COMPETITIVE STRATEGIES ADOPTED BY PLAYERS IN THE BEER INDUSTRY IN KENYA

By

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DECLARATION

I declare that this project is my original work and has not been submitted to any other university or institution of higher learning for examination purposes. The project is a result of my own effort and all sources of information have been duly acknowledged. The project should not be reproduced in part or wholly without my consent or that of University of Nairobi

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

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"I lift up my eyes to the hills- where does my help come from? My help comes from the Lord, the Maker of heaven and earth". (Psalm 121 v1).

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ABSTRACT

The study was an assessment of Competitive Strategies Adopted by Players in The Beer Industry in Kenya. To achieve this, the following study objectives were set a) To establish the drivers of competition among players in the Beer Industry in Kenya b) To determine Competitive Strategies adopted by Players in the Beer Industry in Kenya. The study adopted a cross sectional descriptive survey research design. There are 11 players in beer industry operating in Kenya. The research therefore took the form of a census study covering all the players in the beer industry in Kenya since the population of 11 firms was considered small enough. Eleven questionnaires were given out though only 10 were considered fit for data analysis. The data collection tool used in this study was the questionnaire. Data was analyzed using descriptive statistics. Findings indicate that players in beer industry in Kenya are faced by several forces that shape competition. These include competitive rivalry, threat of new entrants, bargaining power of suppliers and customers, globalization, regulation and information technology. players in beer industry in Kenya use cost leadership strategy as a competitive strategy since they attempt to reduce their operational costs in order to deliver the product at the lowest prices. It was also possible to conclude that players in beer industry in Kenya use differentiation as a competitive strategy since they have invested in product research. Players in Beer Industry in Kenya also use focus as a competitive strategy since they have products for different types of consumers. It was also possible to infer from this study that players in beer industry in Kenya use value disciplines as a competitive strategy. The study recommends that players in beer industry should carry out constant environment scanning so as to be able to identify the various forces that affect their operations. In addition players in beer industry need to adopt strategic planning as a tool for planning against any unforeseen events that may destabilize the operations of the company. Finally, it is recommended that players in beer industry need to continue using the various competitive strategies. However, they also need to factor in the concept of strategy fit by considering the internal capabilities and resources of the firm.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Any organization that wants to successfully compete in the marketplace must focus on customer requirements (Phusavat and Kanchana, 2007), An organization must translate customer requirements into objectives for operations known as competitive priorities. Examples of competitive priorities include low cost, consistent quality, and on-time delivery (Phusavat and Kanchana, 2007). Competitive priorities play an important role in technology adoption, process choice, capacity management, innovation planning and control systems, employee skill development and quality assurance (Hayes and Wheelwright, 2001).

A strategy is a plan of action designed to achieve a particular goal. According to Johnson and Scholes (1998), Business strategy is the direction and scope of an organization over the long-term; which achieves advantages for the organization through its configuration of resources through a challenging involvement to meet the needs of markets and to fulfill stakeholders' expectations. Porter (1998) describes competitive strategy as the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs and further explains that competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. Porter (1980) outlines the three approaches to competitive strategy these being Striving to be the overall low cost producer, i.e. low cost leadership strategy, secondly Seeking to differentiate one's product offering from that of its rivals, i.e. differentiation strategy and lastly Focus on a narrow portion of the market, i.e. focus or niche strategy.

1.1.1The Concept of Competition

Competition is a multidimensional phenomenon manifested as a contest between individuals, groups, nations, animals, etc. for territory, a niche, or a location of resources. The Oxford English Dictionary defines competition as "Rivalry in the market, striving for custom between those who have the same commodities to dispose of." (pg. 720). The new game-theoretic models, by contrast, view competition as a process of strategic decision-making under uncertainty; they depict people and firms engaged in competition (Kay, 1991).

Competition arises whenever two or more parties strive for a goal which cannot be shared. Business is often associated with competition as most companies are in competition with at least one other firm over the same group of customers (Hamel,and Prahalad, 2000). The classical theory of perfect competition, as developed by economists from Adam Smith to Alfred Marshall (Thompson and Strickland, 1998) takes a reduced-form approach: it depicts the outcome of competition, but not the activity of competing. Generally, firms are in competition with each other if they sell good and services to the same groups of customer or try to employ factors sourced from the same group of suppliers.

1.1.2 The Concept of Competitive Advantage

The concept of sustainable competitive advantage has been defined in different ways by different authors. For instance, Porter (1985) defines competitive advantage as any activity that creates superior value above its rivals. The explicit assertion by Porter (1985) was that competitive advantage comes from the value that firms create for their customers that exceeds the cost of producing that value. In the empirical work conducted by Molina, Pino and Rodriguez (2004) the following variables had been used to determine firms' level of competitiveness: Market share, Profits, Returns, Technological provision, Financial management, Quality of products-services, After sales services, Managers' educational background, Customer loyalty, Supplier loyalty, Location of establishment, Employees' commitment and loyalty , Employees' professional know-how, and Firm's reputation. However, the most relevant definition of competitive advantage was offered by Barney (1991 p. 102) who asserted "A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy " .

According Barone and DeCarlo (2003) building a competitive advantage will involve understanding the needs of the market (customers), and devising a strategy to make use of the resources that are available (or can be obtained) to set the business apart from the competition. Research in the field of strategic management has attempted to discuss what competitive advantage involves. As cited in Newbert (2007), Tuan and Yoshi (2010) assert that competitive advantage and performance are terms that have been interchangeably used as they are based on the definition of Porter (1985), which asserts that competitive advantage and performance are more or less the same thing. In addition, Powell (2001) indicates a unidirectional correlation: that competitive advantage leads to improved performance, not the opposite. Therefore, studies such as Powel (2001) assert that among the possible relationships between organizational capabilities, competitive advantage and performance, a direct relationship between organizational capabilities and competitive advantage likely exists rather than a relationship straight from that to performance.

The use of SWOT analysis should take into consideration the porter (1980) five forces which include: threat of new entrants, bargaining power of suppliers, bargaining power of buyers, substitutes and rivalry among existing competitors. In addition, the firms also needs to take stock of the resources it has at its disposal which is in line with the resource based view of the firm Barney, (1991). The porter value chain model is also instrumental in understanding how competitive advantage is realized.

1.1.3 Overview of Players in the Beer Industry in Kenya

In Kenya, the beer market is essentially a monopoly, with one player holding over 90% market share, and with some small, high end players and imported premium beers accounting for the rest of the market. Other key players in the industry are the multinational producers who have great distributorship channels in the Kenyan market, for instance, Heineken, SABMiller plc. Carlsberg, Molson Coors among others as illustrated in appendix ii. In the late 1990s, another large beer producer attempted to enter the market, and that resulted in a ferocious price war, in which prices fell dramatically. In the end the new entrant withdrew, citing difficulties in accessing barley that is normally controlled by the dominant beer producer in Kenya. The difficulties in accessing barley may have been a potential source of market power, given that there is an import tax on barley, which would create a price disadvantage for any firm forced to import it (United Nations development Program, UNDP, 2005).

A study by Ellis & Singh (2010), found evidence of a number of anti-competitive practices taking place in the beer market in Kenya. These practices include territorial allocation (where each distributor operates only within a specific area precluding direct competition), exclusive dealership (preventing dealers from contracting with any other beer producers) and price fixing (whereby the wholesale price of beer which distributors must charge is fixed by the producer). According to Ong'olo (2004) the incumbent beer monopolist provided coolers to bars, as long as they are only used for their own products. The study by Ong'olo (2004) further suggest that bar owners faced automatic withdrawal of the facility any time they if they were found to put rival products in the coolers.

According United Nations Conference on Trade and Development (UNCTD) (2005), reduction in taxes on spirits may be applying some competitive discipline on the domestic beer monopoly. A new locally owned brewery entered the market, which brought more competition in the beer sector. Ellis & Singh (2010) suggest that this new entrant experienced some difficulties in entering the market and gaining market share due to actions by the dominant firm. According to Ellis & Singh (2010) the new entrant alleges that the dominant player had instructed bar owners not to stock the new entrant's brand of beer. Furthermore, the new entrant alleged that the incumbent firm has appointed agents to remove all of the rival's advertising material.

1.2 Statement of the Problem

The highly competitive and dynamic business environment witnessed in today's business environment can be attributed to the porter five forces. Porter (1996) identifies the five main competitive forces which act as a starting point in the analysis of the business environment. According to porter five forces model, competition can affect the growth and performance of a firm negatively if strategies to counter the competition are not put in place. Therefore, for a firm to effectively compete in such a dynamic and competitive environment, it needs to put in place a competitive strategy that will ensure that it maximizes shareholders and stakeholders value. Aosa (1992; 2000) and Kibera (1996) argued that as environmental turbulence increases, strategic issues that challenge the way organizations plans and implements its strategy emerge with greater frequency. Put in another way, the modern firm cannot afford to sit back, has to take steps in formulating and implementing strategies that ensure its survival and prosperity. Porter (1980) postulates that, a firm needs to employ generic competitive strategies such as cost leadership, differentiation and focus.

The current exponential growth of the beer brewing sector has resulted to cutthroat competition. Beer brewing firms have reviewed their focus on markets and it is now, for instance, common to see beer brewing firms heavily advertising their products. For instance, the East African breweries have on several occasions launched a promotion dubbed "Tusker Project fame". On the other hand, Keroche Breweries has heavily invested in a product advertising campaign for its latest products, such as Summit lager and Summit malt. Competition has intensified to the point that some of the beer brewing firms have been said to use unfair competition mechanisms. At one point, it was alleged that East African Breweries sales staff were buying bottles belonging to Keroche Breweries inorder to create an inventory problem. In other alleged instances, EABL sales staff were threatening stockists of their beer not to stock any other beer,failure to which they may not be supplied with beer by EABL.

There are many studies that have been done in the area of the study. For instance, Wanjira (2005) carried out a study on the factors affecting the success of competitive strategies in Kenyan hospitality industry. A study by Sharon (2005) studied the competitive strategies employed by SMEs located in Nairobi Business stalls. Karanja (2002) observes in a study of real estate firms in Kenya that increase in the number of players has led to increased competition. Kombo (1997), in a study on the motor industry notes that firms had to make substantial adjustments in their strategic variables in order to survive in the competitive environment. In a study of competitive strategies applied by banks, Gathoga (2001) concludes that banks have adopted various competitive strategies, which include delivery of quality service at competitive prices and at appropriate locations. Oketch (2006) investigated the role of management ability and competence in the success of a chosen competitive strategy. Ngatia (2000) in a comparative study of service providers and customers perception of service quality in the retailing industry summarizes several authors by saying that there is consensus that the retailing strategy to create a competitive advantage is through delivery of high quality service. While the reviewed studies compare well to the current study they however focused on different organizations context as well as some conceptual ones. Therefore the study seeks to answer the questions: what strategies do Beer Brewing firms in Kenya adopt to gain competitive advantage?

1.3 Objectives of the Study

The objectives of the study were to:

i. Establish the drivers of competition among players in the Beer Industry in Kenya
ii. Determine Competitive Strategies adopted by Players in the Beer Industry in Kenya

1.4 Value of the Study

The study findings have informed theory building in the area of competitive strategy and also will test the validity of Porter five forces theoretical framework. The study has also tested other environmental forces such as globalization, regulations and information technology. This study is important to the companies as they are able to know for certain both the internal and external factors play a bigger role in shaping their operations and how they influence performance and what strategies to use in order to remain competitive.

The results of this study are invaluable to researchers and scholars, as it forms a basis for further research. The students and academicians may use this study as a basis for discussions on the competitive strategies adopted by the leading beer manufacturing company in Kenya. Scholars may use this study as a basis for further research in the same area/or related field and for teaching in universities and other institutions of higher learning.

CHAPTER TWO: LITERATURE REVIEW

2.0: Introduction

The chapter deals with the theories relating to competition such as the Industrial organization Theory, structure product paradigm and the role of game theory in defining competition among players. The chapter also deals with the various forces of competition identified in the porter five forces framework among other frameworks. In addition, the study identifies the various competitive strategies theta players use to gain competitive advantage.

2.1 Industrial Organization Theory

According to Jacquemin (2000), market analysis, either from the point of view of the firm that operates or desires to operate in it or from the viewpoint of the public authorities, requires proper characterization .Whether we refer to a manager of a firm or to a public authority responsible for antitrust policy, the fundamental problems are similar. Aumann (1985) asserts that the level of market structure, industrial organisation examines the number of competitors who operate in the relevant market and the distribution of market shares, the conditions of entry and exit, product standardization and its proximity to substitutable goods, the interdependence between upstream and downstream activities, the quality of information controlled by partners and the degree of risk involved. Jacquemin (2000) observed that the shift from the linear structure-conduct-performance paradigm, primarily empirically based, to the new industrial organisation enshrined in game theory, has improved the quality of analyses in antitrust, but at a price.

D'Aspremont & Jacquemin (1990) argue that what has come to be known as the new industrial organisation presents innovative methodological aspects. Moreover, on the basis of a more technical analysis, it has relaunched the eternal debate between those who see in our industrial economies an efficient adaptation to external conditions and those who see a search for market power (Jacquemin, 1987). Compared with earlier studies, recent research is increasingly using tools of microeconomic theory, models of imperfect competition, and game theory. Going beyond the extreme cases of perfect competition and monopoly, solution concepts grow in number. Oligopolistic interdependence has been explored by cooperative games as well as by models of no cooperative behaviour. Furthermore, dynamics in industrial structure have come to replace static approaches. Schumpeter (1950) has already stressed the intertemporal framework within which the competitive process should be placed.

Jacquemin(2000) further asset that we must assume that economic agents are making sequential decisions and taking into account the consequences of their actions on the subsequent evolution of industrial activity. Firms do not merely react to given external conditions, but try to strategically shape their economic environment by modifying, in a credible manner, market structure and market conducts of competitors Jenny, (1992). In the new approach, the number of firms is determined endogenously and depends on the type of game being played by firms, defined in terms of choice variables (price, quantity and so on), timing of decision, number of replications of the game, Norman & La Manna, (1992). This approach also allows for the fact that buyers and sellers do not have a perfect knowledge of their partners or adversaries, their preferences, and their means.

Competition is the art of competing and cooperating simultaneously with partners, including direct competitors (Brandenburg & Nalebuff, 2006). Moreover, competition fosters information and knowledge sharing, since competitors access immaterial resources in an interactive way, due the network structure of modern organizations. Game theory which assumes the existence of strategies, players and payoffs may be used to explain the structure, behavior and performance of firms. Central to game theory is the assumption of strategies and the employment of such strategies against players. Therefore, strategies in game theory may be interpreted to include competitive strategies advanced by Porter(1980) among other scholars. Strategy guides firms to superior performance through establishing competitive advantage in this process companies consider alternative courses of action and choose a set of strategies for their business units (Porter,1983). Firms employ strategy in a dynamic environment in order to adapt to new realities such as increased competition (Milgrom and Roberts, 1988).

All organizations are faced with the challenge of managing strategy. Strategic issues are by nature future oriented, affecting the firm's long term prospects and therefore having enduring effects (Migunde 2002). In a turbulent environment, a firm will succeed only if it takes a proactive anticipatory strategic approach. It is worth noting that strategic issues need to be considered within the context of the organization. Different organizations are likely to emphasize on different aspects of strategy because their contexts and environments differ. For some, according to Johnson and Scholes (2002) it is competitive strategy, for others, it understands their competencies while others stress on creating strategic fit. Others talk of innovation. Strategic responses grow out of a firm's assessment of its current situation. Pearce and Robinson (2002) intimate that such decisions have broad implications and need power to authorize the necessary resource allocations.

2.2 Forces of Competition

These are factors that influence the Competitive position of a company in an industry or market. In the fight for market share, competition is not manifested only in the other players. Rather, competition in an industry is rooted in its underlying economics, and competitive forces exist, that go well beyond the established combatants in a particular industry. Customers, suppliers, potential entrants, and substitute products are all competitors that may be more or less prominent or active depending on the industry, Porter (1980)

2.2.1 Porter's Five Forces

Porter (1980) presented the five forces that shape competition in the industry for any business organization as, that is, rivalry among existing competitors, threats of new entrants, bargaining power of suppliers, bargaining power of buyers, and threat of substitute products or services. All five competitive forces jointly determine the intensity of industry competition and profitability. Barriers to entry are one of the principal forces of competition that shape the performance of firms and industries in any economy (Porter, 1980). The study of entry barriers was pioneered by Bain (1956) who identified four major types of barriers: capital requirements, scale economies, product differentiation, and absolute costs. The economic theory behind barriers to entry postulates that in every market various structural constraints can impose disadvantages on entrants relative to incumbents. That is, the presence of barriers to entry result in fewer entries and therefore allows incumbent firms to enjoy above-average profitability (Porter, 1980).

If one industry's return on capital is in excess of the cost of capital, this industry will attract the outside firms to go inside of the industry (Porter, 2004). If the entry of new firms is unrestricted, the threat of entry rather than actual entry will decrease the profitability of the industry, and make the established firms constraining their price to the competitive level (David Harris, 2006). The reason why the new entrants may constitute a threat is that they bring new capacity and substantial resources to an industry with the desire of gaining market share (Porter, 2004). According to Porter's (1980) theory, there are mainly six barriers for new entrants, and the height of these barriers determine the profitability of the established firm above the competitive level in the long-term. The barriers include capital requirements, economies of scale, absolute cost advantages, product differentiation, access to channels of distribution, and governmental and legal barriers.

The Rivalry between established competitors defines how the competition between the players is in the industry. For most industries, the intensity of the rivalry and on which basis the industry participants compete determines the overall state of competition and the general level of profitability (Porter, 2004). In such circumstances, the industry-wide losses happen (Porter, 2004). However, in other industries, the competition is in the form of focusing in advertising, innovation, and other non-price dimensions. In such circumstances, the price competition is muted (Porter, 2004). The intensity of competition between rivals is determined by the interactions between the following five factors.

The other two balancing forces are bargaining power of suppliers and buyers. The bargaining power of buyers shall be lesser if competition is less given that customers will not have many choices for purchasing products. However, the bargaining power of suppliers is higher in case of lesser competition given that lesser competition will not develop the supplier network (and their mutual competition) and hence they will tend to have more bargaining power (Porter, 2004)

The analysis presented above using Porter's Five Forces Model clearly highlights the brewing industry trends where barriers to entry are low, bargaining powers of suppliers is medium, bargaining power of buyers is high, substitutes are low, and rivalry among existing competitors is high. These trends provide a basis as to why the brewing industry became more concentrated in 1985 and define key success factors in the industry.

2.2.2 Other Forces of Competition

Digitalization; As power of information technology grows, all players in a market will have access to far more information. Thus, totally new business models will emerge in which even players from outside the industry are able to vastly change the basis of competition in a market. Downes (1997) gives the example of the rise of electronic shopping malls, operated for instance by telecom operators or credit card organizations.

Globalization; According to Downes(1997), improvements in distribution logistics and communications have allowed nearly all businesses to buy, sell and cooperate on a global level. Customers, meanwhile, have the chance to shop around and compare prices globally. In the result, even locally orientated mid-sized companies find themselves in a global market, even if they do not export or import themselves.

Deregulation; According to Recklies (2001), the past decade has seen a dramatic shrinking of government influence in many industries like airline, communications, utilities and banking in the U.S. and in Europe. Fuelled by the new opportunities of information technology, organizations in these industries were able and forced to completely restructure their businesses and to look out for alternatives.

2.3 Strategies for Competitive Advantage

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 1993). It concerns what a firm is doing in order to gain a sustainable competitive advantage. They are of the opinion that a company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces. Prahalad and Hamel (1990) define a core competence as an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity. The core competence, they add, has three unique characteristics: It increases perceived customer benefits, It is hard for competitors to imitate and It provides access to a wide variety of markets.

Even though an industry may have below-average profitability, a firm that is optimally positioned can generate superior returns (Porter, 1980). A firm positions itself by leveraging its strengths. Porter (1980) has argued that a firm's strengths ultimately fall into one of two categories, namely cost advantage or differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result. These are cost leadership, differentiation, and focus. These strategies are applied at the business unit level. They are called generic strategies because they are not firm or industry dependent. They apply across all industries

2.3.1 Cost Leadership Strategy

A cost leadership strategy is one in which a firm strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices. Characteristics of cost leadership include low level differentiation, aim for average customer, use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them. Cost leadership has advantages. The strategy protects the organization from new entrants. This is because a price reduction can be used to protect from new entrants. In a study of competitive strategies applied by banks, Gathoga (2001) concludes that banks have adopted various competitive strategies, which include delivery of quality service at competitive prices and at appropriate locations.

2.3.2 Differentiation Strategy

Differentiation strategy is one in which a firm offers products or services with unique features that customers value. The value added by the uniqueness lets the firm command a premium price. The key characteristic of differentiation strategy is perceived quality (whether real or not). This may be through superior product design, technology, customer service, dealer network or other dimensions. The advantage of differentiation is that perceived quality and brand loyalty insulates company from threats from any of the five forces that determine the state of competition in an industry. Price increases from powerful suppliers can be passed on to customers who are willing to pay. Buyers have only one source of supply.

According to Sheikh (2007), computer technology is crucial to Accounting Information Systems (AIS) and to accountants for many reasons. One is that computer technology must be compatible with, and support, the other components the AIS. Secondly, in trying to expand their services, audit firms are moving into provision of outsourced accounting and/or internal auditing services, which require mastery of computer accounting packages. Githae (2004) implies that in differentiating, audit firms have to broaden their services. They have to adopt such strategies as forensic services to remain competitive.

According to Mbayah (2001) in study on internet services, prior to 1998, internet service providers (ISPs) in Kenya operated in a fairly uncompetitive environment. There were few firms and demand for services was very high. Ngatia (2000) in a comparative study of service providers and customers perception of service quality in the retailing industry summarizes several authors by saying that there is consensus that the retailing strategy to create a competitive advantage is through delivery of high quality service.

2.3.3 Focus Strategy

Focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than the competitors. Focus strategy can be either a cost leadership or differentiation strategy aimed towards a narrow, focused market. Advantages of focus strategy include having power over buyers since the firm may be the only source of supply. Customer loyalty also protects from new entrants and substitute products. Cost leaders or big organizations may also gain interest in a particular niche, eroding the advantage of the focusing firm (Porter, 1980). Kombo (1997), in a study on the motor industry notes that firms had to make substantial adjustments in their strategic variables in order to survive in the competitive environment. The firms introduced new techniques in product development, differentiated their products, segmented and targeted their customers more and improved customer service.

Several commentators have questioned the use of generic strategies claiming they lack specificity, lack flexibility, and are limiting. In particular, Miller (1992) questions the notion of being "caught in the middle". He claims that there is a viable middle ground between strategies. Many companies, for example, have entered a market as a niche player and gradually expanded. According to Baden-Fuller and Stopford (1992) the most successful companies are the ones that can resolve what they call "the dilemma of opposites

An up-to-date critique of generic strategies and their limitations, including Porter, appears in Bowman (2008). From the three generic business strategies Porter stress the idea that only one strategy should be adopted by a firm and failure to do so will result in " stuck in the middle" scenario (Porter 1980). The argument is based on the fundamental that differentiation will incur costs to the firm which clearly contradicts with the basis of low cost strategy and in the other hand relatively standardised products with features acceptable to many customers will not carry any differentiation (Kim & Mauborgne ,1999) hence, cost leadership and differentiation strategy will be mutually exclusive (

Porter 1980).Two focal objectives of low cost leadership and differentiation clash with each other resulting in no proper direction for a firm.

However, contrarily to the rationalization of Porter, contemporary research has shown evidence of firms practicing such a “hybrid strategy”. Hambrick (2001) identified successful organisations that adopt a mixture of low cost and differentiation strategy (Kim et al. 2004). Research writings of Treacy and wiesrsema (1993) state that firms employing the hybrid business strategy (Low cost and differentiation strategy) outperform the ones adopting one generic strategy. Sharing the same view point, Bowman (2008) challenged Porter’s concept regarding mutual exclusivity of low cost and differentiation strategy and further argued that successful combination of those two strategies will result in sustainable competitive advantage. As to Wright and other (1990 cited by Akan et al. 2006) multiple business strategies are required to respond effectively to any environment condition.

2.4 Value Disciplines

Treacy & Wiersema (1993) have modified Porter's three strategies to describe three basic "value disciplines" that can create customer value and provide a competitive advantage. Value disciplines as proposed by Treacy & Wiersema, (1993) consist of operational exellence, customer intimacy and product leadership.

According to Pearce and Robinson (2000), companies that specialize in one of these disciplines, while simultaneously meeting industry standards in the other two, gain a sustainable lead in their markets. To match this advantage, less focused companies require larger changes than the tweaking that discipline leaders need (Treacy & Wiersema, (1993).

2.4.1 Operational Excellence

Operational excellence is a specific strategic approach to the production and delivery of products and services. A company that follows this strategy attempts to lead its industry in price and convenience by pursuing a focus on lean and efficient operations.

The focus is on delivering products and services to customers at competitive prices with minimal inconveniences. Firms that implement this strategy typically restructure their delivery processes to focus on efficiency and reliability, and use state of the art information systems that emphasize integration and low cost transactions (Treacy and Wiersema, 1993).

2.4.2 Customer Intimacy

Companies that implement a strategy of customer intimacy continually tailor and shape products and services to fit an increasingly refined definition of the customer. Companies' excelling in customer intimacy combines detailed customer knowledge with operational flexibility (Christopher et al., 2002). They respond quickly to almost any need, from customizing a product to fulfilling special requests to create customer loyalty. Customer-intimate companies are willing to spend money now to build customer loyalty for the long term, considering each customer's lifetime value to the company go to great lengths to ensure customers satisfaction with low regard for initial costs (Treacy and Wiersema, 1993).

The firm's profitability depends in part on maintaining a system that differentiates quickly and accurately the degree of service that customers require and the revenue their patronage is likely to generate (Christopher et al., 2002. Firms using this approach recognize that not every customer is equally profitable. Their organizational structure emphasizes empowerment of employees close to customers and management systems recognize and utilize such concepts as customer lifetime value, and norms among employees are consistent with a " have it your way" mind set (Treacy and Wiersema, 1993).

2.4.3 Product Leadership

Companies that pursue this discipline strive to produce a continuous stream of state of the art products and services. Three challenges must be met to attain that goal. These include, creativity which is recognizing and embracing ideas usually originating outside the company. Second, innovative companies must commercialize ideas quickly. Thus, their business and management processes need to be engineered for speed.

Product leaders relentlessly pursue new solutions to problems. Finally, firms utilizing this discipline prefer to release their own improvements rather than wait for competition to enter, Firms pursuing this value discipline also strive for continuous improvement. Product leaders also act as their own competition. These firms continually make the products and services they have created obsolete. They believe that if they don't develop a successor, their competitors will (Pearce and Robinson, 2003)

2.5 Ansoff Growth Strategies

The Ansoff (1957) Product-Market Growth Matrix allows managers to consider ways to grow the business via existing and/or new products, in existing and/or new markets – there are four possible product/market combinations. This matrix helps companies decide what course of action should be taken given current performance. The matrix consists of four strategies:

Market penetration (existing markets, existing products) is one of the strategies that occur when a company enters/penetrates a market with current products. The best way to achieve this is by gaining competitors' customers (part of their market share). For a firm to be successful using market penetration, it needs to consider the marketing mix. The marketing mix, according to Kotler and Armstrong (2001), is a set of marketing tools that the enterprise uses in order to achieve its objectives in the target market.

According to McDonald, (2002), Product development (existing markets, new products) is another strategy where a firm with a market for its current products might embark on a strategy of developing other products catering to the same market. Market development (new markets, existing products) strategy is an established product in the marketplace can be tweaked or targeted to a different customer segment, as a strategy to earn more revenue for the firm (McDonald,2002).

Lancaster and Massingham (1996) assert that diversification results in the company entering new markets where it had no presence before. It usually requires new skills, new techniques, and new facilities. The matrix illustrates, in particular, that the element of risk increases the further the strategy moves away from known quantities - the existing product and the existing market. Thus, product development (requiring, in effect, a new product) and market extension (a new market) typically involve a greater risk than `penetration' (existing product and existing market); and diversification (new product and new market) generally carries the greatest risk of line, for this reason, amongst others, most marketing activity revolves around penetration.

2.6 Empirical Review

Studies in Kenya have also researched on competitive strategy. A study by Atieno (2006) investigated the role of strategic human resource management in fostering superior performance in companies and concluded that firms exhibiting a strategic fit between its human resource practices and the competitive strategy of the firm reported superior performance compared to its peers. Wanjira (2005) carried out a study on the factors affecting the success of competitive strategies in Kenyan hospitality industry and concluded that the flexibility of human resource systems and their fit with the competitive strategy was a major determinant of sustainable competitive advantage.

Oketch (2006) investigated the role of management ability and competence in the success of a chosen competitive strategy and concluded that the ability of the top management played a very critical role in the success of competitive strategies. According to Oketch (2006), top management ability acts as the glue for enhancing strategic fit between the various determinants and competitive strategy. A study by Sharon (2005) studied the competitive strategies employed by SMEs located in Nairobi Business stalls and concluded that the most important competitive strategy was cost leadership.

In a study of competitive strategies applied by banks, Gathoga (2001) concludes that banks have adopted various competitive strategies, which include delivery of quality service at competitive prices and at appropriate locations. Githae (2004) implies that in differentiating, audit firms have to broaden their services. They have to embrace various disciplines crucial to world of business, charting what one may describe as new frontiers. They have to adopt such strategies as forensic services to remain competitive. Ngatia (2000) in a comparative study of service providers and customers perception of service quality in the retailing industry summarizes several authors by saying that there is consensus that the retailing strategy to create a competitive advantage is through delivery of high quality service.

Kombo (1997), in a study on the motor industry notes that firms had to make substantial adjustments in their strategic variables in order to survive in the competitive environment. The firms introduced new techniques in product development, differentiated their products, segmented and targeted their customers more and improved customer service.

Karanja (2002) observes in a study of real estate firms in Kenya that increase in the number of players has led to increased competition. The most popular type of competitive strategy was on the basis of focused differentiation. According to Karemu (1993), in a study of strategic management in the retail sector, there was intense competition among the supermarkets in Nairobi. The study found that service, location and varieties of merchandise were most mentioned as creating competitive advantage.

All these studies indicate that Kenyan firms are faced with increasing competition. The competition has led to adoption of various strategic responses by local firms to survive the intense competition. Some of these strategies are common across the various industries while others are quite unique to each industry. While the reviewed studies compare well to the current study since they were done in Kenya, they differ from the current study in two aspects. The current study notes that none of the identified studies focused on the beer brewing industry. In addition, it is noted in the current study that the reviewed studies were purely descriptive and lacked the statistical rigor that is supposed to inform the findings and conclusions of the reviewed studies. The current study therefore finds a research gap in two areas, the sector and the rigor of research methodology.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0: Introduction

The chapter deals with data research methodology. Specifically, the chapter states the research design, the population of the study, data collection and data analysis. The chapter contents considered the objectives of the study

3.1. Research Design

This study was conducted through a cross sectional descriptive survey. A cross sectional survey design is used to gather information on a population at a single point in time(Mugenda and Mugenda, 2003) The Miller-Keane Encyclopedia and Dictionary of Medicine, Nursing, and Allied Health (2003) defines a cross-sectional study as one employing a single point of data collection for each participant or system being studied.

Descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way. Cross sectional descriptive survey was therefore appropriate because it was possible to obtain data from a cross section of players in beer industry in Kenya at one point in time.

3.2 Population of the Study

In a research study, population refers to those who can provide the required information (Peil, 1995). A population therefore entails all the cases or individuals that fit specifically for being sources of the data required addressing the research problem. The research therefore took the form of a census study covering all the players in the beer industry in Kenya. The number of players obtained from International Alcohol Control Policies (2011) were eleven (11) and given at appendix ii.

3.3 Data Collection

The study used primary data that was collected through the administration questionnaires. According to Key (1997) a questionnaire is a means of eliciting the feelings, beliefs, experiences, perceptions, or attitudes of some sample of individuals. As a data collecting instrument, it could be structured or unstructured. In this study primary data was collected using a structured questionnaire .The structured questionnaire was preferred because it was easier to administer, analyze and economical in terms of time and money. The questionnaire comprised both open and closed ended questions.

The questionnaire had a section A that captured the general information about the respondents and the firm. Section B captured the drivers of competition while Section C captured the competitive strategies adopted. The use of structured questionnaire ensures consistency of question and answers from the respondents and is also preferred by respondents due to anonymity. The questionnaire was administered to managers in charge of corporate planning or marketing in the company. A total of eleven questionnaires were handed out.

3.5 Data Analysis

This research yielded quantitative data from the questionnaires. Quantitative data collected using a questionnaire was analyzed by use of descriptive statistics. The purpose of descriptive statistics was to enable the researcher to meaningfully describe a distribution of scores or measurements using a few indices or statistics (Cooper and Schilder, 2011).

In particular, frequencies, mean scores, standard deviation, averages and percentages were used. The data analysis was through simple tabulation and presentation of report generated from spreadsheets such as excel. In addition the Statistical Package for Social Sciences (SPSS) was used.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

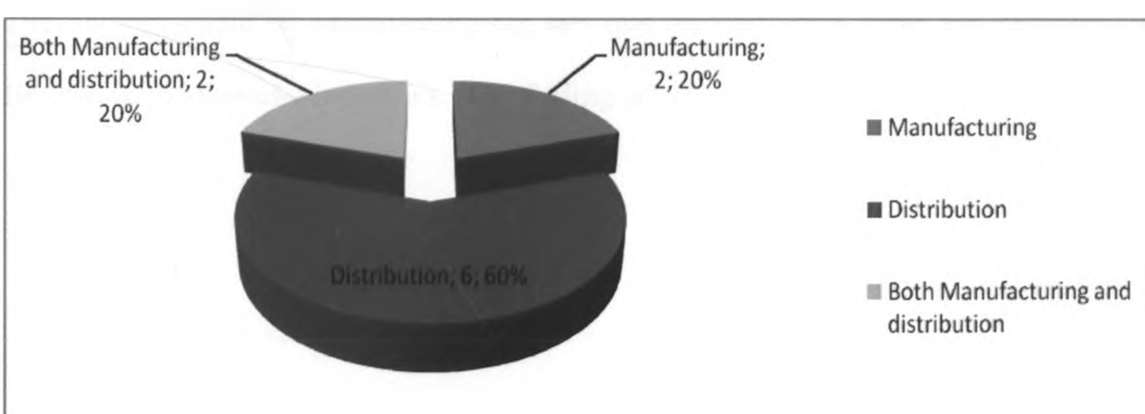
4.1: Introduction

The chapter deals with data analysis. The data was analyzed using both SPSS and Excel spreadsheets after which meaningful results were derived from the percentages arrived at in this process. The data analysis followed the research objectives which were to establish the drivers/forces of competition and also to establish the competitive strategies being adopted by players in the beer firms. Out of the eleven questionnaires handed out, only 10 questionnaires were properly filled bringing the successful response rate to 91%.

4.2: Demographic profile

Results indicate that the majority of the players are distributors (60%) followed by manufacturing (20%) and both manufacturing and distribution (20%). The findings are in line with study expectation since majority of the players are subsidiaries of multinational with only a distribution network in Kenya. Only two players manufacture beer in Kenya.

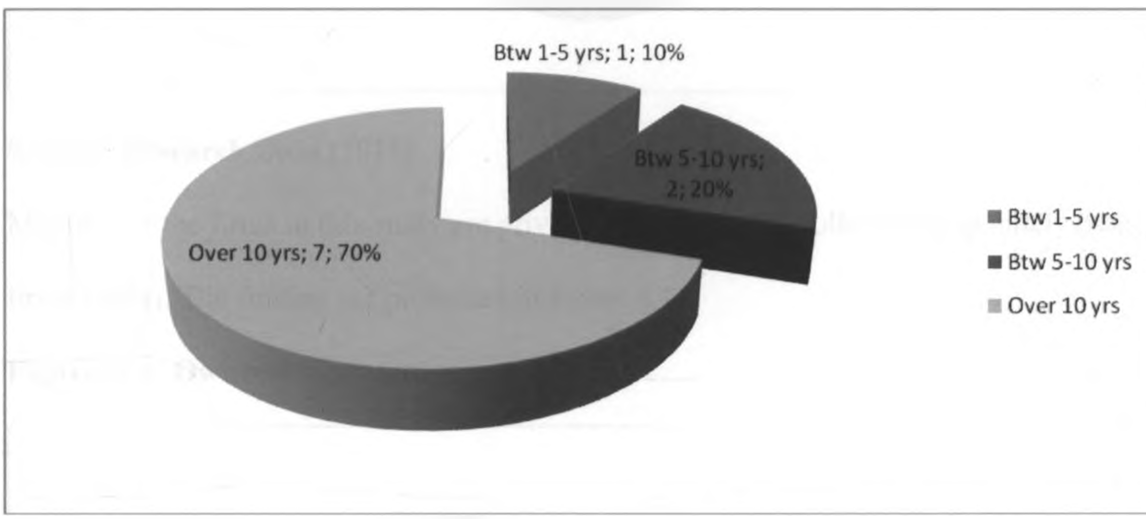
Figure 4. 1 : Type of Operation



Source: Research Data (2011)

Results indicate that the majority of firms were incorporated between 5-10years (20%), those firms who have been incorporated for over 10 years (70%) and those firms who have been incorporated for between 1-5 years (10%). The findings imply and are consistent with observation that majority of the firm have been operating in Kenya for over 5 years (90%). The finding are presented in figure 4.2.

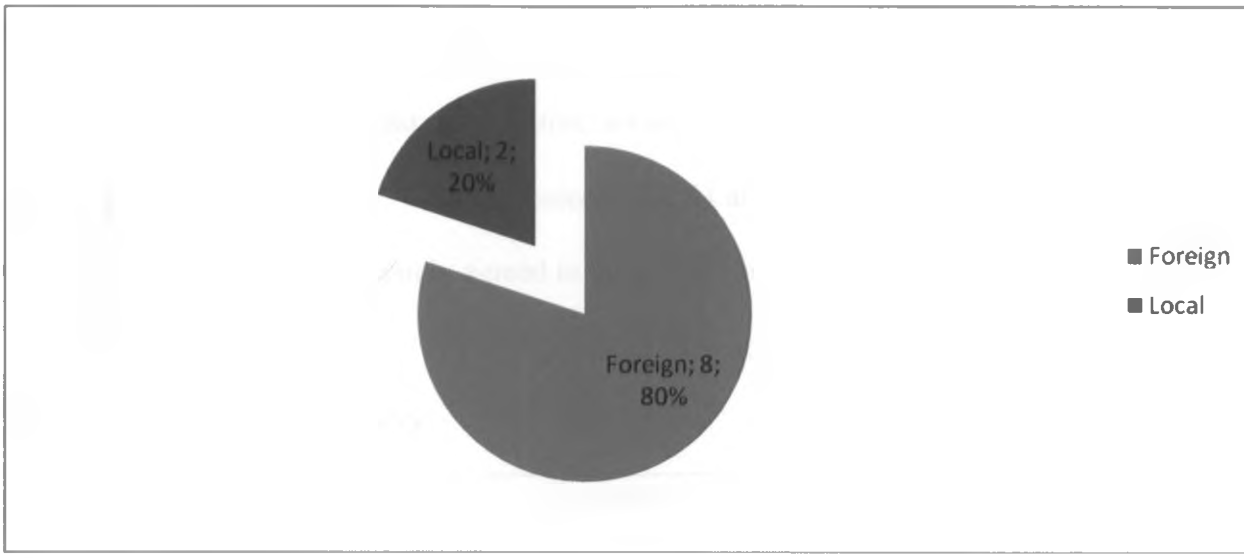
Figure 4. 2: Year of incorporation



Source: Research Data (2011)

Majority of the firms in this study are Foreign (90%) followed by Local firms (10%). The finding could be explained by the fact that the only local firms are East African Breweries and Keroche Industries. The finding are presented in figure 4.3.

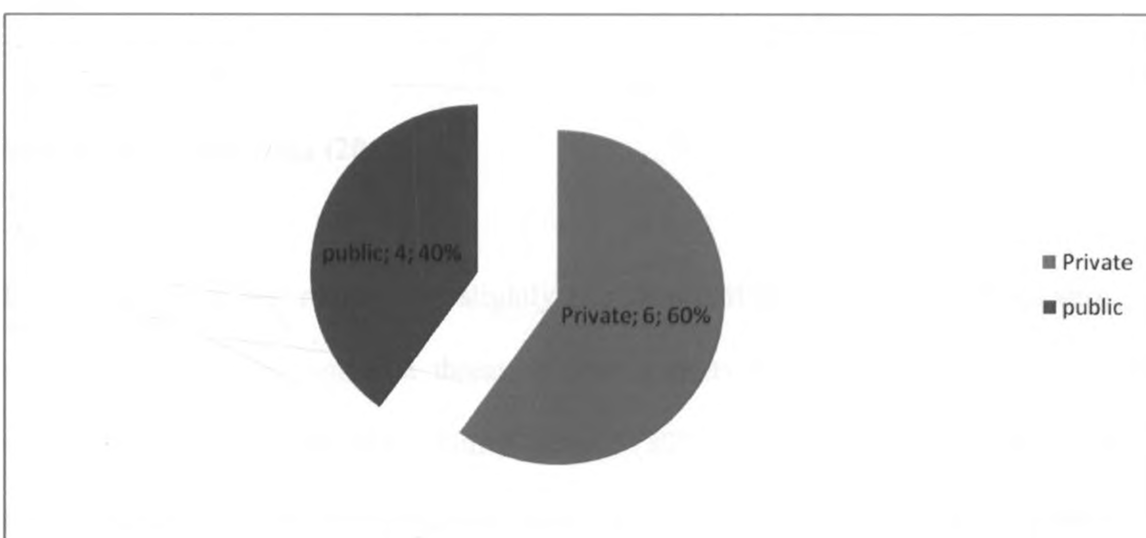
Figure 4. 3: Origin of the Firm



Source: Research Data (2011)

Majority of the firms in this study are privately owned (60%) followed by publicly owned firms (40%). The finding are presented in figure 4.4.

Figure 4. 4: Ownership structure



Source: Research Data (2011)

4.3: Forces of Competition in the Beer Industry in Kenya

Study findings indicate that majority of more than half (60%) of respondents strongly agreed with the statement that competitive rivalry has affected the way the players compete in the beer industry. Twenty percent (20%) also agreed bringing the total of those who either agreed or strongly agreed to 80%. The findings are shown in Table 4.1.

Table 4. 1:Competitive Rivalry

	Frequency	Percent
Strongly Disagree	1	10
Neither Agree nor Disagree	1	10
Agree	2	20
Strongly Agree	6	60
Total	10	100

Source: Research Data (2011)

Findings indicate that majority of slightly less than half (40%) of respondents strongly agreed with the statement that threat of new entrants has affected the way the firm competes in the beer industry. Thirty percent (30%) also agreed bringing the total of those who either agreed or strongly agreed to 70%. The findings are shown in Table 4.2.

Table 4. 2:Threat of new entrants

	Frequency	Percent
Disagree	1	10
Neither Agree nor Disagree	2	20
Agree	3	30
Strongly Agree	4	40
Total	10	100

Source: Research Data (2011)

Findings indicate that majority of slightly more than half (60%) of respondents strongly agreed with the statement that Bargaining power of suppliers has affected the way the firm competes in the beer brewing industry. Forty percent (40%) also agreed bringing the total of those who either agreed or strongly agreed to 100%. The findings are shown in Table 4.3.

Table 4. 3: Bargaining power of suppliers

	Frequency	Percent
Agree	4	40
Strongly Agree	6	60
Total	10	100

Source: Research Data (2011)

A majority of exactly half (50%) of respondents strongly agreed with the statement that Bargaining power of customers has affected the way the firm competes in the beer brewing industry. Forty percent (40%) also agreed bringing the total of those who either agreed or strongly agreed to 90%. The findings are shown in table 4.4.

Table 4. 4: Bargaining power of customers

	Frequency	Percent
Strongly Disagree	1	10
Agree	4	40
Strongly Agree	5	50
Total	10	100

Source: Research Data (2011)

A majority of less than half (40%) of respondents strongly agreed with the statement that Globalization has affected the way the firm competes in the beer industry. Forty percent (40%) also agreed bringing the total of those who either agreed or strongly agreed to 80%. The findings are shown in Table 4.5.

Table 4. 5: Globalization

	Frequency	Percent
Neither Agree nor Disagree	2	20
Agree	4	40
Strongly Agree	4	40
Total	10	100

Source: Research Data (2011)

A majority of exactly half (50%) of respondents strongly agreed with the statement that Regulation has affected the way the firm competes in the beer industry. Forty percent (40%) also agreed bringing the total of those who either agreed or strongly agreed to 90%. The findings are shown in Table 4. 6.

Table 4. 6:Regulation

	Frequency	Percent
Neither Agree nor Disagree	1	10
Agree	4	40
Strongly Agree	5	50
Total	10	100.0

Source: Research Data (2011)

A majority of less than half (40%) of respondents strongly agreed with the statement that Information Technology has affected the way the firm competes in the beer industry. Forty percent (40%) also agreed bringing the total of those who either agreed or strongly agreed to 80%. The findings are shown in Table 4. 7.

Table 4. 7: Information Technology

	Frequency	Percent
Neither Agree nor Disagree	2	20
Agree	4	40
Strongly Agree	4	40
Total	10	100

Source: Research Data (2011)

4.4: Competitive Strategies adopted by Players in Beer Industry

A majority of exactly half (50%) of respondents indicated that that to a great extent the firm has increased its branches and employees so as to achieve economies of scale. Thirty (30%) also indicated to a very great extent bringing the total of those who either indicated to a great or to a very great extent to 80%. The findings are shown in Table 4.8.

Table 4. 8:The firm has increased its branches and employees so as to achieve economies of scale

	Frequency	Percent
To some extent	2	20
To a great extent	5	50
To a very great extent	3	30
Total	10	100

Source: Research Data (2011)

A majority of more than half (70%) of respondents indicated that that to a great extent the firm has increased its expenditure in ICT and automation. Ten percent (10%) also indicated to a very great extent bringing the total of those who either indicated to a great or to a very great extent to 80%. Investment in ICT and automation brings down the cost of administration as well as ensuring that products are delivered through cost efficient channels. The findings are shown in table 4.9.

Table 4. 9:The firm has increased its expenditure in ICT and automation

	Frequency	Percent
To some extent	2	20
To a great extent	7	70
To a very great extent	1	10
Total	10	100

Source: Research Data (2011)

A majority of less than half (40%) of respondents indicated that that to a great extent the firm deliberately seeks cheap ways of raising funds or access to capital required for investment. Thirty (30%) also indicated to a very great extent bringing the total of those who either indicated to a great or to a very great extent to 70%. The findings are shown in Table 4.10.

Table 4. 10:The firm deliberately seeks cheap ways of raising funds or access to capital required for investment.

	Frequency	Percent
Not at all	1	10
To some extent	2	20
To a great extent	3	30
To a very great extent	4	40
Total	10	100

Source: Research Data (2011)

A majority of approximately half (50%) of respondents indicated that that to a very great extent the firm has invested in product research. Thirty (30%) also indicated to a great extent, bringing the total of those who either indicated to a great or to a very great extent to 80%. The findings are shown in Table 4.11.

Table 4. 11: The firm has invested in product research

	Frequency	Percent
To a small extent	1	10
To some extent	1	10
To a great extent	3	30
To a very great extent	5	50
Total	10	100

Source: Research Data (2011)

A majority of more than half (60%) of respondents indicated that to a great extent the firm products are of high quality, are highly customized and diversified. Thirty percent (30%) also indicated to a very great extent, bringing the total of those who either indicated to a great or to a very great extent to 90%. The findings are shown in Table 4.12.

Table 4. 12:The firms products are of high quality, are highly customized and diversified

	Frequency	Percent
To some extent	1	10
To a great extent	6	60
To a very great extent	3	30
Total	10	100

Source: Research Data (2011)

A majority of less than half (40%) of respondents indicated that that to a great extent the firm has a corporate reputation for quality and innovation. Forty (40%) also indicated to a very great extent, bringing the total of those who either indicated to a great or to a very great extent to 80%. Firm who embrace a culture of innovation and are driven by quality concerns are more likely to pursue differentiation as a competitive advantage. The findings are shown in table 4.13.

Table 4. 13:The firm has a corporate reputation for quality and innovation

	Frequency	Percent
Not at all	1	10
To some extent	1	10
To a great extent	4	40
To a very great extent	4	40
Total	10	100

Source: Research Data (2011)

A majority of approximately half (50%) of respondents indicated that that to a very great extent the firm has products for low income earners group. Forty (40%) also indicated to a great extent, bringing the total of those who either indicated to a great or to a very great extent to 90%. The findings are shown in table 4.14.

Table 4. 14: The firm has products for low income earners group

	Frequency	Percent
To some extent	1	10
To a great extent	5	50
To a very great extent	4	40
Total	10	100

Source: Research Data (2011)

A majority of less than half (40%) of respondents indicated that that to a great extent the firm has products for middle income earners. Thirty percent (30%) also indicated to a very great extent, bringing the total of those who either indicated to a great or to a very great extent to 70%. The findings are shown in table 4.15.

Table 4. 15:The firm has products for middle income earners

	Frequency	Percent
To a small extent	1	10
To some extent	2	20
To a great extent	4	40
To a very great extent	3	30
Total	10	100

Source: Research Data (2011)

A majority of more than half (70%) of respondents indicated that that to a great extent the firm has products for high income earners. Fourteen (10%) also indicated to a very great extent, bringing the total of those who either indicated to a great or to a very great extent to 80%. The findings are shown in table 4.16.

Table 4. 16:The firm has products for high income earners

	Frequency	Percent
To a small extent	1	10
To some extent	1	10
To a great extent	7	70
To a very great extent	1	10
Total	10	100

Source: Research Data (2011)

A majority of less than half (40%) of respondents indicated that that to a very great extent the firm provides customers with products at the lowest total cost. Thirty (30%) also indicated to a great extent, bringing the total of those who either indicated to a great or to a very great extent to 70%. This implies that players in the beer industry pursue operational excellence which is one of the value disciplines. The findings are shown in table 4.17.

Table 4. 17:The firm provides customers with products at the lowest total cost

	Frequency	Percent
Not at all	1	10
To a small extent	1	10
To some extent	1	10
To a great extent	3	30
To a very great extent	4	40
Total	10	100

Source: Research Data (2011)

A majority of approximately half (50%) of respondents indicated that that to a very great extent the firm customer service pursues the highest level of convenience, with the goal of making every customer interaction easy, pleasant, quick, and accurate. Thirty (30%) also indicated to a great extent, bringing the total of those who either indicated to a great or to a very great extent to 80%. This implies that players in the beer industry pursue customer intimacy which is one of the value disciplines. The findings are in table 4.18.

Table 4. 18: The firm provides customers with products at the lowest total cost

	Frequency	Percent
To a small extent	1	10
To some extent	1	10
To a great extent	3	30
To a very great extent	4	50
Total	10	100

Source: Research Data (2011)

A majority of less than half (40%) of respondents indicated that that to a great extent the firm continuously innovates in order to provide cutting-edge solutions to their customers and stay ahead of their competition. Thirty (30%) also indicated to a very great extent, bringing the total of those who either indicated to a great or to a very great extent to 70%. This implies that players in the beer industry pursue product leadership which is one of the value disciplines. The findings are shown in figure 4.19.

Table 4.19 :The firm continuously innovates in order to provide cutting-edge solutions to their customers and stay ahead of their competition

	Frequency	Percent
Not at all	1	10
To a small extent	1	10
To some extent	1	10
To a great extent	4	40
To a very great extent	3	30
Total	10	100

Source: Research Data (2011)

4.5 Discussion

This section deals with the discussion of prominent findings. This is done in accordance to the objectives of the current study. In this section, the expectations of the study are stated and whether the study findings confirm or deny the expectations is explored. In additions, the findings of the current study are compared and contrasted to other similar studies from literature review.

The finding implies that competitive rivalry is one of the drivers of competition among players in the beer market. The finding is consistent with that of Porter (2004) who observed that the rivalry between established competitors defines how the competition between the players is in the industry. Porter (2004) argues that for most industries, the intensity of the rivalry and on which basis the industry participants compete determines the overall state of competition and the general level of profitability.

The finding implies that threat of new entrants is a driver of competition among players in the beer market. The findings agree with those of Porter (2004), DavidHarris(2006) who asserted that if one industry's return on capital is in excess of the cost of capital, this industry will attract the outside firms to go inside of the industry. If the entry of new firms is unrestricted, the threat of entry rather than actual entry will decrease the profitability of the industry, and make the established firms constraining their price to the competitive level (DavidHarris, 2006). The reason why the new entrants may constitute a threat is that they bring new capacity and substantial resources to an industry with the desire of gaining market share (Porter, 2004).

The finding implies that bargaining power of suppliers is a driver of competition among players in the beer market. The findings compare well with those of porter (2004) who asserts that the bargaining power of suppliers is higher in case of lesser competition given that lesser competition will not develop the supplier network (and their mutual competition) and hence they will tend to have more bargaining power.

The finding implies that bargaining power of customers is a driver of competition among players in the beer market. The findings are congruent with those of Porter (2004) who asserted that the bargaining power of buyers shall be lesser if competition is less given that customers will not have many choices for purchasing products.

The finding implies that globalization is a driver of competition among players in the beer market. The findings are congruent with those of Downes (1997) who asserted that the improvements in distribution logistics and communications have allowed nearly all businesses to buy, sell and cooperate on a global level. Customers, meanwhile, have the chance to shop around and compare prices globally. In the result, even locally orientated mid-sized companies find themselves in a global market, even if they do not export or import themselves.

The finding implies that regulation is a driver of competition among players in the beer market. The findings are congruent with those of Recklies (2001), who asserted that the past decade has seen a dramatic shrinking of government influence in many industries like airline, communications, utilities and banking in the U.S. and in Europe. Fuelled by the new opportunities of deregulation, organizations in these industries were able and forced to completely restructure their businesses and to look out for alternatives

The finding implies that Information Technology is a driver of competition among players in the beer market. The findings compare well with those of Downes (1997) who asserts that as power of information technology grows, all players in a market will have access to far more information. Thus, totally new business models will emerge in which even players from outside the industry are able to vastly change the basis of competition in a market. Downes (1997) gives the example of the rise of electronic shopping malls, operated for instance by telecom operators or credit card organizations.

Due to the dynamic nature of business environment, the study expectations were that the environmental forces suggested by Porter (2004) affected the competition among players in the beer industry. The expectations were confirmed by the majority of respondents who strongly agreed with the statement that competitive rivalry (60%), threat of new entrants(40%), Bargaining power of suppliers(60%), Bargaining power of customers (50%), Globalization (40%), Regulation (50%) and Information Technology (40%) has affected the way the players compete in the beer industry. The findings are consistent with Porter (2004) who identifies the porter five forces. David Harris(2006), Downes (1997) , Recklies (2001) also augmented the porter five forces by arguing that globalization, regulation and information technology were also drives of competition.

The attempt by the players to increase their branches and employees to achieve economies of scale results in cost savings which can then be transferred to consumers in the form of low product prices. The expectations of the current research were that players in the beer industry employ cost leadership as a cost leadership strategy. The expectations were confirmed when the majority of repondents indicated that to a great extent the firm has increased its branches and employees so as to achieve economies of scale (50%), the firm has increased its expenditure in ICT and automation (70%) and the firm deliberately seeks cheap ways of raising funds or access to capital required for investment respectively (40%). The findings imply that players in beer industry in Kenya adopt a cost leadership strategy for competing against other firms. The findings are consistent with those of Porter(2004) and Gathoga (2001) who asserted that a cost leadership strategy is one in which a firm strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices.

The study expectations were that players in the beer industry use differentiation as a competitive strategy. The expectation were confirmed by the majority of respondents who indicated that that to a very great extent the firm has invested in product research(50%), the firm products are of high quality (60%), are highly customized and diversified and the firm has a corporate reputation for quality and innovation (40%) respectively. Players in the beer industry may have a product offering that is of high perceived or real quality and highly diversified so as to compete against substitute goods. For instance, it is in public domain that one of the players in the beer industry has introduced products such as Malta Guiness, Alvaro and Keg beer which are improvements to the product portfolio. The findings imply that players in beer industry are using differentiation as competitive strategy. Findings are consistent with those of Porter (2004) who asserts that differentiation strategy is one in which a firm offers products or services with unique features that customers value. The value added by the uniqueness lets the firm command a premium price. The findings are also consistent with those of Sheikh (2007),Githae (2004) ,Mbayah (2001) who contend that a highly diversified product offering is crucial in order to compete effectively.

The study expectations were that players in the beer industry use focus as a competitive strategy. The expectations were confirmed by a majority of respondents indicated that to a very great extent the firm has products for low income earners group (50%), firm has products for middle income earners (40%) and firm has products for high income earners(70%) respectively. Players who introduce products for the low income groups are able to appeal to consumers with low purchasing power. For instance, Keg beer which was introduced by one of the players appeals to consumers with low purchasing power. Players who have a product offering for middle income earners tend to focus on those consumers who are employed and have an average purchasing power. For instance, products such as Summit Malt, Summit Lager, Tusker, Pilsner and Guinness appeal to this group. Players who have a product offering for high income earners tend to focus on those consumers who can pay extra for high quality products. For instance, wine brands such as Conchay Toro, Bacardi Martini and Constellation Brands mostly appeal for those who can afford a highly priced drink.The findings indicate that players in beer industry use focus as a competitive strategy. Findings are consistent with those of Porter (2004) who asserts that focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than the competitors. The findings are also consistent of Kombo (1997) who found out that firms in the motor industry have segmented and targeted their customers more and improved customer service.

The study expectations were that players in the beer industry use value disciplines as a competitive strategy. The expectations were confirmed by majority of respondents indicated that that to a very great extent the firm provides customers with products at the lowest total cost (40%), the firm customer service pursues the highest level of convenience, with the goal of making every customer interaction easy, pleasant, quick, and accurate (50%), and the firm continuously innovates in order to provide cutting-edge solutions to their customers and stay ahead of their competition (40%). The results imply that players in beer industry in Kenya use value disciplines as a competitive strategy. The findings a re consistent with those of Treacy & Wiersema, (1993) who asserted that value disciplines consist of operational excellence, customer intimacy and product leadership. According to Pearce and Robinson (2000), companies that specialize in one of these disciplines, while simultaneously meeting industry standards in the other two, gain a sustainable lead in their markets.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMENDATIONS

5.1 Introduction

The purpose of the chapter is to discuss and summarize the findings of the study and finally give conclusions and recommendations, for improvement or practice. It is also important to note that all this was done with justification from the data that was collected and analyzed. The chapter took into consideration the findings that were specific for the two objectives stated in chapter one

5.2 Summary

This section dwelt on the summary of the findings generated from data analysis. The summary was done along the objectives of the study.The first objective of the study was to establish the drivers/forces that influence competition. The majority of respondents strongly agreed with the statement that competitive rivalry (60%), threat of new entrants (40%), Bargaining power of suppliers (60%), Bargaining power of customers (50%), Globalization (40%), Regulation (50%) and Information Technology (40%) has affected the way the players compete in the beer industry. The finding implies that the porter five environmental forces as well as the additional forces identified by Downes(1997) and Recklies(2001) influence the competition among players in the beer industry in Kenya.

The second objective of the study was to determine the competitive strategies adopted by players in beer industry. The majority of repondents indicated that to a great extent the firm has increased its branches and employees so as to achieve economies of scale (50%), the firm has increased its expenditure in ICT and automation (70%) and the firm deliberately seeks cheap ways of raising funds or access to capital required for investment respectively (40%). The findings imply that players in beer industry in Kenya adopt a cost leadership strategy for competing against other firms.

The indicated that that to a very great extent the firm has invested in product research (50%), the firm products are of high quality (60%), are highly customized and diversified and the firm has a corporate reputation for quality and innovation (40%) respectively. The findings imply that players in beer industry are using differentiation as competitive strategy.

The majority of respondents indicated that to a very great extent the firm has products for low income earners group (50%), firm has products for middle income earners (40%) and firm has products for high income earners(70%) respectively. The findings indicate that players in beer industry use focus as a competitive strategy.

The majority of respondents indicated that that to a very great extent the firm provides customers with products at the lowest total cost (40%), the firm customer service pursues the highest level of convenience, with the goal of making every customer interaction easy, pleasant, quick, and accurate (50%), and the firm continuously innovates in order to provide cutting-edge solutions to their customers and stay ahead of their competition (40%). The results imply that players in beer industry in Kenya use value disciplines as a competitive strategy.

5.3 Conclusions

It was possible to conclude the following based on the objectives and research questions of the study. Players in Beer industry are faced by several forces that shape competition. These include competitive rivalry, threat of new entrants, bargaining power of suppliers and customers, globalization, regulation and information technology. The industry structures which is characterized by several firms who are price takers have to consider the action of rivals. The threat of new entrants exists because the barriers to entry are nor insurmountable and hence the players have to strategies incase their traditional markets are encroached by new entrants. Some large buyers may ask for price and quantity discounts and the players have to be agreeable since failure to do so means that the buyers can threaten to move their business to a competitor. Large suppliers especially for barley may also manipulate the players through asking for exclusive contracts to supply. Globalization has influenced the way players compete since markets have widened and also the global market is now accessible to all players. Therefore, those players who enjoyed exclusive markets have a right to worry.

Players in Beer industry in Kenya use cost leadership strategy as a competitive strategy since they attempt to reduce their operational costs in order to deliver the product at the lowest prices. It was also possible to conclude that players in beer industry in Kenya use differentiation as a competitive strategy since they have invested in product research and strive to deliver high quality products. Players in Beer industry in Kenya also use focus as a competitive strategy since they have products for different types of consumers. It was also possible to infer from this study that players in beer industry in Kenya use value disciplines as a competitive strategy.

5.4 Recommendations for Policy and Practice

The study recommends that players in beer industry should put in place measure to counter the competitive rivalry, threat of new entrants as well as threat of substitutes. This can be achieved through the crafting of an effective marketing and competitive strategy. Specifically, the players should ensure that their intellectual property rights such as brand names, trademarks and formulas are safeguarded from use by competitors. The players should consider product position as a strategy to counter the threat of new substitutes. Dynamic environmental forces such as information technology, regulation and globalization should be closely monitored. Specifically, the players should carry out constant environment scanning so as to be able to identify the various forces that affect their operations. This way they would be able to identify the various socio economic factors that may influence their profitability. In addition players need to adopt strategic planning as a tool for planning against any unforeseen events that may destabilize the operations of the company.

It is recommended that players need to analyze and revise using the various competitive strategies that they current use. This will ensure that they use the strategies that are most complementary to each other. For instance, they need to identify the right mix of cost leadership strategies and differentiation strategies in order to minimize strategic conflict. Finally, players also need to factor in the concept of strategy fit by considering the internal capabilities and resources of the firm and see how best they can be used to implement strategy.

5.5. Limitation of the Study

The study findings accuracy was limited to the extent to which the respondents were honest in responding to questions. Given the sensitive nature of data collected, there may have been likelihood of answering questions in a certain way so as to avoid giving away crucial and confidential trade secrets. This was despite the assurance that the study information would be used in a confidential manner. In addition, the findings may not be generalized to other sectors because the structure of other sectors is different form the brewing sectors in terms of regulations and industry structure. For instance, the Mututho law is only applicable to the beer sector and has been reported to have consequences on the competitive strategies that the players use.

Major conceptual gaps consist of the fact that the current study could not establish which of the competitive strategies were more superior to others. In addition, the current study did not rank the forces of competition in order of importance to players of beer industry. Furthermore, while the sole reason of establishing competitive strategies is to gain competitive advantage, the current study did not link the adoption of various competitive strategies to competitive advantage or performance of players in the beer industry.

5.5 Suggestions for Further Research

The study recommends that a study on strategic fit to be carried out for players in beer industry. Such a study would put into consideration the various strengths and weakness of a players and the match between these strengths / weakness and the type of strategy. In addition, a study on the causal relationship between competitive strategies and performance of players in beer industry is also necessary.

The current study also recommends that an empirical study be carried out to establish the relative sensitivity and importance of various drivers/forces of competition in order to establish the ones that are most relevant to players in beer industry. In addition, a study to test whether some competitive strategies are more superior than others as far as players in beer industry are concerned may be carried out.

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APPENDICES

APPENDIX Ia: COVER LETTER

Catherine Ndungu
University of Nairobi
NAIROBI

Dear Respondent,

I am carrying out research on the competitive strategies adopted by players in the beer industry in Kenya. This is in partial fulfilment of the requirement of the Masters of Science in Business Administration (MBA) degree program at the University of Nairobi.

This is an academic research and confidentiality is strictly emphasized, your name will not appear anywhere in the report. Kindly spare some time to complete the questionnaire attached.

Thank you in advance,

Yours Sincerely,

Catherine Ndungu

Appendix ib: Questionnaire

SECTION A: GENERAL AND ORGANIZATIONAL INFORMATION

1. Type of Operation
   a) Manufacturing ☐
   b) Distribution ☐
   c) Both manufacturing and distribution ☐
2. Year of incorporation (tick as appropriate)
   a. Less than 1 yr ☐
   b. Btw 1-5 yrs ☐
   c. Btw 5-10 yrs ☐
   d. Over 10 yrs ☐
3. Origin of the firm
   a) Local ☐
   b) Foreign ☐
4. Ownership
   a) Private ☐
   b) Public ☐
5. Structure of the firm
   a) Small size ☐
   b) Medium size ☐
   c) Large size ☐

SECTION B: Forces of Competition

This section is concerned with establishing the forces of competition among beer brewing firms in Kenya. Please mark (x) in the box which best describes your agreement or disagreement on each of the following statements which describes your firms exposure to the drivers of competition.

Statement	Strongly disagree	Disagree	Neither agree not disagree	Agree	Strongly agree

	1	2	3	4	5
6. Competition rivalry has affected the way the firm competes in the beer brewing industry					
7. Threat of new entrants has affected the way the firm competes in the beer brewing industry					
8. Bargaining power of suppliers has affected the way the firm competes in the beer brewing industry					
9. Bargaining power of customers has affected the way the firm competes in the beer brewing industry					
10. Globalization has affected the way the firm competes in the beer brewing industry					
11. Regulation has affected the way the firm competes in the beer brewing industry					
12. Information technology has affected the way the firm competes in the beer brewing industry					

SECTION C: COMPETITIVE STRATEGIES

This section is concerned with assessing the competitive strategies adopted by beer firms. Please use the following scale to show which best describes your agreement or disagreement on each of the following statements which describe your firm's ability to use them as competitive strategies:

1 = Not at all
2 = To a small extent
3 = To some extent
4 = To a great extent
5 = To a very great extent

Statement	Level of Agreement				
	1	2	3	4	5
13. The firm has increased its branches and employees so as to achieve economies of scale					
14. The firm has increased its					

Statement	Level of Agreement				
	1	2	3	4	5
expenditure in ICT and automation					
15. The firm deliberately seeks cheap ways of raising funds or access to capital required for investment					
16. The firm has invested in product research					
17. The firms products are of high quality, are highly customized and diversified					
18. The firm has a corporate reputation for quality and innovation.					
19. The firm has products for low income earners group					
20. The firm has products for middle income earners					
21. The firm has products for high income earners					
22. The firm provides customers with products at the lowest total cost					
23. The firm customer service pursues the highest level of convenience, with the goal of making every customer interaction easy, pleasant, quick, and accurate					
24. The firm continuously innovates in order to provide cutting-edge solutions to their customers and stay ahead of their competition					

Appendix ii: List of players in the Beer Industry in Kenya

List of beer brewing firms

1. East African Breweries LTD
2. Keroche Industries Ltd
3. SABMiller plc
4. Anheuser-Busch InBev Company
5. Heineken International
6. Carlsberg Group
7. Scottish & Newcastle plc
8. Molson Coors Brewing Company
9. Grupo Modelo
10. Tsingtao Brewery Company Limited
11. Kirin Brewery Company, Ltd

Source: *International Alcohol Policies (ICAP) Reports 17 March 2011: The Structure of the Beverage Alcohol Industry*