, offering improved or innovative products, emphasizing the company's state-of-the-art technology, quality service, and unique products/services, using photos and renderings in brochures and selecting products and services for which there is a strong local need (Darrow *et al.*, 2001).

Variants on the Differentiation Strategy

The **shareholder value model** holds that the timing of the use of specialized knowledge can create a differentiation advantage as long as the knowledge remains unique. This model suggests that customers buy products or services from an organization to have access to its unique knowledge. The advantage is static, rather than dynamic, because the purchase is a one-time event.

The **unlimited resources model** utilizes a large base of resources that allows an organization to outclass competitors by practicing a differentiation strategy. An organization with greater resources can manage risk and sustain losses more easily than one with fewer resources. This deep-pocket strategy provides a short-term advantage only. If a firm lacks the capacity for continual innovation, it will not sustain its competitive position over time.

The cost leadership strategy focuses on gaining competitive advantage by having the lowest cost in the industry. In order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy (Malburg, 2000). The organization must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing activities to other organizations with a cost advantage (Malburg, 2000). For an effective cost leadership strategy, a firm must have a large market share. There are many areas to achieve cost leadership such as mass production, mass distribution, economies of scale, technology, product design, input cost, capacity utilization of resources, and access to raw materials (Malburg, 2000). Porter (1985) purports only one firm in an industry can be the cost leader and if this is the only difference between a firm and competitors, the best strategic choice is the low cost leadership role.

Lower costs and cost advantages result from process innovations, learning curve benefits, and economics of scale, product designs reducing manufacturing time and costs, and reengineering activities. A low-cost or cost leadership strategy is effectively implemented when the business designs, produces, and markets a comparable product more efficiently than its competitors. The firm may have access to raw materials or superior proprietary technology which helps to lower costs.

Firms do not have to sacrifice revenue to be the cost leader since high revenue is achieved through obtaining a large market share (Bauer and Colgan, 2001). Lower prices lead to higher demand and, therefore, to a larger market share. As a low cost leader, an organization can present barriers against new market entrants who would need large amounts of capital to enter the market. The leader then is somewhat insulated from industry wide price reductions (Porter, 1980). The cost leadership strategy does have disadvantages. It creates little customer loyalty and if a firm lowers prices too much, it may lose revenues.

In the focus strategy, a firm targets a specific segment of the market (Davidson, 2001). The firm can choose to focus on a select customer group, product range, geographical area, or service line (McCracken, 2002). Focus also is based on adopting a narrow competitive scope within an industry. Focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements. A successful focus strategy depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy. Midsize and large firms use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies. But, focus strategies are most effective when consumers have distinct preferences and when the niche has not been pursued by rival firms David, (2000).

2.3.1 Criticisms of generic strategies

According to Porter (1980), a firm's failure to make a choice between cost leadership and differentiation essentially implies that the company is stuck in the middle. There is no competitive advantage for a company that is stuck in the middle and the result is often poor financial performance (Porter, 1980). Kay (1993) and Miller (1992) disagreed with this aspect of the analysis as they cited examples of companies which have become successful after adopting more than one generic strategy. Both Toyota and Benetton companies used the generic strategies of differentiation and low cost simultaneously, which led to the success of these companies.

The generic strategies were regarded as fundamental to strategy and the ideas suggested by Porter (1980) were extensively. It is very difficult for most companies to completely ignore cost, no matter how different their product offering is. Similarly, most companies will not admit that their product is essentially the same as that of competitors (Macmillan et al, 2000). It is important for the analysts therefore to bear in mind that Porter's (1980) generic strategies should be considered as a part of a broader strategic analysis. The generic strategies only provide a good starting point for exploring the concepts of cost leadership and differentiation. Perhaps a major limitation of the generic strategies is that they may not provide relevant strategic routes in the case of fast growing markets (Lynch, 2003). It is clear that the competitive environment is continually changing and such changes have led to increased competition forcing many firms to respond by adopting strategies to ensure they achieve sustainable competitive advantage. Sustainable competitive advantage leads to long term success of firms.

2.4 Competitive forces that shape strategy

Understanding the competitive forces, and their underlying causes, reveals the roots of an industry's current profitability while providing a framework for anticipating and influencing competition (and profitability) over time. A healthy structure should be as much a competitive concern to strategists as their company's own position. Understanding industry structure is also essential to effective strategic positioning. The configuration of the five forces differs by industry. The strongest competitive force or forces determine the profitability of an industry and become the most important to strategy formulation. Industry structure grows out of a set of economic and technical characteristics that determine the strength of each competitive force (Porter, 1980).

New entrants to an industry bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete. Particularly when new entrants are diversifying from other markets, they can leverage existing capabilities and cash flows to shake up competition. The threat of entry, therefore, puts a cap on the profit potential of an industry. When the threat is high, incumbents must hold down their prices or boost investment to deter new competitors. Entry barriers are advantages that incumbents have relative to new entrants. These include supply-side economies of scale, demand-side benefits of scale, customer switching costs, capital requirements, incumbency advantages independent of size, unequal access to distribution channels and restrictive government policy.

Powerful suppliers capture more of the value for themselves by charging higher prices, limiting quality or services, or shifting costs to industry participants. Powerful suppliers, including suppliers of labor, can squeeze profitability out of an industry that is unable to pass on cost increases in its own prices. Powerful customers can capture more value by forcing down prices, demanding better quality or more service (thereby driving up costs), and generally playing industry participants off against one another, all at the expense of industry profitability. Buyers are powerful if they have negotiating leverage relative to industry participants, especially if they are price sensitive, using their clout primarily to pressure price reductions (Porter, 1980).

2.5 The Environment

The environment can be classified into internal and external environment. The external environment refers to those factors outside the organization's influence but which affect the organization's operations. The external environment presents opportunities which the firm can exploit and poses threats which can hinder the organization's activities. The internal refers to factors within the organization which the organization exercises a great deal of control over and which affect the organization's operations. This presents the organization's strengths and weaknesses. The internal environment therefore constitutes an organization's internal capability which is essential in addressing the external environment. Pearce and Robinson (1997) argue that in order for organizations to achieve their goals and objectives it is necessary for them to adjust to their environment.

According to Johnson, Scholes and Whittington (2005), an organization exists in the context of a complex political, economic, social, technological, environmental and legal world. The environment changes and affects different organizations differently. Burnes (2004) further argued that there is considerable support for the view that the pace change is accelerating as never before and organizations have to chart their way through an increasingly complex environment. Organizations have to cope with pressures of globalization, rapid changes in technology, rise of e-commerce, situations where customers and suppliers can be both competitors and allies and a change in emphasis from quantity to quality and from product to services.

2.6 Empirical evidence and knowledge gap

Decisions on competitive factors require a careful evaluation of resources and environmental variables. Resources include all assets, capabilities, organizational processes, attributes, information, and knowledge that enable a firm to define and implement strategies to compete, Porter (1981). Barney (1991) classified these resources into three major categories: physical capital resources, human capital resources, and organizational capital resources. Because of resources limitations, Skinner (1974) suggested that it would be difficult to focus on more than one competitive factor at a time in any particular firm or manufacturing facility. Limiting a firm to a single competitive factor is similar to Porter's (1980) assertion that a firm can only choose either cost or differentiation as a basis for competition. The implication of Porter (1980) is that any firm attempting to achieve both cost and differentiation as its competitive factors is almost guaranteed low profitability, Kotha and Orne (1989). However, this proposition has been challenged by many world-class manufacturing firms as they simultaneously maintain many competitive factors.

The perception of competitive factors can vary from one level of management to another. Swamidass (1986) found that while chief executives emphasized quality and technology, manufacturing managers focused on reducing cost and keeping delivery promises. A mismatch of competitive factors between chief executives and manufacturing managers in the same firm could be a potential problem in the effective use of the manufacturing function. Porter's (1980) strategic positioning model builds upon the assumption that five forces determine industry attractiveness, i.e., the potential to earn rents. Three forces represent the "horizontal" competitive relationships, namely the rivalry among competing firms, the threat of new entrants and the threat of substitutes. Two other forces reflect the firm's "vertical" linkages with external actors, namely buyer and supplier power. An interesting characteristics of the five forces model is that industry structure, at least when used for strategy prescription at the firm level, is viewed as partly endogenous. This means that there is a reciprocal relationship between industry structure and firm behavior. Entry barriers do not just result from a given industry structure but may be induced or challenged by firms. In this context, the five forces could be seen as the "opportunities-threat" component in a conventional SWOT-analysis (strengths, weaknesses, opportunities and threats).

In contrast, the resource-based view focuses on the "strengths-weaknesses" component of SWOT analysis. It does this by identifying valuable (as perceived by customers), non-substitutable, non-imitable, firm-level competences as the basis of superior performance. Industry capabilities include trust relations, and specific ways of diffusing and sharing technological knowledge, Foss (1997). An integrative perspective has recently been introduced, Teece and Pisano (1998). In this, dynamic capabilities include special company strengths to cope with the shifting character of the environment. More specifically, this approach focuses on the key role of strategic management in appropriately adapting, integrating and re-configuring company strengths towards changing environments, Teece and Pisano, (1998). The study therefore tries to find out the competitive strategies being used by the large fast food restaurants in the NCBD to beat competition. This results from the gap which existed on whether the fast food restaurants apply different strategies at the same time or only one strategy at a time to make profits.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the proposed research design, data collection and the techniques for data analysis that was used.

3.2 Research design

The research design was a cross-sectional survey of the large fast food restaurants operating in the NCBD. This research design allowed for contact with otherwise inaccessible participants. It has been observed that a survey is feasible when the population is small and variable. When all items of the population are covered, no element of chance is left and highest accuracy is obtained. Cooper and Emory (1985) contend that surveys are more efficient and economical than observations.

3.3 Population of the Study

The population of the study consisted of all large fast food restaurants operating in the NCBD. The restaurants have been categorized by the City Council of Nairobi as large restaurants based on the area size which they occupy (Appendix III). The large fast foods restaurants were chosen as they are strategically located in the main streets, with more than one outlet offering the same kind of foods, invested large sums of money in the business, paid goodwill and thus should have well defined strategic plans in order to counter competition and recover what they have invested.

3.4. Data Collection

The study used primary data; these were collected through self-administered questionnaires. Structured questionnaire consisted of both open ended and closed ended questions designed to elicit specific responses for qualitative and quantitative analysis respectively. A questionnaire is a useful tool for collecting data from respondents because of the need to provide a means of expressing their views more openly and clearly. Respondents were the directors of the chains or the supervisors. The questionnaire was administered through "drop and pick later" method. The respondents were expected to give an insight into some of the strategies they have put in place to ensure that they have a competitive edge over its competitors. These respondents are involved in formulation and implementation of organization's strategies.

3.5 Data Analysis

The data was analyzed by the use of descriptive statistics to summarize and relate variables which were attained from the administered questionnaires. The data was classified, tabulated and summarized using descriptive measures, percentages and frequency distribution tables while tables and graphs will be used for presentation of findings. However, before final analysis was performed, data was cleaned to eliminate discrepancies and thereafter, classified on the basis of similarity and then tabulated. This method of analysis is most desirable as it enabled the researcher to have an insight of the most commonly used strategies by the fast food chains. In accomplishing all analysis details with efficiency and effectiveness, the researcher utilized the Statistical Package for Social Sciences (SPSS) software.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

The research objective was to establish the strategic responses to competition among large fast food restaurants in Nairobi Central Business District. This chapter presents the analysis and findings with regard to the objective and discussion of the same. The findings are presented in percentages and frequency distributions, mean and standard deviations.

4.1.1 Characteristics of the respondents

A total of 48 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Of the 48 questionnaires issued out, only 37 were returned. This represented a response rate of 78%.

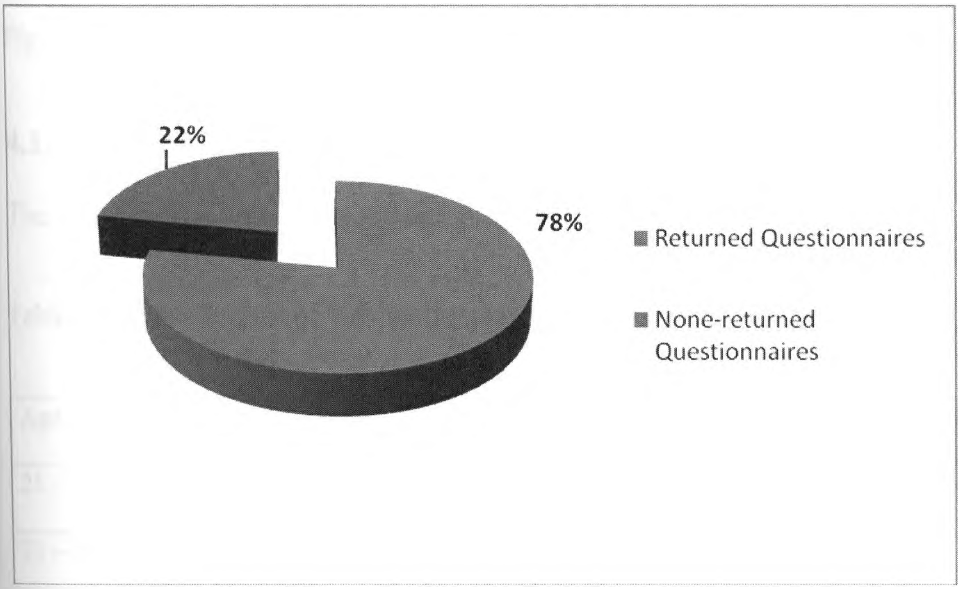

Figure 4.1: Characteristics of the respondents

4.1.2 Respondents gender

As can be observed, in Figure 4.2, the respondents were made up of 65.2 % male and 34.8% female.

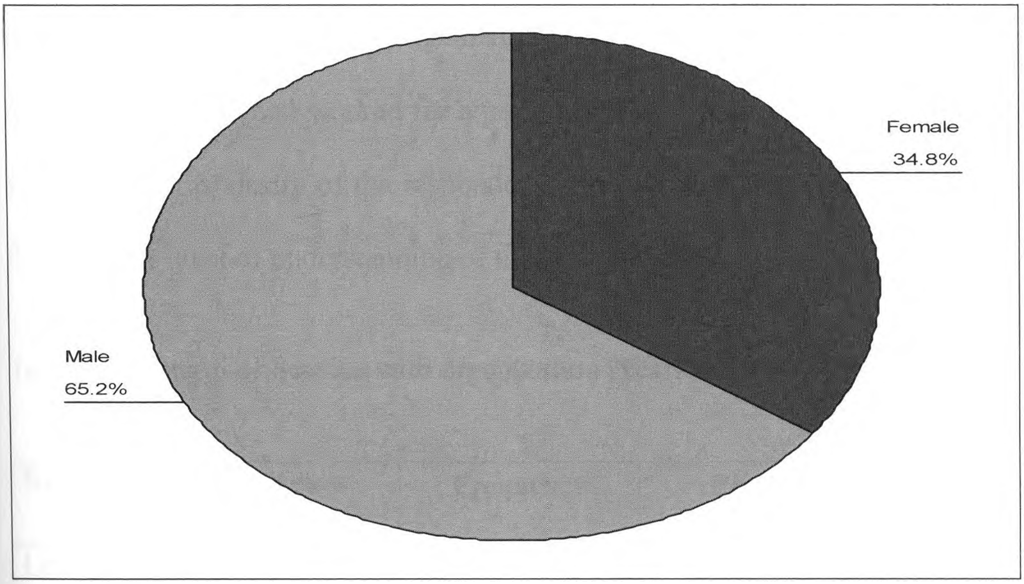

Figure 4.2: Gender Composition

4.1.3 Age Bracket

The figure below represents the age bracket of the respondents.

Table 4.1: Distribution of Respondents by Age

Age	Frequency	Percent	Cumulative Percent
21 – 30	2	6.5	6.5
31 – 40	15	41.3	47.8
41 - 50	19	50.0	97.8
Over 50	1	2.2	100.0
Total	37	100.0	

4.1.4 Length of continuous service with organization (years)

The results presented in table 4.2 shows that the number of years of service in the current organization varies from a period of less than 2 years to over 10 years. 39.1% of the respondents had worked in their respective organizations for over 10 years, 37% had worked for a period of 6 to 10 years, 17.4% had worked for a period of 2 to 5 years and 6.5% had worked for less than 2 years at 6.5%. Majority of the respondents have worked in their organization over 6 years, thus there is high level of understanding of their organization.

Table 4.2: Length of Service with organization (years)

Number of service years	Frequency	Percent	Cumulative Percent
Less than 2 years	2	6.5	6.5
2 - 5 years	6	17.4	23.9
6 - 10 years	14	37.0	60.9
Over 10 years	15	39.1	100.0
Total	37	100.0	

4.1.5 Duration of fast food existence

The number of years these firms have been operating in the market is important in order to establish the period of time they have operated and if there is any relation to the strategies they have resorted to.

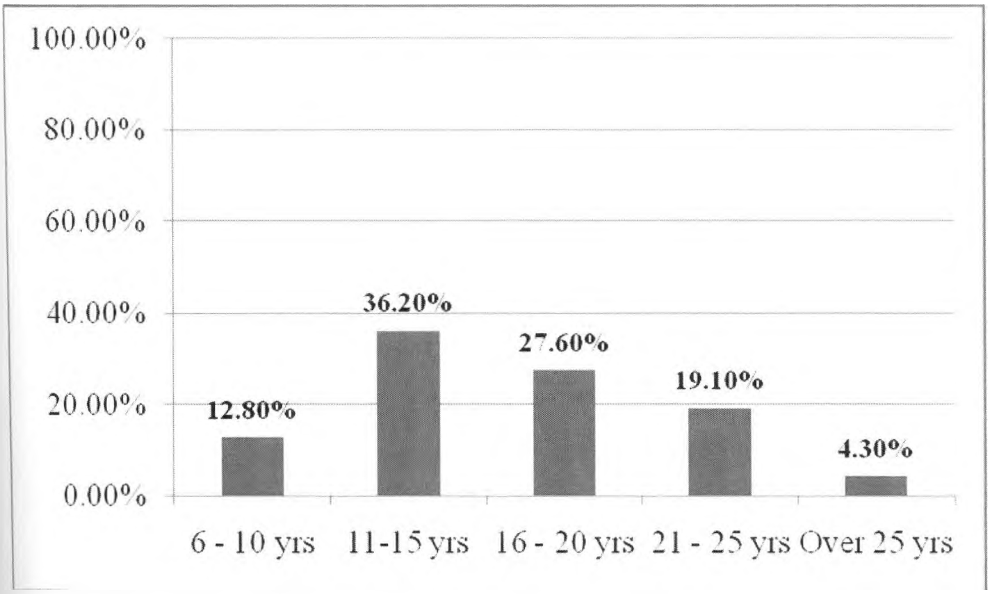

Figure 4.3: Duration of fast food existence

From the findings above 36.2% of the fast food outlets have been in operation for a period between 11 and 15 years, 27.6% have been in existence for 16 – 20 years, 19.1% have been in operation for 21 – 25 years while 12.8% of the respondents said they have been in operation for between 6 and 10 years while 4.3% have been in operation for over 25 years. The findings shows that the fast food outlets have been in business for a considerably long time thus they will have designed some strategies which they use to gain competitive advantage over its competitors.

4.1.6 Number of employees

From the analysis below, 31.9% of the respondents said their outlet has employed between 21 and 30 employees, 25.4% has less than 20 employees in their outlet while 17.1% has 31-40 employees.

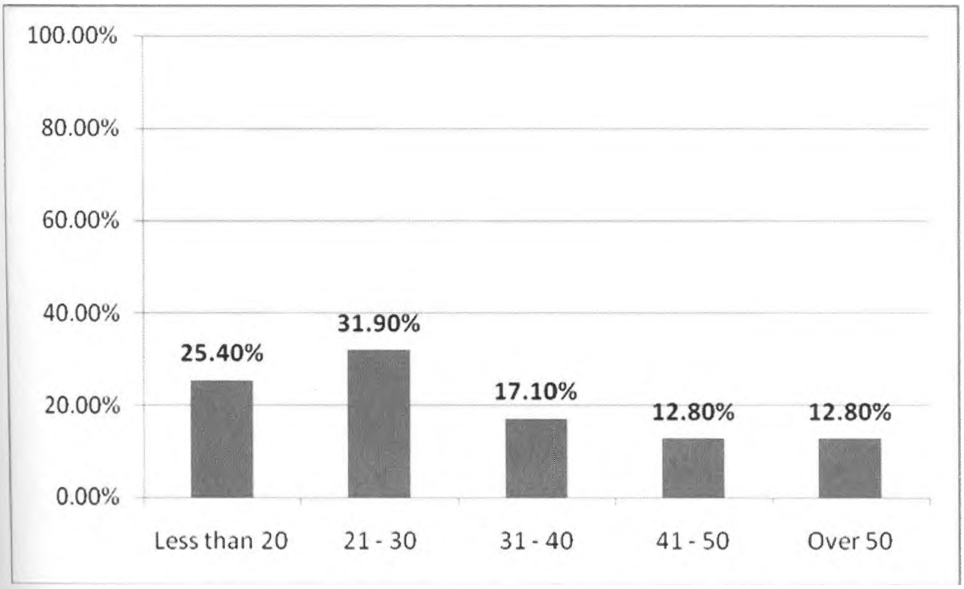

Figure 4.4: Number of employees

12.8% of the outlets said their organizations had 41-50 employees and also the outlets with over 50 employees were represented by 12.8%. The findings indicate that the number of staff currently employed by the respondent outlets is high, signaling growth in the industry or increased workload as a result of increasing demands from customers.

4.1.7 Existence of other branches

Majority of the respondents (64.8%) said they have another branch while 35.2% said they do not have another branch. The findings show that almost a third of the respondents have another branch indicating that there is potential for expansion in the industry.

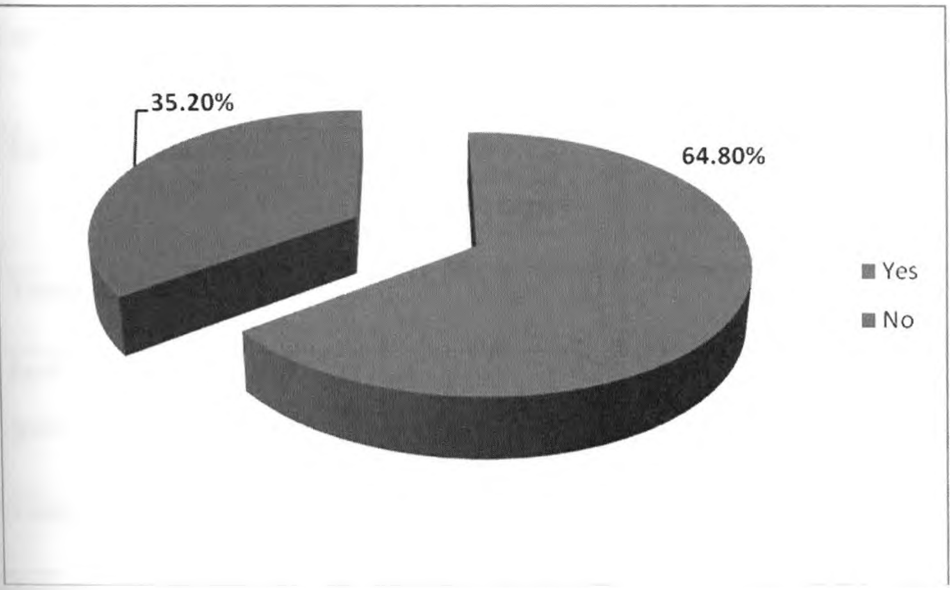

Figure 4.5: Existence of other branches

4.2 Customers

A customer (also known as a client, buyer, or purchaser) is usually used to refer to a current or potential buyer or user of the products of an individual or organization, called the supplier, seller, or vendor. This is typically through purchasing or renting goods or services. However, in certain contexts, the term customer also includes by extension any entity that uses or experiences the services of another. A customer may also be a viewer of the product or service that is being sold despite deciding not to buy them. The general distinction between a customer and a client is that a customer purchases products whereas a client purchases services.

4.2.1 Target Customers

Target customers are a group of people the fast food restaurants develop for or provide with certain goods and services to satisfy their needs. Identifying a target market to serve provides the means for organizations to develop sets of strategies to pursue this objective.

Table 4.3: Target Customers

Target customers	**Frequency**	**Percent**	**Cumulative Percent**
Young adults <30 years old	11	29.8	29.8
Professionals (men and women)	16	42.6	72.4
Children	8	23.4	95.8
Family	2	4.2	100.0
Total	47	100.0	

The finding in table 4.3 above shows that, 42.6% of the outlets target professional men and women with their offerings. This is probably due to the disposable income these people command, 29.8% of the respondents said they target young adults below 30 years of age while 23.4% of the respondents said they target children and the remaining 4.2% said they target families. All the outlets use various methods to attract their target groups to visit their outlets. These include offering fast foods in augmented settings (e.g. general ambience, cable television (DSTV), offering amusement parks and fun days for children to tap into future buyers.

4.2.2 Reasons for customers patronizing an outlet

The analysis below shows that 68.1% of the respondents patronize an outlet because of the quality of food and good customer service being offered by an outlet. 10.6% of the respondents said competitive prices, sales promotions, advertising and home deliveries were the reasons for their customers patronizing their outlets. 6.4% of the respondents thought that their outlet's strategic location and interior décor was the reason for customers patronizing them while 4.3% said it's because of specialized services/foods.

Table 4.4: Outlet patronization

Reasons	Frequency	Percent	Cumulative Percent
Quality food and good customer service	25	68.1	68.1
Competitive prices	4	10.6	78.7
Sales promotions, advertising and home deliveries	4	10.6	89.3
Strategic location of outlet and interior décor	3	6.4	95.7
Specialized services/foods	1	4.3	100
Total	37	100.0	

In order to attract customers from the competitors, the respondents observed that they mainly lure them by trying to offer extra value for money and quality customer service. Among the difficulties that they encounter in trying to meet the needs of their customers are changing customer tastes and preferences, price wars from competitors, staff turnover and increasing overhead costs.

4.2.3 Influence to stock products

The analysis below shows that 58.9% of what the respondents stock was influenced by customers, 28.7% said it was influenced by what their competitors stock, 8.2% said it was as a result of what the owner decides they should stock while 4.2% said it results from their suppliers.

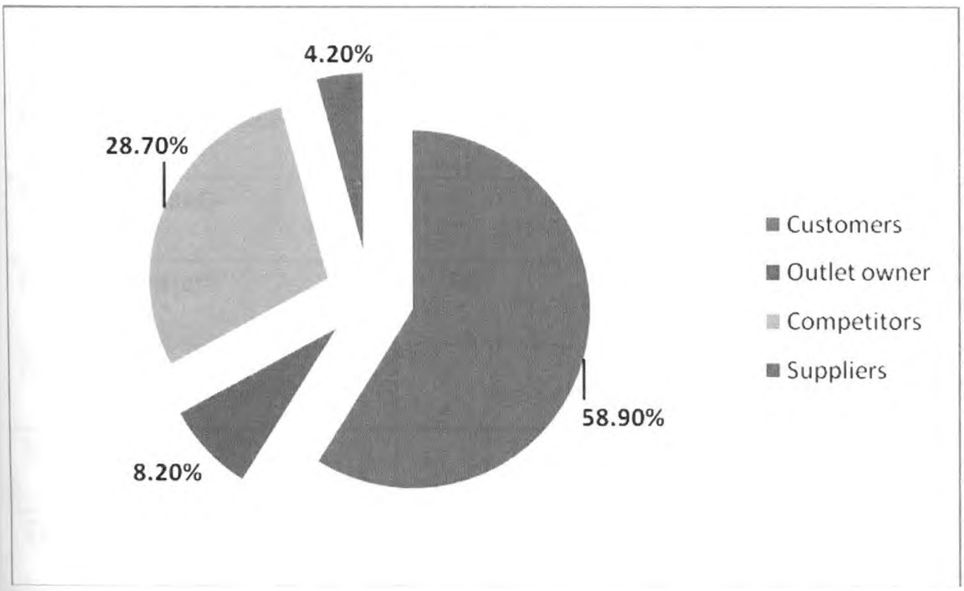

Figure 4.6: Influence to stock products

The products an outlet stock mostly determines the customers they would attract and therefore at any time the outlet should ensure that it stocks the target group favorite products and also other general products.

4.2.4 Importance of outlet branding

The findings show that 61.7% of the outlets value the branding of its outlets as it identifies an outlet from its competitors, 25.5% said branding of an outlet was fairly important while 8.5% said they were not sure and the remaining 4.3% of the respondents said it is not important. The larger proportion of the outlets which said branding is important shows the outlets strong value to branding.

Table 4.5: Importance of outlet branding

Degree of importance	Frequency	Percent	Cumulative Percent
Very important	23	61.7	61.7
Fairly important	9	25.5	87.2
Not sure	3	8.5	95.7
Not important	2	4.3	100
Total	37	100	

4.2.5 Customers views on prices

The figure below indicates that outlet owners think that most of the customers view their prices as very high (43.7%), 26.3% think that it was high while 18.2% said they think the customers view the prices as fair and the remaining 11.8% said they think it is low.

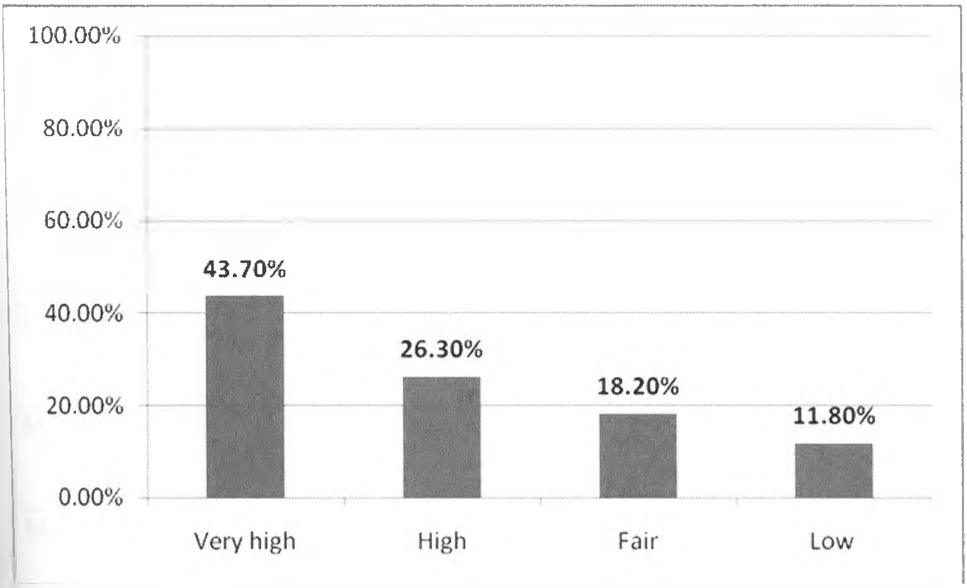

Figure 4.7: Customers views on prices

The prices charged by the outlets depend on many factors and therefore the perception of the respondents will vary depending on the market it serves and the location of its outlet. The perceived price-quality relationship fitted very well with customer views on firm/outlet characteristic or profile.

4.2.6 Market served

The findings on table 4.6 below shows that majority of the outlets (46.8%) serve the mass market, 34.0% serve the middle and up-market, 14.9% of the respondents said they serve the up-market class while only 4.3% of the outlets serve the low end of the market. The kind of market an outlet serves should be in tandem with the kind of food they serve.

Table 4.6: Market served

Kind of market	**Frequency**	**Percent**	**Cumulative Percent**
Up-market	6	14.9	14.9
Mass market	17	46.8	61.7
Middle and up-market	13	34.0	95.7
Low end of the market	1	4.3	100
Total	47	100.0	

4.2.7 Importance of the goals

The respondents were to give their independent opinion on the use of various action plans to beat competition in a five point Likert scale. The range was 'Not important at all (5)' to 'very important' (1). The scores of very important have been taken to present a variable which had mean score of 0 to 2.5 on the continuous Likert scale ;($0\leq$ S.E <2.4). The scores of 'Not sure have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: 2.5≤M.E. <3.4) and the score of both least common have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous likert scale; 3.5≤ L.E. <5.0). A standard deviation of >1.5 implies a significant difference on the impact of the variable among respondents.

Table 4.7: Importance of the goals

Item	**Mean**	**Std. Deviation**
Survival in the market	1.10	. 3483
Growth (gain market share)	1.04	. 2858
Profitability	1.40	. 0730
Product and market differentiation	2.05	. 6137
Maximize market share	1.62	. 8056

Respondents strongly felt that; growth in market share (1.04) is their most important factor then survival in the market (1.10). Profitability was supported by (1.40) of the respondents, maximization of market share (1.62) while product and market differentiation (2.05) was not too important to majority of the respondents.

4.3 Strategic responses

Strategic responses are a set of decisions and actions that result into formulation and implementation of plans designed to achieve a firm's objectives.

4.3.1 Use of brand name

The findings on the use of brand name to gain advantage by the outlet shows that 44.7% of the respondents said they use the brand name to cultivate customer loyalty, 29.7% said they use it claim quality of food and services, 12.8% said they use brand name to enter new markets.

Table 4.8: Use of brand name

Item	Frequency	Percent	Cumulative Percent
Charge a premium	1	2.1	2.1
Cultivate customer loyalty	17	44.7	46.8
Differentiate from competition	2	4.3	51.1
Introduce new products	2	6.4	57.5
Enter new markets	5	12.8	70.3
Claim quality of food and services	10	29.7	100
Total	37	100	

6.4% said they used the brand name in order to introduce new products into the market while 4.3% said they used it to differentiate themselves from competition and the remaining 2.1% used the opportunity to charge a premium.

4.3.2 Use of action plans to beat competition

The respondents were to give their independent opinion on the use of various action plans to beat competition in a five point Likert scale. The range was 'Not important at all (5)' to 'very important' (1). The scores of very important have been taken to present a variable which had mean score of 0 to 2.5 on the continuous Likert scale ;(0≤ S.E <2.4). The scores of 'Not sure have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: 2.5≤M.E. <3.4) and the score of both least common have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous likert scale; 3.5≤ L.E. <5.0). A standard deviation of >1.5 implies a significant difference on the impact of the variable among respondents.

Table 4.9: Use of action plans to beat competition

Item	Mean	Std. deviation
Increasing number of outlets	4.1739	0.6767
Security measures e.g. well lit area	4.0652	0.7118
Convenience and ease of accessibility	4.0652	0.7717
Attractive in outlet layout and design	3.5652	1.2046
Consistency with other outlets	4.1304	0.8329
General cleanliness of outlet	4.2609	0.8282
Uninterrupted power and water supply e.g. provision of generator	3.4348	1.2229

The findings in table 4.9 above show that none of the factors had a mean ranking of below 3.4 (not sure). This means that all the factors have been taken care of by the outlets in order to beat competition. The degree of variation among the factors is not large indicating therefore that the outlets apply all the factors simultaneously although the large variation in standard deviation on the attractiveness in outlet layout and design (1.2046) and uninterrupted power and water supply e.g. provision of generator, large storage water tanks (mean 1.2229) shows that not all the outlets use the factors more often.

4.3.3 Importance of factors in response to competition

The findings indicate that the respondents focus on particular segments of the market. The

Table 4.10: Importance of factors in response to competition

Item	Mean	Std. deviation
Market focusing	1.6727	0.4237
Market segmentation	1.3564	0.3951

outlets practice market segmentation through establishing niches such as in the pizza area. The standard deviations do not vary significantly from the means, thus supporting the findings.

4.3.4 Cost leadership

The findings below show that all the outlets place greater emphasis on the cost leadership factors. Majority of the outlets (mean 1.25) views cost cutting measures as a way of gaining competitive advantage over its competitors followed by business process rationalization (mean 1.5) then the use of latest technology with a mean of 1.625.

Table 4.11: Cost leadership

Item	Mean	Standard Deviation
Use of latest technology	1.625	0.992
Cost cutting	1.250	0:433
Business process rationalization	1.500	0.261
Staff reduction	2.00	1.166
Automation of operations	1.875	1.452

Automation of operations and staff reduction with a mean of 1.875 and 2.0 respectively was not used mostly by the outlets. Generally an organization can gain competitive advantage over its competitors by adopting one of the strategies above.

4.3.5 Differentiation

The respondents unanimously agreed that all the factors identified were necessary for an organization to differentiate itself from its competitors (mean of 2.0 and below).

Table 4.12: Differentiation

Item	**Mean**	**Std. Deviation**
Customer service	1.1522	0.0742
Increased advertisement	1.8696	0.9799
New products/services	1.5435	0.3478
Branding	1.3478	0.7368
Staff training	1.6391	0.7050
More strategic locations	1.5435	0.2239

Customer service (mean 1.1522) was the factor which majority of the outlets puts more emphasize on followed by branding (mean 1.3478). Increased advertisement (mean 1.8696) was rated as a factor which is not mostly used by the outlets in order to differentiate them.

4.4 Action plan implementation challenges

The challenges affecting the fast food industry varies with each outlet. The respondents however, unanimously agreed that competition from smaller outlets as seen from the mean and standard deviation (4.75 and 0.433 respectively) was the greatest challenge which they face followed by financial requirement required to defray their direct costs as well as the overheads like rentals against a background of a non performing economy.

Table 4.13: Challenges

Identified Challenges	**Mean**	**Std. Deviation**
Financial requirement (rentals, etc)	1.4500	0.3431
Changing consumer tastes and preferences	1.6474	1.0221
Ability and skills of owner	2.0350	1.4114
Ability and skills of staff	1.8715	0.7820
Barriers to enter and exit industry	2.1360	1.2204
Marketing	1.9135	0.9180
Competition from smaller outlets	1.4731	0.6242
Government intervention	1.8259	1.3222
Substitutes (other eateries, ethnic foods)	1.5625	1.4790
Provision of reliable utilities by suppliers (power, water)	1.6721	0.9683

Other notable challenges relate to substitutes (mean 1.5625 and a standard deviation of 1.4790), enhancing the abilities and skills of staff (mean= 1.8715, standard deviation= 0.7820) and changing consumer tastes and preferences (mean=1.6474 and standard deviation - 0.0221). Marketing with a mean of 1.875 and standard deviation of 0.780 is another challenge to the outlets. However, the degree of variance is high for most of the identified challenges, which contradict the means. This suggests that different outlets face different challenges posed by the environment in which they operate.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

The aim of this study was to get an insight into the strategic responses adopted by fast food chains operating in Nairobi Central Business District. This chapter contains a summary of the results from the study, limitations of the study and suggestions for further research.

5.1 Conclusion

In summary, the study shows that a greater proportion of the respondents have worked for a longer period of time in the organization and therefore have a lot of experience on the challenges which the outlet faces and also how over the years they have responded to it. The findings also indicate that majority of the outlets have operated for more than six years and therefore this could be a sign that there have been few entrants into the business and these could be as a result of barriers to entry by the established outlets, lack of space or high capital required. The findings indicate that the number of staff currently employed by the respondent outlet is high, signaling growth in the industry or increased workload as a result of increasing demands from customers. It was also observed that a third of the firms operate other outlets, probably suggesting that there is potential for market expansion. Inability to expand by some firms could be attributed to lack of adequate capital, a necessary prerequisite for market expansion and one of the challenges the study found out to be most commonly mentioned.

The study also revealed that these outlets have specific target markets to serve and use various methods to attract their target groups to visit their outlets. Majority of the respondents said their customers patronize their outlets because of the quality of the food and good customer service being offered while others prefer competitive prices and sales promotions, advertising and home deliveries. The products an outlet stock mostly determines the customers they would attract and therefore at any time the outlet should ensure that it stocks the target group favorite products and also other general stock. Branding of an outlet differentiates it from others and that could have been the reason for majority of the outlets saying branding is very important.

With regard to the prices charged by the outlets, there were different views by respondents but majority of the outlets said the customers view the prices as high, however the prices charged by the outlets depend on many factors and therefore the perception of the customers will vary depending on the market it serves and the location of its outlet. The market served by the outlets depends on the kinds of foods and the prices charged. The finding however shows that majority of the outlets serve the mass market. On the issue of business goals, the respondents were more concerned on the growth of the market share and survival in the market than profitability.

On the use of brand name to the advantage of the outlet, the respondents said they use it to cultivate customer loyalty, ensuring high quality of food and services and entering new markets which in turn diversify the organizations operating area. Increasing number of outlets, security measures, convenience and ease of accessibility, attractive outlet layout and design, consistency with other outlets, general cleanliness of outlet and uninterrupted power and water supply were all used by the respondents to beat competition in the market. With regard to the three strategic options available to firms, the outlets put emphasis on all the options in order to beat competition and by combining all the factors they will be able to achieve their targets at the end of the year. Although all the listed factors were rated as affecting the implementation of action plans, the major challenges were financial requirement, competition from smaller outlets, substitutes, changing consumer tastes and preferences, provision of reliable utilities by suppliers and ability and skills of staff.

5.2 Recommendations

The study recommends the following:

5.2.1 Recommendations on Customers

The outlet should ensure that it does their market survey thoroughly before deciding on their target customers in order to avoid a situation where they will be targeting the wrong market. Since the customers patronize the outlets on the basis of the quality food and good customer service, the outlets should ensure then that they maintain the highest level of quality at all times and at the same time also they should stock the products which their customers need. The outlet should never deviate from its main goal which varies with the level of operation of the firm, so that they can be able to grow systematically.

5.2.2 Recommendations on strategic Responses

In view of the results findings, it is recommended that all the outlets should use their brand name to the satisfaction of its customers and not exploit them. The use of all the strategic options by the outlets will ensure that if one option fails then they can use the other to respond to the changes in the market.

5.2.3 Recommendations on Competitive Challenges

Recommendations regarding the competitive challenges faced by the outlets are that they should factor in all the factors which have been highlighted as affecting the customers since they are the ones bringing business to the outlets and therefore seek ways of fulfilling them.

5.2.4. Recommendations for Further Research

The study confined itself to large fast food restaurants operating in Nairobi Central Business District. This research therefore should be replicated in other fast food restaurants operating in Nairobi and the results be compared so as to establish whether there is consistency among the fast food restaurants.

5.3 Limitations of study

This study was based on a sample limited to fast food restaurants operating in Nairobi Central Business District. It did not cover other fast food restaurants operating outside the NCBD. The scope and depth of study was also limited by the time factor and financial resource constraints. This put the researcher under immense time pressure. The researcher also encountered immense problems with the respondents' unwillingness to complete the questionnaires promptly. Some of them kept the questionnaires for too long, thus delaying data analysis.

5.4 Implication on policy and practice

The high level of expansion registered in the fast food restaurants in the NCBD is an indication of a potential capacity in the sector and hence giving a challenge to the policy makers of the need to develop and implement policies that will foster its growth and also facilitate healthy competition among the players in the field. The high customer level experienced in the restaurants necessitates the need to maintain high quality hygiene standards to prevent outbreak of disease and therefore there is need to maintain vigilance on cleanliness standards in these fast food restaurants.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

University of Nairobi

School of Business

Department of Strategic Management

P. O. Box 30197

Nairobi

16 July 2010

Dear Respondent,

I am a postgraduate student at the University of Nairobi, at the School of Business. In order to fulfill the degree requirement, I am undertaking a management research project on strategic responses to competition. The study is entitled:

"Strategic responses to competition among large fast food restaurants in Nairobi Central Business District"

You have been selected to form part of this study. This is to kindly request you to assist me collect the data by filling out the accompanying questionnaire. The information/ data you provide will be exclusively for academic purposes. My supervisor and I assure you that the information you give will be treated with strict confidence. At no time will you or your organization's name appear in my report.

Catherine Wanjugu Mwangi **Dr. Zack B. Awino**

Student no: D61/70056/2008 **Supervisor**

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM – LOWER KABETE CAMPUS

Telephone 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE [illegible]

TO WHOM IT MAY CONCERN

The bearer of this letter [illegible]

Registration No: [illegible]

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

APPENDIX II: QUESTIONNAIRE

Please give answers in the spaces provided and tick (√) in the box that matches your response to the questions where applicable.

PART A: DEMOGRAPHIC AND RESPONDENTS PROFILE

1. Name of fast food chain………………………………………………………………………

2. What is your designation at the organization…………………………………………………

3. Gender: male ( )   Female ( )

4. What is your age bracket (Tick as applicable)?

   a) Under 20 years ( )
   b) 21 – 30 years ( )
   c) 31 – 40 years ( )
   d) 41 – 50 years ( )
   e) Over 50 years ( )

5. Length of continuous service with the organization?

   a) Less than two years ( )
   b) 2-5 years ( )
   c) 6-10 years ( )
   d) Over 10 years ( )

6. For how long has your fast food chain been in existence?

a) Under 5 years ( )

b) 6 – 10 years ( )

c) 11 – 15 years ( )

d) 16 – 20 years ( )

e) 21 - 25 years ( )

f) Over 25 years ( )

7. How many employees do you currently have?

a) Less than 20 ( )

b) 21 – 30 ( )

c) 31 – 40 ( )

d) 41 – 50 ( )

e) Over 50 ( )

8. Do you have any other branch? Yes ( ) No ( )

If yes, please give the actual number……………………………………………

PART B: CUSTOMERS

1. Please indicate, which of the following groups is your target customers?

i. Young adults <30 years old ( )

ii. Professionals (men and women) ( )

iii. Children ( )

iv. Family ( )

2. Why do you think these customers patronize your outlet? Because of:

i. Quality food and good customer service ( )
ii. Competitive prices ( )
iii. Sales promotions, advertising and home deliveries ( )
iv. Strategic location of outlet and interior décor ( )
v. Specialized services/foods ( )

3. Please indicate some of the difficulties you encounter in trying to meet the needs of these customers?...

....

4. Who influences the decision to stock the products (foods) and services you offer at your outlet?

Customers ( ) Outlet owner ( ) Competitors ( ) Suppliers ( )

5. In your opinion, how important is it to brand your outlets?

i. Very important ( )
ii. Fairly important ( )
iii. Not sure ( )
iv. Not important ( )
v. Not important at all ( )

6. How do your customers view the prices you charge for the foods and services?

Very high ( ) High ( ) Fair ( ) Low ( ) Very low ( )

7. What is the customer's perception of the market you serve?

Up-market ( )

Mass market ( )

Middle and up-market ( )

Low end of the market ( )

8. In your opinion, how important are the following goals in your business? Responses are in a scale of 1 – 5 defined as; 1 – Very important, 2 – Fairly important, 3 – Not sure, 4 – Not important and 5 – Not important at all.

FACTORS	1	2	3	4	5
Survival in the market					
Growth (gain market share)					
Profitability					
Product and market differentiation					
Maximize market share					

PART C: STRATEGIC RESPONSES

1. How have you used your brand name to your advantage?

Charge a premium ( )

Cultivate customer loyalty ( )

Differentiate from competition ( )

Introduce new products ( )

Enter new markets ( )

Claim quality of food and services ( )

2. Please indicate the extent to which you have used the following action plans to beat competition in the market? Use a scale of 1 – 5 with; 1 – Very important, 2 – Fairly important, 3 – Not sure, 4 – Not important and 5 – Not important at all.

FACTORS	1	2	3	4	5
Increasing number of outlets					
Security measures e.g. well lit area					
Convenience and ease of accessibility					
Attractive in outlet layout and design					
Consistency with other outlets					
General cleanliness of outlet					
Uninterrupted power and water supply e.g. provision of generator, large storage water tanks					

3. How important has each of the following strategic options been to your firm in response to changes in the market? Use a scale of 1 – 5 with; 1- Very important, 2 – Fairly important, 3 – Not sure, 4 – Not important and 5 – Not important at all.

a) Focus

FACTORS	1	2	3	4	5
Market focusing					
Market segmentation					

b) Cost leadership

FACTORS	1	2	3	4	5
Use of latest technology					
Cost cutting					
Business process rationalization					
Staff reduction					
Automation of operations					

c) Differentiation

FACTORS	1	2	3	4	5
Customer service					
Increased advertising					
New products/services					
Branding					
Staff training					
More strategic locations					

PART D: CHALLENGES

The following are some of the challenges in the implementation of action plans. Please indicate the extent to which they are a challenge to your operating effectively. Use a scale of 1 – 5; with 1- To a very great extent, 2 – Great extent, 3 – Moderate extent, 4 – Small extent and 5 – Not at all.

FACTORS	1	2	3	4	5
Financial requirements (rentals, etc)					
Changing consumer tastes and preferences					
Ability and skills of owner					
Ability and skills of staff					
Barriers to enter and exit industry					
Marketing					
Competition from smaller outlets					
Government intervention					
Substitutes(other eateries, ethnic foods)					
Provision of reliable utilities by suppliers (power, water)					

Thank you for your co-operation

APPENDIX III: FAST FOOD OUTLETS IN NCBD

	Name of Business premises
1	ACCRA ROAD CAFE LIMITED
2	ACTION MANAGEMENT
3	AL - YUASRA RESTAURANT
4	ALIS FAST FOOD
5	BETTER LIFE INDUSTRIES
6	BURGERLAND FAST FOODS LTD
7	CEFA ENTERPRISES
8	CELESTIAN DISTRIBUTORS LTD
9	CITY GATE RESTAURANT
10	EXPRESS MEALS
11	FISH & CHIPS (1968) LTD
12	FOOD SERVICE LTD
13	FRESH FOODS KENYA LIMITED
14	FRESH & FRIENDLY FOOD
15	G & R ANNEXE
16	G& R CAFE
17	GAWA FISH & CHIPS
18	GREENVIEW RESTAURANT
19	HOGGER LIMITED T/A STEERS
20	INNSCOR KENYA LTD
21	JUS CHICKEN N LTD
22	K FRIES LIMITED
23	KARAMARG LIMITED
24	KENCHIC INN/SOUTHERN FRIED CHICKEN LTD
25	KENDA FISH AND CHIPS
26	KTDA (TEA HOUSE) LTD
27	LUCINA CHICKEN AND CHIPS
28	LUNCH BOX CAFE
29	LUSAN RESTAURANT
30	MARKET CAFE
31	MARKET SQUARE RESTAURANT
32	MC FRYS LIMITED
33	MC MIAS FAST FOODS LTD
34	MIGNON CATERERS
35	MUNYIRI FISH AND CHIPS

36	NAIROBI JAVA HOUSE
37	NAIROBI BURGER CHEF LTD
38	NEW CHICKEN INN
39	PORTAL CAFE LTD
40	RED ROBIN FAST FOODS
41	SLUSH LIMITED
42	SOUTHERN FRIED CHICKEN LIMITED
43	STOMACH CLINIC LIMITED
44	SUPREME HOTEL LIMITED
45	SWISS CAKE SHOP LTD
46	THE COUNTRY KITCHEN
47	UCHUMI COFFEE HOUSE
48	Y NOT FAST FOODS

Source: Nairobi City Council Licensing Data, 2010, Nairobi City Council