

**COMPETITIVE STRATEGIES AND SUSTAINABLE COMPETITIVE
ADVANTAGE AT THE NATION MEDIA GROUP LIMITED, KENYA**

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DECLARATION

I declare that this is my original work and has not been presented in any other university or college for examination /academic purposes.

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D61/61408/2013

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

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DEDICATION

This research project is dedicated to my wife Charity and son Wallace for their commitment and support during the tough times I had to juggle between work, family and study.

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LIST OF ABBREVIATIONS AND ACRONYMS

- NMG** Nation media group
- KBC** Kenya broadcasting corporation
- FM** Frequency modulation
- KTN** Kenya television network
- TV** Television
- K24** Kenya 24
- NTV** Nation television network

ABSTRACT

Over the years, the turbulent ever changing environment has resulted to cut-throat competition within the media industry in Kenya. A scanning of the environment through the SWOT and PESTEL analysis indicated that sustainable competitive advantage is the only option for the Nation Media Group to survive in the media industry. The objective of the study was to find out the strategies adopted and upheld by the Nation Media Group in order to remain competitive in the media industry despite a dynamic complex environment. Primary data will be collected using an interview guide. The respondent will be four managers of nation Media Group. The operations manager will provide information of competitive strategy; Human resource manager on staff performance to attain the organizations objective, business development manager will guide on planning and best business opportunities for sustainable competitive advantage and finance manager to provide information on capital resources. From the findings, Nation Media Group is competing with other players for content market, geographical coverage and advertising revenue. To succeed in such a turbulent environment, the organization has adopted three generic strategies on low cost leadership, differentiation and focus. Nation media group uses low cost strategy to compete in the radio and newspapers business market. The competitive nature of the media industry is clear with the presence of fourteen FTA TV stations, four pay TV channels, one hundred and forty radio stations and threat of entrant of new media, product and service differentiation is critical to the success of any media house. In terms of human capital, the Nation Media Group invests in employing the best presenters, news anchors and reporters. Some of the human capital has been developed internally from experience, though some of them are head hunted from other leading media houses. The study concludes that the strategies used by the Nation Media Group Limited have been successful because they have ensured that the organization though a new entrant in some segments like television have considerable market share of customer base. The study recommended that a census research be done to include all the media houses and find out what other competitive strategies and sustainable advantage are adopted by the other media houses to cope with competition.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The media industry in Kenya is faced with dynamic changes that affect the state of competition in the industry. The degree of competition is manifested not only amongst the industry players, but also in the form of potential new entrants, customers, suppliers and substitute products (Porter, 1985). There are also other issues that affect the industry such as; liberalization, greater freedom of speech, higher literacy levels, political issues and the ever growing entertainment industry. All these have led to an increase in demand of high quality products and services. Over the years, the turbulent ever changing environment has resulted to cut-throat competition within the media industry in Kenya. It is only those firms which adapt to both internal and external environment will remain in the market (Ansoff, 1986), meaning that the nation media group have to formulate strategies for competitive edge.

Resource-based theory (Barney, 1991) emphasizes that firms are fundamentally heterogeneous in relation to their resources and the internal competencies; it deals on how firms utilizes their internal resources base and capabilities to obtain sustainable competitive advantage. Itami's (1987) theory suggests that information Based resources such as technology, brand image and control of distribution channel are necessary for sustainable competitive advantage because they hard and time consuming to accumulate by the nation media group. The major reason for the strong relationship between Michael Porter's competitive strategies and the sustainable resources and capabilities is on how

they are optimally integrated by professional management for a competitive edge in the media industry.

The Nation Media Group Limited has been facing stiff competition from other Media houses like the Citizen television, Kenya Television Network and the Kenya Broadcasting Corporation. The study will determine challenges, Competitive strategies and the sustainable competitive advantage at the Nation Media Group. The study on the competitive strategies and the sustainable competitive advantage of the Nation Media Group will help identify and make analysis on the generic strategies and find out how they are designed to exploit the sustainable competitive advantages of the media group for the growth of the media firm. The resource based theory postulates that when leadership, differentiation and focus (Porter, 1985) are aligned to the firm's capabilities and resources there is always a competitive edge on profitability and that gives the relevance of the study to the nation media group in relation to its growth in the media industry.

1.1.1 Concept of Competitive Strategies

Competitive strategies comprises of all those moves that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson and Strickland, 2002).It concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (1985) argues that strategy is about seeking competitive edge over rivals while slowing the erosion of present advantages. Few advantages can be sustained indefinitely, for time eventually renders them obsolete. Strategy serves as a guide to the organization on what it is trying to do and to achieve (Johnson and Scholes,

2002). According to Johnson and Scholes (2002), strategy helps to position a firm in the wider external environment.

There are typically three types of competitive strategies that can be implemented to achieve a competitive advantage in an organization (Porter, 1985), these are cost leadership, differentiation and a focus strategy. A mixture of two or more of these strategies is also possible depending on the business objectives and current market position. The firms that implement a coherent competitive strategy (combination, cost-leadership, or differentiation) tend to gain considerable incremental performance benefits over firms that are stuck-in-the-middle (Feurer, & Chaharbaghi, 1994).

1.1.2 Sustainable Competitive Advantage

Sustainable competitive advantage is a long-term competitive advantage that is not easily duplicable or surpassable by the competitors (Porter, 1985). A very secure advantage that a product or service provider has held over its competitors for a long period of time and that is not easy to surpass and usually integrated with the firm's competitive strategies to succeed in the market. A sustainable competitive advantage is a unique characteristic upheld by firms in order to distinguish themselves from competitors in the eyes of the consumer in an attempt to operationalize competitive edge (Anderson, 1990). On the other hand, sustained competitive advantage is the implementation of 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, it is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy (Barney, 1991).

The resources and the capabilities of an organization generate a sustainable competitive advantage especially when there is a fit to the environment (Ansoff, 1985) through strategy. Long term development on product and market strategy (Mintzberg, 2003) is vital for an organization to remain in the industry, which has made firms competitive in the turbulent ever changing environment as a sustainable competitive advantage. A sustainable competitive advantage of organizations (Porter, 1985) on the three generic sources of competition stipulates that those firms that adopt the cost leadership, differentiation and focus will consistently dominate the industry.

Anderson, (1990) recognized that firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer in an attempt to operationalize the Sustainable Competitive advantage. Barney, (1991), stated that a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by competitors.

1.1.3 The Media Industry in Kenya

The Media industry in Kenya includes daily newspapers, television and radio stations. The communications industry in Kenya is regulated by an independent authority, the Communications Commission of Kenya (CCK). Publications mainly use English as their primary language of communication, with some media houses employing Swahili. Vernacular or community-based languages are commonly used in broadcast media; mostly radio. Kenya's state-owned Kenya Broadcasting Corporation remains the only broadcaster with countrywide coverage. It broadcasts in English and Swahili plus various vernacular languages.

The Third World communication for development, noted that lack of interest in the content of media messages and consequently individual or group differences in the use and perception led to a lack of interest in the cognitive dimension of communication effects (Chandler, 1962). The former Executive Director, media Council of Kenya noted that while some have felt that the media is doing a good job, others have increasingly raised concern over what they see as inaccuracies in reporting, a lack of balance in media stories, dirty language especially through radio and too much focus on the elite singling out the radio stations and their lack of social responsibility as defined by the profession (Mwaura, 1980).

Kenya media industry reported a high gross domestic product for the industry with the newspaper carrying the largest amount followed by radio, televisions and the internet. The Nation, with a circulation of 184,000, is Kenya's most widely circulated newspaper today according to Lukalo and Wanyeki. It was first registered in 1959 in Nairobi (Ainslie, 2004). Besides the English language, the Nation Media Group also publishes a Kiswahili edition Taifa Leo. Those working in the private media earn far better remuneration than that of journalists in the government controlled media.

1.1.4 Nation Media Group Limited

Nation Media Group is a Kenya-based company engaged in the publication, printing and distribution of newspapers and magazines; radio and television broadcasting, and in the provision of electronic media and Internet in Kenya, Uganda and Tanzania through its subsidiaries and associate companies. Its broadcasting portfolio consists of NTV television stations, and Easy FM and KFM radio stations. In addition to the publishing, printing and distribution of national newspapers and magazines, Nation Media Group

also distributes various international brands, such as the Economist, Times, Newsweek and Fortune magazines. The Company and trading subsidiaries include Nation marketing Publishing Limited, Monitor Publications Limited, Mwananchi Communications Limited, Nation Holdings Tanzania Limited, Africa Broadcasting Uganda Limited and East African Magazines Limited. The Nation Media Group was founded by His Highness the Aga Khan in 1959, it engages in print media (daily newspapers and magazines), Broadcasts (radio and television) and electronic media (internet) (Porter1985, Kotler 1990). The media newest brand includes, the nation hela (pesamfukoni), Qtelevition and the Qradio.The broadcast is usually in Kiswahili and English (Gethii, 1971).Today the Nation Media Group has established regional operations in Uganda Rwanda and Tanzania.

The group publishes The EastAfrica, Daily Nation (Kenya's largest newspaper), The Business Daily, Daily Monitor, and the Citizen, NMG investor Briefing, Taifa Leo and Zuqka. The Daily Nation and the Sunday edition of the same newspaper, the Sunday Nation celebrated their 50th anniversaries, branded by the Nation Media Group as 50 Golden years. NMG owns 76.5% state in the Monitor newspaper and KFM (a leading FM station) in Uganda and 60% of Mwananchi Communications Ltd in Tanzania. The two outfits have added a significant amount in the group's revenue and Monitor Publications ltd (including Mwanachi, Mwanaspoti and the Citizen) are on a path to profitability.

1.2 Research problem

Firms respond to competition in different ways, some may opt to move into product improvements, some into diversification and divesting, while others enter into new

markets, others merge or buy out competitors. Porter, (1980), postulates that, the essence of strategy formulation is coping with competition. Porter, (1985), asserts that as the operating environment changes, a more pronounced transformation of the business landscape lies ahead. Competitive strategy therefore is vital to the adaptation of an organization to the changing environment.

The Nation Media Group market share is under threat from competitors offering substitute products. This competition is not just in the product offering and advertising, but competition of Human capital as well. There are too many stations chasing very few talented presenters and program hosts. It is therefore important to study how firm has responded to these competitive pressures. The media industry in Kenya has in the past years witnessed phenomenal growth, and this was brought about by liberalization of the media waves and new media friendly government policies. To maximize on the market opportunities, most media houses have had to be flexible in their business strategies in reaction to the market signals. Competition has been very intense, leading to firms employing different competitive strategies in order to remain competitive.

The media industry in Kenya faces common challenges such as stringent government policies, for example the media bill which seeks to curtail the media freedom currently enjoyed in the country. There is also an upsurge in the number of players entering the market, all due to the government relaxation of conditions and rules for acquiring licenses for both print and electronic media and also due to the growing advertising opportunities available in the country. The industry is thriving in competition and it is imperative that the players change their operational strategies, in order to gain edge over their rivals.

Murage (2001) dealt with petroleum industry, Obado (2005) in sugar industry and Karanja (2002) on real estate firms. Organizations in each industry adopt different competitive strategies unique to each context. Research in the media industry focused on different aspects for example, Mbutia, (2003), carried out study on advertising agencies in Kenya. Thuo (2002) carried out study on competitive strategies by the nation media group. The case study design was used with the objective of finding out the competitive strategies adopted by the Nation Media Group. The findings of the study concluded that differentiation was the key strategy. The study at hand will be an in-depth one on the competitive strategies and the sustainable competitive advantage at the Nation Media Group. Ekrapa, (2007), did a study on competitive strategies adopted by the Nation Media Group, but no study that has been done on the competitive strategies and sustainable competitive advantage of the Nation Media Group, leading to the gap in knowledge within the media industry which will be resolved after the study. The study will answer the following questions; what competitive strategies and sustainable competitive advantage are adopted by the Nation Media Group in the media industry?

1.3 Research Objective

The objective of the study is to identify competitive strategies adopted by the Nation Media Group Limited to achieve sustainable competitive advantage.

1.4 Value of the study

The study will be important to the following;

The study aims to provide information concerning the general state of competition in the media houses and will assist the managers in understanding better, the kind of competitive strategies they will need to adopt in order to be successive. The study will also help the management of the nation media group and the media industry for assessing the benchmarks for competitive advantage strategies. The study also aims to promote the managers thinking in response to competition and will be valuable in helping them assess their competitive strategies, thus re-evaluate their competitive position.

Those intending to venture into media business will find this study important as it will guide them in understanding the challenges facing the media houses already operating, and therefore prepare themselves accordingly before venturing into business. It will also help other organizations in other industries on how to use strategies as an interface to the dynamic environment and adjust accordingly

The study will form a basis upon which further research may be carried out, to build and bridge the knowledge gap on the competitive strategies and sustainable competitive advantage adopted by different media houses. The study will impact the scholars and the future researchers with additional knowledge in order to carry out further studies as it will act as a guideline and a reference in their work. It will also be useful as a reference to current and potential scholars as they carry out further and related research

From the findings of the study, there will be more emphasis given to promotion of locally produced programs as this will help promote growth of the local talent. The government will also look for ways of subsidizing the cost of digital virtual systems that are currently very high, thus enabling media house to migrate from analog transmission to digital transmissions. The government of Kenya will also benefit on the implications of policy and practice from the findings which will enhance media performance. There is also an urgent need to formulate and implement a code of conduct for the media industry, while at the same time, trying to encourage and promote professionalism.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter presents the literature on the theoretical basis of the problem under investigation by identifying the resource based theory principles and goes further to illustrate on how it relates to the concept. The final part of the chapter elaborates on competitive strategies and sustainable competitive advantage.

2.2 The Theoretical Basis of the study

The theory that guides the study is the resource based view. The resource based view (RBV) as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Mwailu and Mercer, 1983). To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature (Peteraf, 1993). Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Barney, 1991). If these conditions hold, the bundle of resources can sustain the firm's above average returns.

A valuable resource which is controlled by only one firm could be a source of competitive advantage which could be sustainable if competitors are not able to duplicate the strategic asset perfectly (Peteraf, 1993). The theory is related to the study because the competitive strategies of cost leadership, differentiation and focus optimally exploit the available sustainable competitive advantage of resource capabilities, capital and the creativity for a competitive edge. A resource-based view of a firm explains its ability to deliver

sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Mahoney and Pandian, 1992). The theory explains that a firm's sustainable competitive advantage is reached by virtue of unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm-specific (Barney, 1991).

2.3 Competitive strategies

Porter (1998) asserts that cost leadership strategy involves the firm winning market share by appealing to cost-conscious and price-sensitive customers. This is achieved by having the lowest prices in the target market segment, or at least the lowest price to value ratio (price compared to what customers receive). To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals. There are three main ways to achieve this. The first approach is achieving a high asset turnover. In service industries, this may mean for example a restaurant that turns tables around very quickly, or an airline that turns around flights very fast. In manufacturing, it will involve production of high volumes of output. These approaches mean fixed costs are spread over a larger number of units of the product or service, resulting in a lower unit cost. The firm hopes to take advantage of economies of scale and experience curve effects.

For industrial firms, mass production becomes both a strategy and an end in itself. Higher levels of output both require and result in high market share, and create an entry barrier to potential competitors, who may be unable to achieve the scale necessary to match the firm's low costs and prices. The second dimension is achieving low direct and indirect operating costs. This is achieved by offering high volumes of standardized

products, offering basic no-frills products and limiting customization and personalization of service. Production costs are kept low by using fewer components, using standard components, and limiting the number of models produced to ensure larger production runs. Overheads are kept low by paying low wages, locating premises in low rent areas, establishing a cost-conscious culture, etc. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. This will include outsourcing, controlling production costs, increasing asset capacity utilization, and minimizing other costs including distribution, research, development and advertising (Porter, 1980).

The third dimension is control over value chain encompassing all functional groups (finance, supply/procurement, marketing, inventory, information technology to ensure low costs. For supply/procurement chain this could be achieved by bulk buying to enjoy quantity discounts, squeezing suppliers on price, instituting competitive bidding for contracts, working with vendors to keep inventories low using methods such as Just-in-Time purchasing or Vendor-Managed Inventory. Wal-Mart is famous for squeezing its suppliers to ensure low prices for its goods. Other procurement advantages could come from preferential access to raw materials, or backward integration. Keep in mind if you are control over all functional groups this is suitable for cost leadership. Otherwise you are applying differentiation strategies if you control over one functional groups, (Johnson, & Scholes 2002).

Cost leadership strategies are only viable for large firms with the opportunity to enjoy economies of scale and large production volumes and big market share. Small businesses can be cost focus not cost leaders if they enjoy any advantages conducive to low costs. For example, a local restaurant in a low rent location can attract price-sensitive customers

if it offers a limited menu, rapid table turnover and employs staff on minimum wage. Innovation of products or processes may also enable a startup or small company to offer a cheaper product or service where incumbents' costs and prices have become too high (Porter, 1998). An example is the success of low-cost budget airlines who despite having fewer planes than the major airlines, were able to achieve market share growth by offering cheap, no-frills services at prices much cheaper than those of the larger incumbents. At the beginning for low-cost budget airlines choose acting in cost focus strategies but later when the market grow, big airlines started to offer same low-cost

Differentiation strategy is defined as performing activities differently, differentiating products and services and offering high quality goods and services (Porter, 1980). Examples of the successful use of a differentiation strategy are Hero, Honda, Asian Paints, HLL, Nike athletic shoes (image and brand mark), BMW Group Automobiles, Apple Computer (product's design), Mercedes-Benz automobiles, and Renault-Nissan Alliance. A differentiation strategy is appropriate where the target customer segment is not price-sensitive, the market is competitive or saturated, customers have very specific needs which are possibly under-served, and the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy. Approach under which a firm aims to develop and market unique products for different customer segments. Usually employed where a firm has clear competitive advantages, and can sustain an expensive advertising campaign.

Focus strategy the competitive strategy appropriate for small-sized companies especially for who wants to avoid competition with big ones, (porter, 1980).In adopting a narrow focus, the company ideally focuses on a few target markets (also called a segmentation

strategy or niche strategy). These should be distinct groups with specialized needs. It is hoped that by focusing on marketing efforts on one or two narrow market segments and tailoring the marketing mix to these specialized markets, it can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through product innovation and/or brand marketing rather than efficiency. A focused strategy should target market segments that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investment (Porter, 1985).

According to Barney (1991) an acquisition's strategy which involves improving the performance of a target company is one of the most common value-creating acquisition strategies. Buying a company and radically reducing costs to improve margins and cash flows. Pursuing this strategy is what the best private-equity firms do. Among successful private-equity acquisitions in which a target company was bought, improved, and sold, with no additional acquisitions along the way, operating-profit margins increased by a big average percentage points more than those at peer companies during the same period. This means that many of the transactions increased operating-profit margins even more. The combination of higher production from existing capacity and new capacity from recent entrants often generates more supply than demand.

2.4 Sustainable competitive advantage

A sustainable competitive advantage is a long-term strategy or process that allows a business to remain ahead of its competitors (Porter, 1998). Unlike short-term advantages, such as being the first to market a new type of product, a sustainable competitive advantage may be built into the fabric of a business, and will help maintain its dominance

over years and even decades. The development of such an advantage often takes dedicated effort, the ability to consistently innovate, and even some luck. One of the most likely sources of a sustainable competitive advantage is the ownership of a patent or trademark. Patents permit only the owner to create and license a certain product, meaning that customers can only buy it from the original source or licensed distributors. One of the keys to making a patent a sustainable advantage, however, is the inability of competitors to closely imitate the product with similar, though not infringing, versions.

The people that work at a company may be as important to creating a sustainable competitive advantage as the products the business creates. Being able to attract and retain the best minds in the field is a surefire way to create a creative and innovative environment that can benefit every part of the company. By creating a working environment that stimulates and interests workers, a company not only benefits from their best abilities, but also prevents competitors from having access to the same individuals.

How the business treats the customer may help create a sustainable competitive advantage that widens customer loyalty and creates lifelong consumers. In addition to offering great customer service, a business can develop this advantage by considering the convenience of the customer in all decisions. For instance, locating storefronts in an easily-accessed, central area with sufficient parking can consistently draw more customers. Having a wide selection of products, offering customer incentives such as rewards cards, and making returns and exchanges easy may also help develop a strong consumer base.

To sustain an advantage, a business must be able to correctly read the market and move with the times. Many successful companies consider market research and product development to be vitally important components of business, and rely on research and development to provide the direction and innovation to propel the company's success into the next generation. Even on a small business level, understanding changing trends in fashion, technology, and social awareness can help direct future production.

2.5 Competitive strategies and sustainable competitive advantage

Ansoff and McDonnell (1986) define competitive strategy as the distinctive approach which a firm uses or intends to use to succeed in the market. One of the major competitive strategies is the cost leadership in which a firm lowers the prices of goods and service thereby increasing the customer base and enhancing the profitability of the organization. Cost of product is reduced through low a cost of production, distribution and sales. When the production is at a lower cost, there is large sales and mass production for a long period leading to sustainable competitive advantage.

Differentiation strategy is doing things differently from processing, packaging, and distribution from the competitor's point of view (Porter, 1980). It is a generic competitive strategy that carried out by firms for a long period and difficulty to be copied by the rivals resulting to a sustainable competitive advantage. Different brands of goods and services are produced to the market segments which creates the customer loyalty and hence a sustainable competitive advantage.

Focus strategy involves proper planning on customer targets and dealing on the customer oriented specification on goods and services. There is a combination of the low cost

leadership and the differentiation to the prospecting and the present customers. If practiced continuously it leads to profitability sustenance.

Acquisition of small businesses approach also leads to sustainable competitive advantage by getting the assets at a lower price and optimally exploiting the same through proper planning. Sometimes the acquired organization is rich in skilled labour and experienced human resource. At the same time the firms enjoys a wide market and hence a sustainable competitive advantage.

Competitive strategy is an art of relating a company to the economic environment within which it exist where the firm adapts to the stiff competition by using strategies to exploit the available resources (Porter, 1985).Innovation and creativity is one the main strategies that help to use the available resources in unique manner for the organization to continuously beat the competitors.

Merging competitive strategy normally involves firms joining together through share holdings and builds a wide capital base for expansion purposes. Under this strategy the organization is able to bit the small firms through mass production and getting big contracts for goods and service provision.

Porter, (1998), explains that every firm competing in an industry use sustainable competitive advantage, whether explicit that is developed through formal planning process or implicit that is developed through the various functional planning activities of the firm. The competitive advantage is different and adopted d according to the firm's resources and the environment it conducts the business activities.

Porter's famous five forces of competitive position model provide a simple perspective for assessing and analyzing the competitive strength and position of a corporation or business organization. Porter's analysis uses concept development in industrial organization, economies to derive five forces that determine the competitive intensity and therefore attractiveness of a market. Attractiveness in this context refers to the overall industry profitability. "Unattractive" industry is one where combinations of forces act to drive down overall profitability.

The dynamic capability theory explains how firms use dynamic capabilities to create and sustain a competitive advantage over other firms by responding to and creating environmental changes (Teece, 2007). The competitive strategies on cost leadership, differentiation and focus (Porter, 1985) are designed to exploit the sustainable competitive advantage of resources and capabilities to gain a competitive edge.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that was adopted in gathering the data. Here the researcher aims at explaining the methods and tools used to present data and analyzing to get proper and maximum information related to the subject under study. This includes the research design, data collection method and analysis.

3.2 Research design

The research was carried out using a case study. A research design is defined as the arrangement of conditions, for collections and analysis of a data in a manner that aims to combine relevance to purpose (Mugenda and Mugenda, 2003). A case study is an empirical enquiry that investigates a contemporary phenomenon with its real life context, especially when the boundary between the phenomenon and the context are not clearly evident. A case study allows the researcher to understand the nature and complexity of the process that is taking place and answer the how and why Questions (Mugenda and Mugenda, 2003)

A case study is a very powerful form of qualitative analysis that involves a careful and complete observation of a social unit. A case study emphasizes on a full contextual analysis of conditions (Cooper and Schindler, 2003) and provides valuable insights for problem solving, evaluation and strategy. Kothari (1990) stated that a case study is a popular method of qualitative analysis and involves a careful and complete observation of

a social unit such as an organization and from the study data, generalization and inferences are made.

3.3 Data Collection

The primary data was collected using an interview guide. An interview guide is a very important approach in a case study design as it requires several sources of information to be used for verification and comprehensiveness (Cooper and schindler, 2003). Personal interview were selected as the most appropriate primary data collection method taking into account the strategic approach of the study as well as the complexity and predominant qualitative dimension of the phenomenon under investigations (Kothari, 1990). The respondents were four managers of nation Media Group. The operations manager provided information of competitive strategy; Human resource manager on staff performance to attain the organizations objective, business development manager guided on planning and best business opportunities for sustainable competitive advantage and finance manager to provide information on capital resources.

3.4 Data analysis

The data that collected was qualitative in nature and was analyzed using content analysis. Content analysis is a technique for making inferences by systematically and objectively identifying specified characteristics of message and using the approach to relate trends (Nachmias and Nachmias 1996). Content analysis is the systematic qualitative description of its composition of the objects or material of the study.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the data analysis on the competitive strategies and sustainable competitive advantage adopted by the Nation media group. It further provides the interpretations of the results on how the competitive strategies led to sustainable competitive advantage of the organization in the Media Industry.

4.2 Competitive Strategies

The media industry in Kenya is highly competitive and goes through dynamic and turbulent times. With 18 fully operational televisions, 140 radio stations and 7 daily newspapers, the competition for consumer audience, advertising revenue and newspaper sales is very intense. Nation Media Group is competing with other players for content market, geographical coverage and advertising revenue. To succeed in such a turbulent environment, the organization has adopted three generic strategies on low cost leadership, differentiation and focus.

4.2.1 Cost Leadership

Nation media group uses low cost strategy to compete in the radio and newspapers business market. It has maintained its lead position in low cost leadership in radio and newsprint segment. To achieve this low cost, the company's managers securitize each cost-creating activity to determine what factors cause costs to be high or low. They then use this knowledge to keep the unit costs of each activity low, exhaustively pursuing cost

efficiencies throughout the value chain. The company ensures on minimizing costs on its internal process. These are cost of production and cost of programmes.

4.2.1.1 Cost of production

The Nation Media Group is a low cost producer compared to its competitors like KTN, NTV, Citizen and KBC. Its production budget is much lower than those of its competitors. This is achieved by adopting cost efficient management of value chain activities. The organization takes full advantage of the learning and experience curve. They use the experience learnt over time to reduce the cost of performing an activity. They combine this experience with new technologies to come up with a new programme, a lot of resources are not needed as they have experience personnel who know how to achieve high quality at a minimal price. Another reason for their low cost production is their use of bargaining power to suppliers in to gain concessions. Nation Media use its bargaining clout and purchase large volumes at good prices from the suppliers. Having a greater buying than rivals is an important source of cost advantage for the organization. Outsourcing is also done for specialized creative talent that may be lacking in the company. Outsourcing is also used as a means to reduce cost of having permanent personnel on the payroll. A company should generally not perform any value chain activity internally that can be performed more efficiently or effectively by outsiders.

4.2.1.2 Cost of programming

Nation Media Group often works with advertisers to develop local content programming which is cheaper to develop than foreign content. The cost of producing local content is low yet the demand for local content is very high in Kenya. Currently, stations offering local content have a higher viewer following than those offering more foreign content.

Programme acquisition decisions are mostly based on the need to acquire a low cost differential product. Sometimes the company makes a tradeoff between the cost and quality based on the demand for the programme in the market. If a programme is in high demand yet expensive, the company at times airs the programme and tries to recover the costs from other areas for example, getting more advertisers on the said programme. For example, airing the Barclays premier league football championship on TV was very expensive as a lot of money had to be paid to get the exclusive rights. All the same the returns started coming back after advertisers noticed that most people were interested in the football matches being aired, and thus took their advertisements spend to NTV.

4.2.2 Differentiation

The competitive nature of the media industry is clear with the presence of fourteen FTA TV stations, four pay TV channels, one hundred and forty radio stations and threat of entrant of new media, product and service differentiation is critical to the success of any media house. The most appealing approaches to differentiation are those that are hard or expensive for rivals to duplicate. Attractiveness of a company's offering is determined by unique programming and relevant content. The Nation Media group Limited faces stiff competition from other Free to air television stations, pay television channels, radio and the Newsprint media.

4.2.2.1 Radio

The radio line of business is the greatest revenue earner for the Nation Media Group Limited. Radio programs take the largest share in terms of customer base and revenue generation. Radio is much more accessible and affordable thus more attractive to the advertisers due to its mass market audience. Due to its wide geographical coverage and

reach, radio attracts more audience and thus takes the lions share proportion in advertising spends.

The customers are able to talk and connect with radio presenters as opposed to the television presenters who are beyond reach. Strong radio personalities attract a huge following in terms of loyal audience which then translates into higher revenue. Radio is much more versatile than television as a customer does not have to stop what they are doing in order to listen to the radio. Radio mixes well with the customer's day to day activities as opposed to TV programs that require a user to sit and watch the program. In terms of news content, radio news are short, precise and go straight to the point and that is what attracts most listeners. The Nation Media Group operates its Nation FM station. This is the organizations cash cow as it generates the highest revenue in the group. Their main target market is the upper market consumers, it has wide geographical coverage and this has made it one of the leading FM station in Kenya. It offers the lowest cost of advertising in the market thus attracts a lot of advertising companies. The company reaps its returns through economies of scale achieved from the high sales turnover. The main threat in this segment is the classic FM as it also has a wide geographical coverage. However, Nation FM has the early entry advantages it was launched early in Kenya. The other players came in after they saw the station reaping a lot of profits from the untapped market segment. The main challenge the firm faces in the radio business is reaching out to the mass market with a broad product profile. Nation FM focuses on a narrow target market.

4.2.2.2 Free to air television

This is the most popular and easily accessible form of TV viewership. There are 14 FTA TV stations in Kenya. The broadcasters support their operations through advertising revenue. NTV is the Nation Media Group Free to air channel. The main competitors in this segment are KTN, K24, Citizen and KBC. The level of competition depends solely on the genre and content of programming being offered by a station. In terms of news and current affairs, NTV is the leading station as it is a 24 hour news channel. The stations that pose the greatest level of threat are Citizen, followed by KTN, K24 and to a small extent KBC.

In terms of geographical coverage, KBC and Citizen pose the greatest level of threat due to their wider geographical reach, though NTV has played the catch up game and is now available in almost all major parts of the country. On the other hand, NTV enjoys some competitive advantage over KBC and Citizen as the two suffer from challenge of viewer perception as they are viewed as pro-government voices, and sometimes viewers doubt the integrity and independence of their content. NTV and KTN are predominantly found in just the major upmarket towns, thus do not pose a big threat to K24 in terms of geographical dominance. NTV's news is perceived as being bold and independent. Their daily talk show programme capital talk that features prominent leaders and opinion makers has become a favorite to many viewers, thus giving NTV a high rating in talk show interviews. Local programming contenting is another source of competitive advantage for NTV. A recent survey carried out by a local media Monitoring Agency, Steadman; show that consumers prefer local content in favor of foreign content. The advertisers in turn shift their focus to where the consumer preference are, thus stations

offering local content are currently enjoying higher advertising revenue. All the same NTV still leads in terms of local content and diversity in terms of local programmes offering. NTV not only offers local news but also a lot of interesting local programmes after the news broadcast. The fact that NTV is an all-news station has affected it as viewers tend to switch to other channels offering entertainment and other programmes immediately they watch the NTV news. Other stations captivating local and foreign programmes immediately after the news thus take the bulk of the consumers. Advertisers follow the consumers view ship and this has impacted negatively on the NTVs advertising revenue. However they still enjoy a wider national reach than KTN and Citizen thus advertisers seeking to reach the mass market use NTV, KBC or Citizen as their advertising platforms.

4.2.2.3 News print

The newspaper market is dominated by four major players; The Daily nation, The East African Standard, The star and The Kenya times. Nation Media Group operates the Daily nation newspaper in this market segment. The Business Daily lags behind in terms of market share, and this part of the group has been the management's biggest challenges. The Daily nation had a credibility problem as its content was once of political nature, and its content were biased and based on political inclinations. There has been emphasis on current affairs, local and social content. The retail price of the daily newspaper is very low, and retails at almost half of the price of the other dailies. This low cost strategy has worked against as consumers tend to associate the low price of the paper to its lack of content and relevance. Advertisers shy away from it too and a lot of marketing and re-

branding strategies are being crafted in order to reposition the newspaper back to the market segment it should serve.

4.2.3 Focus

The Nation Media Group focuses on the middle class market in Television and Newsprint and high class up market in its pay television. This mix of target market ensures that they get advertisers whose target market is in this social economic segment.

4.3. Sustainable Competitive Advantage

Resource capabilities, human resources, capital resources, technology, creativity and innovation

4.3.1 Human Capital

In terms of human capital, the Nation Media Group invests in employing the best presenters, news anchors and reporters. Some of the human capital has been developed internally from experience, though some of them are head hunted from other leading media houses. Staff head hunting is popular in the media industry and this has significantly increased the cost of human capital, as the talented workforce is limited and the demand from the industry is high. The Nation Media Organization's reporters news anchors and newspaper editors are constantly targeted for recruitment by competitors. The staff head hunting practice has led to an increased cost of human capital as each media house tries to out maneuver the other rivals by offering better salaries and high perks. To counter staff turnover, the firm has taken up new strategies that encourage staff retention. They include; promoting from within, offering training opportunities and rewarding performance. There is also a clear succession plan that ensures lower level

staff the skills to take up more responsibility should the need arise. They also encourage recruitment of young and fresh talent rather than keep a few targeted staff at high costs, thus this helps in keeping the cost of human capital low.

4.3.2. Technology

Technology is changing rapidly and the Nation Media Group Limited has to adapt to the changes. In Kenya, all Television broadcasting is expected to migrate to a fully digital system in the next three years. The Media organization has to this effect started investing in the latest technologies which include the digital virtual studio systems and the portable studio systems that will help migrate its transmissions from analog into digital. The cost of migration is very high and is greatly affecting the rate of return on investment at the Nation Media Group. Although the firm has invested in some of the latest studio technologies, on the field, it still gathers its news in tape based systems that requires a lot of human intervention and are prone to damage in the production process. This adds to the cost of human capital needed to operate these tapes. Tapeless technological systems in the country are still in the testing stages, and the industry players are yet to adopt them.

4.4 Discussion

The study demonstrated strongly that the competitive strategies adopted by the Nation media Group are the low cost leadership, differentiation and focus. New insights from the field work critically showed that the leading competitive strategy which systematically outperformed the others, was the low cost leadership. Sustainable competitive advantage adopted by the firm was basically the human capital through professionalism.

The study findings are similar to Porter, (1985) arguments who argues that there are typically three types of competitive strategies that can be implemented to achieve a competitive advantage in an organization and, these are cost leadership, differentiation and a focus strategy. A mixture of two or more of these strategies is also possible depending on the business objectives and current market position. The firms that implement a coherent competitive strategy (combination, cost-leadership, or differentiation) tend to gain considerable incremental performance benefits over firms that are stuck-in-the-middle (Acquaah, 2008).

The study shows that the strategies used by the Nation Media Group Limited have been successful because they have ensured that the organization though a new entrant in some segments like television have considerable market share of customer base that is loyal in its viewer ship and listening. The image of the organization is also strongly improving and the company is taking its rightful position in the market. The study has all through provided useful insights into the dynamics of competition in the media industry.

Similar feelings are expressed by Porter, (1985) who argues that to sustain an advantage, a business must be able to correctly read the market and move with the times. Many successful companies consider market research and product development to be vitally important components of business, and rely on research and development to provide the direction and innovation to propel the company's success into the next generation. Even on a small business level, understanding changing trends in fashion, technology, and social awareness can help direct future production.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the research findings have been summarized and discussed in relation to the objectives of the study. Included also are the limitations of the study, and suggestions for further research.

5.2 Summary of findings

The media waves industry was liberalized in 1998. This effectively removed government controls and regulation and opened the market to competitive forces. This has led to an influx of new players. This study was set out to find out what competitive strategies and sustainable competitive advantage were adopted by the Nation Media Group to cope with the turbulent competition. A case study was done and the primary data was collected by the use of an interview guide. The data collected was analyzed as per the set objectives using content analysis.

The researcher's objective was to find out the competitive strategies and the sustainable competitive advantage adopted by the Nation Media Group to cope with the increased competition in the industry. The study found out that the firm uses cost leadership and differentiation strategies to gain sustainable competitive advantage. The Nation Media Group used a low cost strategy in its Radio and Newsprint line of business by offering the lowest advertising prices and also selling the newsprint at a very low price. The firm used focused differentiation strategy in its FTA, television and pay television line of business. To achieve this, the organization use modern technology to give clarity and good quality

production in programmes and retain the best human capital to offer differentiated products to their target market. Having a wider geographical coverage is also seen to be an important aspect of maintaining competitive advantage. Other strategies include providing differentiated products and offering local programmes and editorial content. Radio commands the best share of the advertising spend with 46 percent, Television and newsprint command 33 percent and 21 percent respectively.

Human capital is also another source of competitive pressure for the Nation Media Group. Radio and television presenters drive customer loyalty, and any good presenter is often targeted by the competitors for recruitment. This has led to an increase in cost of maintaining human capital. The study found out that the Nation media Group NTV television station faces stiff competition in the FTA segment from Citizen, KTN, K24, and KBC. The level of competition in the FTA segment is determined by the programming content and the geographical coverage. NTV has identified itself as a channel that offers local programming content. The greatest threat and market leader in terms of local programming content is NTV. There is a general shift in favor of local programming, and advertisers will always move with the audiences. This trend promises a bright future in the long term for NTV, and should this market shift continue, NTV will attract a large market and advertising spend. In the television viewership, NTV remains the market leader in news and current affairs programmes, as it is 24 hour news broadcasting channel. This position is currently compromised by the fact that NTV does not offer other programmes, but concentrates on news and current affairs, thus does not attract a big share of the advertising spend as compared to KTN, Citizen and KBC. This is due to the fact that viewers tend to switch to the other stations immediately after the

news, so as to watch soap operas, movies or drama shows being offered by the rival channels, and the advertisers follow the audiences taste.

On radio, the firm has a wider national reach that gives them the ability to reach more people on the radio than other stations, thus attracting advertisers whose main target customers are in the mass market. The Nation Media Group operates in this line of business through its Nation FM station. Advertisers spend more of their budget on radio, as it is much cheaper and reaches more people than TV and print media. In pay TV, Nation Media Group main competitor is the DSTV which has an edge over them as it offers more superior international programs and entertainment. The competition for premium international content drives up the cost for programmes, as suppliers have a higher bargaining power. NTV has been forced to spend more to acquire popular programed titles in an attempt to differentiate its product offering and retain its customers. In the newsprint segment, the Nation Media Group operates the Nation daily newspaper. The management has been working hard to reposition the paper back to its standing.

5.3 Conclusion

The study concludes that the strategies used by the Nation Media Group Limited have been successful because they have ensured that the organization though a new entrant in some segments like television have considerable market share of customer base that is loyal in its viewer ship and listening. The image of the organization is also strongly improving and the company is taking its rightful position in the market. The study has all through provided useful insights into the dynamics of competition in the media industry.

5.4 Limitations of the study

The study had some limitations, one of which was the time constraints. The researcher had to collect data from the senior managers through interviews which took a lot of time since some of the respondents were busy, and the researcher had to conduct some interviews in more than one sitting. This greatly disrupted the flow of data. Additionally some managers had been in the organization for a relatively short period of time and were unable to highlight all significant strategies adopted by the organization.

5.5 Recommendations

From the findings of the study, it would be recommended that a census research be done to include all the media houses and find out what other competitive strategies and sustainable advantage are adopted by the other media houses to cope with competition.

5.6 Implications on Policy and practice

From the findings of the study, the study recommends that more emphasis should be given to promotion of the locally produced programmes; this will help promote growth in our local talent. The government should also look for ways of subsidizing the cost of digital virtual systems that are currently very high, thus enable media houses to migrate from analog transmission to digital transmission. There is also an urgent need to formulate and implement a code of conduct for the media industry, while at the same time, trying to encourage and promote professionalism.

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Appendix: Interview Guide

Competitive strategies and sustainable competitive advantage at the Nation media Group.

Section A

1. What are the competitive strategies adopted by the Nation Media Group based on the following?
 - i. Cost leadership
 - ii. Differentiation
 - iii. Focus

2. What other Competitive Strategies are used by the Organization as stated bellow?
 - i. Merging
 - ii. Acquisitions
 - iii. Creativity and innovation

Section B

3. What do you think are your sustainable competitive advantage based on the following?
 - i. Human resource
 - ii. Capital resource

4. What other sustainable competitive advantage are used by the firm?

i. Location

ii. Technology

4. In your view, what objectives have been achieved by the designed competitive strategies?

5. What are the impacts of competitive strategies on competitive advantage

6. What challenges are faced in implementing competitive strategies?