

**SOURCES OF COMPETITIVE ADVANTAGE FOR TRANSPORT SAVINGS AND  
CREDIT CO-OPERATIVE SOCIETIES IN THE PUBLIC SERVICE VEHICLE  
INDUSTRY: THE CASE OF MTN SACCO SOCIETY LTD**

**BY**

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**A Management Research Project Submitted In Partial Fulfillment of the  
Requirements for the Degree in Masters of Business Administration, Faculty of  
Commerce, University Of Nairobi**

**October 2007**

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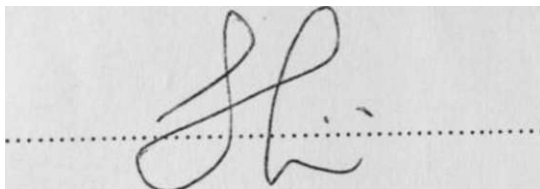
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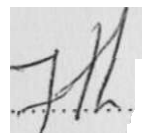
## DECLARATION

This research project is my original work and has never been presented for award of degree in any other institution of learning.

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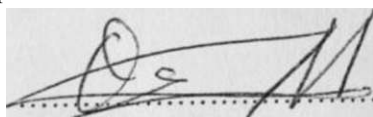
Date

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

Signature

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## **DEDICATION**

This project is dedicated to my loving mother, Abijah Njeri Kimani, my loving wife, Joyce Wairimu Kamanguya and my child Aquilah Ng'endo for their unconditional love.

## **ACKNOWLEDGEMENT**

My sincere gratitude goes to my supervisor Dr. Martin Ogutu who guided me through this program to make it a success. I wish also to thank all my friends, relatives, lecturers and teachers for their timely advice and encouragement.

I will forever be grateful to my colleagues Julius and Ndegwa for morale boosting, without which, the hope of pursuing an MBA degree course would have remained a lifetime dream, never to be realized. Not forgetting Eric Kinoti for his good editorial role he played.

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## **ABSTRACT**

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself. Transport Savings Cooperative Societies (Transport Saccos) are primarily business entities geared towards the promotion of the welfare and economic interests of their members in the Public Service Vehicles industry. The Transport Saccos have come up to dominate the PSV industry in Kenya today. The objectives of study were to establish the sources of competitive advantage that make the Transport Saccos perform better than competition and the challenges facing them.

The study was conducted through a survey on the members of a Transport Sacco: Case of MTN Sacco to establish the sources that are possessed by the Transport Saccos. It also sought to establish the major challenges faced by the Saccos. Data was collected via a questionnaire on 40 members sampled from the Society. The data was then analysed using tables and mean scores.

From the study the researcher found out greatest source of competitiveness was the concentration on core business namely savings and loans scheme. The greatest source of competitive advantage was the low cost of loans accorded to members from the society. It was clear members saved money in the Sacco in order to use the same to guarantee them to borrow from the society. The greatest challenge in the transport sector remained tackling corruption by the police force.

Management and members of die Sacco should recognize the competitive advantages enjoyed by the Sacco and work on sustaining the standards in order to continue being perceived as the best transport service providers. They should invest in means of improving the savings and loans product range and timely disbursements of fluids through modern technology such as Automated Teller Machines (ATM) and Electronic Funds Transfer (EFT). They should also work on some challenges mainly a policy ion how to deal with rampant corruption by the police force. The government should explore possibility of introducing self regulation in the sector.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Vehicles that have a (P.S.V) inscription participate in public transport as Public Service Vehicles. Public transport refers to the facilities and services that, are prepared for the user by a third party and are intended for use by a large number of clients. Public transport has faced deepening competition from companies and organizations since the enforcement of the traffic act in early 2004. This has brought in competition from new transport operators from all sizes and shapes offering a similar service. In addition the level of taxation has increased from levies by Local authorities and advance tax by central government to illegal extortions by traffic police and outlaws. It is no secret operators must form a united front to face these challenges and redefine themselves better in the market place in order for them to operate profitably.

It is worth noting that 80% of all road accidents in Kenya involve Matatus (PSV) Vehicles (Kumba, 2006). In turn, this results to increased downtime in the vans and cost escalation especially so in accident claims settlements that have not spared the PSV insurance companies either. Accident victims suffer from fatal spinal injuries to death, families' lose their dear ones but still the sector remains untamed. The costs of repairing accident cars add to cost in the entire economy due to increased forex demand to sustain importation of vans and spare parts. Over the last decade six insurance underwriting companies have closed their doors and eventually dissolved. When insurance companies are dissolved, Matatu operators are left to bear the borne of the claims.

'•Why should the policy holder be held liable yet there is a valid contract with insurance company licensed to settle the claims?" wonders Kimutai the Vice Chairman of POAK (the national umbrella organisation for matatu owners). "Insuring PSV is a statutory obligation for the operators yet the government failure to supervise the insurance companies is not questioned.



"Your most unhappy customers are your greatest source of learning" Bill Gates in Business at the Speed of thought 2006. Organizations must identify both internal and external customers' needs in order to increase competitiveness.

"My customers keep on coming back" quips Kosewe of Ronalo foods restaurant, Nairobi. This, as a matter of fact drives us to the concept of competitive strategy as applied over space and industries. Customer retention is perhaps the best measure of quality of a service firm's ability to hang to customers and depends on how it consistently delivers value to them (Kotler 2004).

Drury (2004) explains that prior to liberalization many organizations operated in a protected environment. To be successive, organizations have to compete in a global competitive environment. Virtually all types of service organizations have faced major competitive changes in their operating environment. Hence individual operators come together leading to the emergence of the Transport Savings and Credit Cooperative Societies (Saccos) such as TNK Sacco and MTN Sacco, those dots the country today.

However in routes controlled by the Saccos, the outlaws are non-existent as evidenced by the Nyeri route that is controlled by 2NK Sacco and 4NTE Sacco. Not a single security incident has been reported in this route. Stages that are not manned by the Transport Saccos or by Bus lines in Nairobi and some other Peri-urban areas are invaded by outlaws who have not only threatened security of the general public but are challenging the police force. The notorious gang maims, kidnaps, shoots or slashes to gain control of routes. Lives have been lost including the Kariobangi estate, Nairobi incident where two police officers and a pupil died of gunshot wounds as the officers were shot dead while manning the stages (Daily Nation 27th May 2007).

The Transport Saccos undertake savings and credit activities give the operators a voice, decide on prices and fight competition as well as management of the fleet in a particular route. They are seldom referred to as cartels and yet their main reason for existence is to regulate business operations and in particular route management. Of late the Transport Licensing Board has recognized them as the best wheels for the management of PSV industry. In deed they are private sector initiative to fill the void created by government failure to form an organized public transport system for commuters and operators. Membership to these Saccos enables Matatu operators to act

in coordination in forming a common front to solve their myriad problems and make informed management decisions.

The current organization of PSV industry in Kenya had to borrow heavily from their Ugandan counterparts coming up with famous Michuki rules of 2004 while the Ugandans in turn seek to learn how Transport Saccos manage the stages in Kenya. Here lies a paradox.

### **1.1.1 Savings and Credit Cooperatives Societies (Saccos)**

Cooperatives are autonomous associations of persons united to meet their common economic, social, cultural needs, and aspirations through jointly owned and democratically controlled enterprises. Clearly, cooperative societies are primarily business entities geared towards the promotion of the welfare and economic interests of their members and this in turn will contribute to attainment of the overall national goal of poverty alleviation and wealth creation (Manyara, 2004).

Today over one billion people around the world share cooperative legacy set in 1844 by the 28 founder members of Rockdale Equitable Pioneer Society in Rockdale, North England. They set the consumer society in order to access unadulterated goods at fair prices. Today they have grown to more than a million cooperative societies of all sizes in all sectors of the economy in Kenya alone (Oginga, 2005). They are guided by a set of cooperative principles as stipulated in the charter of international cooperative alliance at its Manchester congress, of 1995 as, voluntary and open membership, democratic member control, economic participation by members, autonomy and independence, education training and information, cooperation amongst cooperators and concern for community in general.

Transport Saccos fall under the category of Medium and Small Enterprises (MSE). A study conducted by (USAID) to assess institutional needs of NGOs, with an interest to promote micro enterprises development as a means of poverty alleviation, found that provision of credit facilities acts as a catalyst to increase participation of MSE in development process and to enhance their quality of life. The mission of a micro finance institution is to empower low income people (Welsh 2002). Provision of credit facilities to micro enterprises (SME) had been minimal because Banks considered them expensive to maintain. They didn't pay in full and in time. This makes them a risk

venture. The key is to achieve economies of scale in a manner that balances the greater credit risk of larger loans with the higher transactions cost of smaller Loans (Oketch 2002).

Kenya is a country where the co-operative movement has grown strong through the last few decades. In order to help stakeholders with credit and saving facilities and financing and marketing their ideas, societies and union banking sections were formed in the early 1970s.

Smallholders have had limited access to credit and saving facilities because the formal credit institutions tend to consider them "high risk" customers. Formal credit institutions demand collateral, which smallholders cannot provide.

The high cost of living, poor infrastructure, high importation costs of cars etc, has led to incapacitating the upcoming investors in the matatu industry. One purpose of this research study is to examine how the Saccos have managed to overcome these problems and how they have given the traders a competitive advantage.

For a trader to survive in the transportation industry (matatus) in Kenya, they need collaboration to help them to overcome some of their problems but that their requirements for obtaining credit might be too rigorous. Comparing them with other public transport organizations, we think that Saccos are the best solution for small traders as the situation is now.

### **1.1.2 MTN Sacco Society Ltd**

MTN Sacco Society Ltd is a Transport Cooperative Society established in the year 2000 by 10 operators. It is registered under the Cooperative Societies (Amendment) Act 2004. Today it's one of Kenya's large public transport operators with more than 200 vehicles spread over Central and Nairobi province. The Society has adapted to market conditions and changing consumer demands and continually improved the quality of its service. The Society operates urban and inter-urban routes largely catering for operators in Murang'a Thika Nairobi (MTN) route. It remained dormant until 2001 when doors for the first investments were opened in a single roomed office in Murang'a town manned by a single employee.

In 2005 it became fully operational offering services to members and realizing benefits to commuters and the larger community. The service base includes the following: Savings and credit to members, Legal representation, Fleet management, and Route management, and Social welfare, Investment avenues, fighting off competition, Employees welfare and Facilitation of information flows within the industry players. To commuters it offers services including Money transfer, Safe travel, Luxury travel, Security, etc. Today it has grown phenomenally into a giant with offices with a workforce of over 20 employees and managing a fleet of over 200 vans.

In his speech, addressing the Annual general meeting held at Cravers Inn, the Hon. Chairman Mr. Francis B Manyeki highlighted the progress made and challenges faced by the society. In the year 2006 alone the society deposits had grown by a phenomenal 150%. The service to commuters is set to have extended route network to cover inter-city transport (Mombasa to Nairobi). Members' services included increased loan threshold to Kshs 1.2 m and a fully operational tyres service store. This brings us to the question of what it takes to succeed in the PSV industry.

All haven't been smooth sailing as a strike by drivers and conductors in the month of February 2007 paralyzed the transport between Murang'a and Nairobi to a stand still. It was covered by both print and electronic media. This is proof enough of how strong the society's presence in the market is today, controlling more than 90% of the market share.

## **1.2 Statement of the Problem**

Entrepreneurs (Matatu Operators) in Public Service Vehicle (PSV) transport industry in Kenya started operating as early as 1940s. However the industry has retained some unique challenges to the extent that government regulations don't seem to work. Numerous laws, rules and regulations have been introduced in the sector with little success. It has been observed that government regulations has tried to place the management of terminuses in the hands of local authorities in vain, however booking offices established by the Saccos are more visible in the market place.

It is interesting to learn the competitive advantage borne by the Transport Saccos that have enabled them thrive where other players including the YK 92 political wing of KANU, the local authorities, National Youth Service, the touts and so on have failed. Government crackdown of

welfare organizations in the 1980s and illegal groups in the 21st century, give clear indications of the troubled sector.

Transport Saccos have driven recognized and well established bus companies including OTC, Kenya Bus and others out of business. These Saccos have indeed flourished in the advent of government TLB regulations of 2004 that were targeted at instilling sanity to this sector and yet other companies that had already implemented them such as Metro Shuttle Bus Company have gone under. The Transport Saccos concentrate on vans with low seating capacity (14 and 10 passenger seater) in favour of 25 seaters that are said to reduce traffic jams. The government has shown discontent on the continued operation of the small vans and yet both the operators and commuters prefer them. We are yet to see how they have embraced this change as they have already started to acquire bus lines.

This study is intended to establish how the advent of Transport Saccos formed by Matatu operators has enabled them succeed in this chaotic industry. The Transport Saccos are robust with competitive advantage against a backdrop of other forms of organizations that has encountered failure. The research will establish the sources of competitive advantage borne by the Transport Saccos over competition. The research will further seek to establish the unique challenges faced by Matatu operators such as savings and credit, human resource management, security, cost management, profitability, launch of new products and route network, legal representation, accident claims and so forth; and the extent to which they have been addressed by the Transport Saccos.

Why do Matatu operators prefer formation of Transport Saccos and in turn serve commuters better than competition? What strategies do the Transport Saccos employ in order to derive competitive advantage? What are the sources of the competitive advantage? What challenges do they face today?

### **1.3 Objectives of the Study**

The researcher intends to achieve the following objectives:

- (i) To determine the sources of competitive advantage for Transport Saccos in the PSV industry.
- (ii) To determine challenges faced by Transport Saccos in the PSV industry.

## **1.4 Significance of the Study**

The study will help regulatory bodies formulate future policies and modify existing programs to attain greater efficiency and effectiveness. It will be of particular use to Co-operative movement, Local authorities, Transport Licensing Board.

The study is aimed at sensitizing entrepreneurs on the basic services they can obtain from Saccos. The Matatu operators are not conversant with the general operations of the financial institutions. They have little or no experience at all in running of financial institutions. It's aimed at changing the attitude of entrepreneurs, from the traditional subsistence to commercial.

The study also provides future scholars with basis for further studies suggesting areas that need more research. The study will be of use to academicians wishing to carry out further research as it contributes to literature in the field of strategic management.

The study is useful in determining the viability of Transport Saccos as enterprises for dealing with unemployment and poverty which have lavished Kenyans for long.

Further research needs to be carried out on whether individual operators also run out of business just like the bus companies:

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Competitive Strategy

When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals. The goal of much of business strategy is to achieve a sustainable competitive advantage (Porter, 1998).

To win today's marketplace, companies must become adept not just in managing products but in today's but in managing customer relationships in the face of determined competition. Understanding customers is crucial but it's not enough. Building profitable customer relationships and gaining competitive advantage requires delivering more value and satisfaction to target customers than competitors do. Competitive advantage over competitors is gained by offering consumers greater value than competitors' offer. Today's companies face the greatest competition ever. Companies will have to move from product selling philosophy to a customer-marketing philosophy. John Chambers, CEO of Cisco systems put it well: "Make your customer the center of your culture," (Kotler 2004).

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In today's turbulent business environment, managing both internal resources and challenges poised by the external environment is essential in the survival of any given organization. To deal effectively with matters that affect growth and profitability executives employ management processes that they believe will position a firm optimally in its competitive environment (Pearce, 2000).

Competition denotes the existence of firms that try to sell identical products/services to the same group of customers. A firm's competitors may change over time in terms of their characteristics, strategies and strategic focus due to environmental factors that affect the structure of the industry (Bydasetal, 1997)

With changing business environment firms are finding it increasingly difficult to find industry environment in which there are good enough conditions that allow a rate of return above the

competitive level. Competitive strategy is concerned with how a firm competes in a given industry or market. Competitive strategies provide a framework for the firm to respond to the various changes within the firm's operating environment. Firms also develop competitive strategies that enable them to develop strategic initiatives and maintain a competitive edge in the market (Grant, 1998).

Bourgeois (1980) refers to corporate strategy as domain selection and business/competitive strategy as domain navigation. It is therefore appropriate to state at this point that competitive strategies are concerned with one main question; how should we compete?

Strategy in business is concerned with superior performance. The essence of formulating a strategy is relating a company to its environment (Porter, 1998). According to Arnold (1991) the essence of strategy lies in creating tomorrow's competitive advantage faster than competitors can mimic the ones you possess today. The goal of competitive strategy is to find a position in the industry where the company can best defend itself against competitive forces or use them in its favour.

## **2.2 Competitive Advantage**

There are two sources of superior performance; one is to locate in an industry where industry conditions are good enough to allow a rate of return above the competitive level. The other option is for a firm to attain a position of advantage *Vis a Vis* competitor within an industry to allow it to earn a return in excess of industry average. As competition intensifies in almost all industries, very few industry environments can guarantee secure returns. Hence the primary goal of a strategy is to establish a position of competitive advantage for a firm (Grant 1998)

Porter (1988) argues that understanding the structure of the industry plays a critical role in the formulation of competitive strategies. According to Porter there are five forces driving competition in the industry, which largely determine the structure of the industry. These forces are: The threats of new entrants, the bargaining power of suppliers, the bargaining power of buyers, the threat of substitute products and rivalry among competitors.



He argues that competitive strategy is about taking offensive or defensive actions to create a defensible position in an industry, to cope successfully with the five competitive forces and thereby yield superior return on investment for the firm.

One of the ways a service firm can differentiate its services is by delivering consistently higher quality than its competitors do. Like manufacturers before them most service industries have joined the customer driven quality movement. And like product marketers, service providers need to identify the expectations of target customers concerning service quality (Kotler 2004).

Grant (1998) explains that a firm would normally compete by either supplying an identical product or service at a cost that is lower than competition or can supply a product/service that is differentiated in such a way that consumers are willing to pay a premium price that exceeds the marginal costs of differentiation. The former case represents a cost advantage while the latter a differentiation advantage.

The two strategies of competitive advantage described above define two fundamentally different approaches to business. A firm that competes on low cost is distinguishable from a firm that competes through differentiation with regard to market positioning, resources and capability as well as organization characteristics (Grant 1998).

By pursuing cost advantage the goal of the firm is to become a cost leader in its industry or industry segment. Cost leadership requires that a firm must find and exploit all sources of cost advantage and sell a standard product. Differentiation by a firm from its competitors is achieved when it provides something unique that is valuable to buyers beyond simply offering a low price. The focus strategy is about using either cost leadership or differentiation strategy to targeting a particular buyer group, segment, product line and geographic market (Porter, 1998).

Cost leadership and differentiation strategies are mutually exclusive and that if one attempt to pursue both will lead to a firm being stuck in the middle and can subsequently lead to low profitability (Porter, 1988).

Following his work analyzing the competitive forces in an industry, Michael Porter suggested four "generic" business strategies that could be adopted in order to gain competitive advantage. The four strategies relate to the extent to which the scope of a business' activities are narrow versus broad and the extent to which a business seeks to differentiate its products. The four strategies are differentiation, cost leadership, differentiation focus and cost focus. The differentiation and cost leadership strategies seek competitive advantage in a broad range of market or industry segments. By contrast, the differentiation focus and cost focus strategies are adopted in a narrow market or industry (Porter, 1998).

### **Strategy - Differentiation . .**

This strategy involves selecting one or more criteria used by buyers in a market and then positioning the business uniquely to meet those criteria. This strategy is usually associated with charging a premium price for the product often to reflect the higher production costs and extra value-added features provided for the consumer. Differentiation is about charging a premium price that more than covers the additional production costs, and about giving customers clear reasons to prefer the product over other less differentiated products.

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### **Strategy - Cost Leadership**

With this strategy, the objective is to become the lowest-cost producer in the industry. Many (perhaps all) market segments in the industry are supplied with the emphasis placed minimizing costs. If the achieved selling price can at least equal (or near) the average for the market, then the lowest-cost producer will (in theory) enjoy the best profits. This strategy is usually associated with large-scale businesses offering "standard" products with relatively little differentiation that are perfectly acceptable to the majority of customers. Occasionally, a low-cost leader will also discount its product to maximize sales, particularly if it has a significant cost advantage over the competition and, in doing so, it can further increase its market share.

### **Strategy - Differentiation Focus < ^ . " ;,•**

In the differentiation focus strategy, a business aims to differentiate within just one or a small number of target market segments. The special customer needs of the segment mean that there are opportunities to provide products that are clearly different from competitors' Who'rriay be targeting a broader group of customers. The important issue for any business adopting this strategy is to

ensure that customers really do have different needs and wants - in other words that there is a valid basis for differentiation - and that existing competitor products are not meeting those needs and wants.

**Strategy - Cost Focus**

Here a business seeks a lower-cost advantage in just on or a small number of market segments. The product will be basic - perhaps a similar product to the higher-priced and featured market leader, but acceptable to sufficient consumers. Such products are often called "me-too's".

The four strategies are summarized in the figure below:

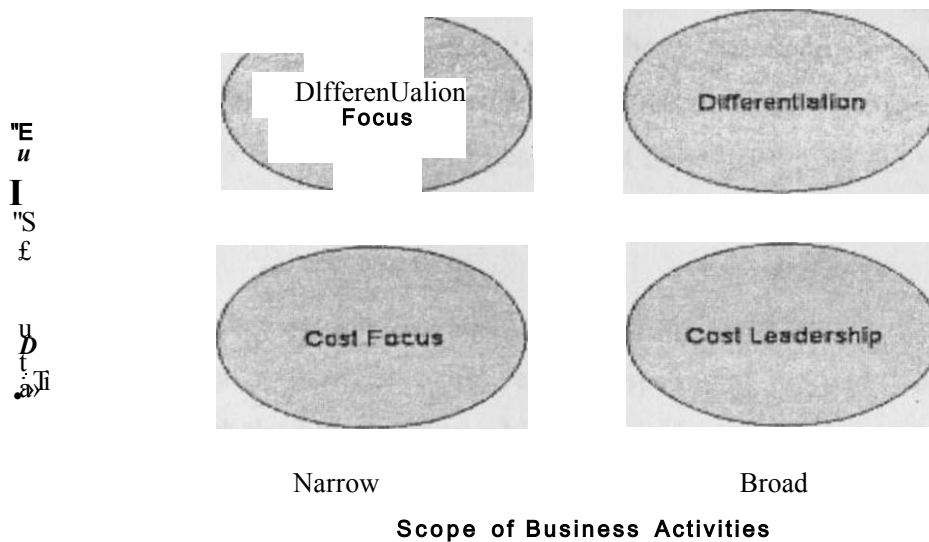


Figure 2.1: Competitive strategies

Source: Porter M. (1998) Competitive Strategy: Techniques for Analyzing Industry and Competitors p.61

Other scholars such as Johnson & Scholes (1999) have explained that a firm's basic choices to achieve competitive advantage include: A "no frills" strategy combining lower price than competitors at similar added value of products/service to competitors, A low price strategy providing lower prices than competitors at similar added value of products/service to competitors, A differentiation strategy that seeks to provide products/services those are unique or different from competitors, A hybrid strategy, which simultaneously seeks to achieve differentiation while

maintaining, prices lower than competition. A focused differentiated strategy that aims at providing high-perceived value justifying a substantial price premium.

### **2.3 Sources of Competitive Advantage**

In the classic approach, competitive strategy is seen as a combination of the ends (goals/mission/objectives) for which the firm is striving and the mean (policies/tactics) by which it seeks to get there. The essential notion of strategy is captured in the distinction between ends and means (Andrew 1971).

Porter (1988) on the other hand argues that developing competitive strategies involves development of a broad formula for how a firm is going to compete, what are the goals and policies or tactics necessary for achieving the goals. Competitive strategy includes actions or attempts by a firm to attract customers, retain them, withstand competitive pressures and strengthen its market position and is aimed at gaining competitive advantage. Porter expressed the key aspects of a firm's competitive strategies in what he referred to as the "wheel of competitive strategies".

At the center of the wheel are the firm goals, which represent the broad definition of how the firm wants to compete and its specific objectives. The spokes of the wheel are the key operating policies through which the firm seeks to achieve the goals. Operating policies vary from industry to industry based on the key success factors.



Figure 2.2: Wheel of competitive strategy.

Source: Porter M. (1998) Competitive Strategy: Techniques for Analyzing Industry and Competitors p.95.

There are various sources of attaining competitive advantage by cooperatives in general. Cooperatives can realize competitive advantage from training of employees, constant touch with customers, speed in service delivery, customer care, customer service, customer satisfaction and convenience in responding to customers needs (Schultz 2006). Some current trends include reengineering, outsourcing, bench marking, alliances and partner supplies.

A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices. Competitive strategy is the search for a favorable competitive position in an industry. It aims at establishing sustainable profitable position against forces of competition. Competitive strategy enables a firm to create and sustain competitive advantage in its industry. Competitive advantage in an industry grows fundamentally out of firms' ability to create value for its buyers that exceed the cost of creating it better than competition. Value is what buyers are

willing to pay. Superior value stems from offering lower prices than competitors for equivalent benefits (Porter 1998).

There are two basic types of competitive advantage: cost leadership and differentiation. Competitive advantage cannot be understood by looking at a firm as a whole. It stems from the many discreet activities a firm performs in designing, producing, marketing delivering and supporting its products. A firm gains competitive advantage by performing strategically important activities or making key internal factors cheaper or better than competitors (Porter 1998).

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself.

Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation. This is known as a position based view. A resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation. According to the resource-based view, in order to develop a competitive advantage the firm must have resources and capabilities that are superior to those of its competitors. Without this superiority, the competitors simply could replicate what the firm was doing and any advantage quickly would disappear.

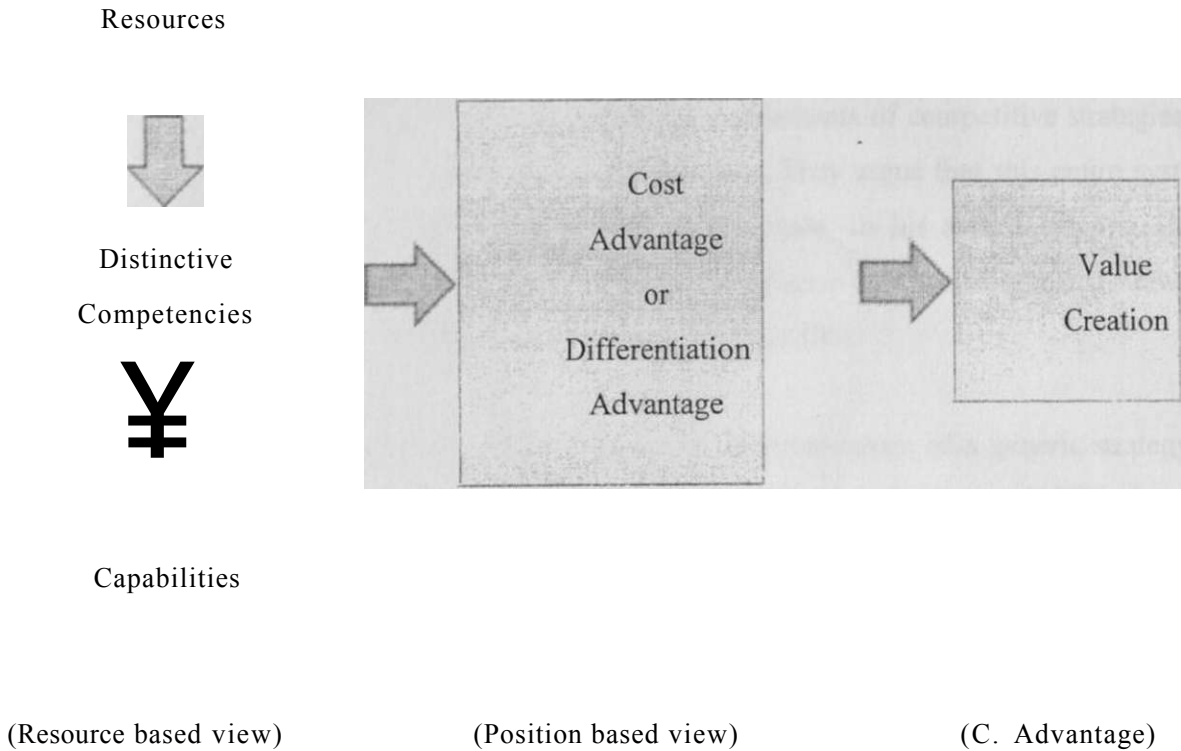


Figure 2.3: A model of Competitive Advantage

Source: [www.tutor2u.Net/business/strategy/](http://www.tutor2u.Net/business/strategy/)

The above diagram combines the resource-based and positioning views, distinctive competencies, cost and differentiation strategies and value creation to illustrate the concept of competitive advantage. Resources are the firm-specific assets useful for creating a cost or differentiation advantage and that few competitors can acquire easily. The following are some examples of such resources: Patents and trademarks, Proprietary know-how, Installed customer base, Reputation of the firm, Brand equity.

Capabilities refer to the firm's ability to utilize its resources effectively. An example of a capability is the ability to bring a product to market faster than competitors. Such capabilities are embedded in the routines of the organization and are not easily documented as procedures and thus are difficult for competitors to replicate.

The firm's resources and capabilities together form its distinctive competencies. These competencies enable innovation, efficiency, quality, and customer responsiveness, all of which can be leveraged to create a cost advantage or a differentiation advantage

## **2.4 Competitive Challenges**

In their monograph, Box and Watts (2000) argues that implements of competitive strategies are a combination of hundreds or thousands or related activities. They argue that this entire system of activities leads to competitive advantage in the market place. In his award winning Harvard Business Review (HBR) article Porter illustrates the importance of a well-organized network of activities with examples from Southern west airlines (Porter, 1996).

Box & Watts further argues that the real challenge in implementation of a generic strategy is in recognizing all supportive activities and putting them in place properly. Porter (1998) also argues that most of what many management trends in the 80's and 90's-such as TQM, reengineering, empowering the workforce, lean production, outsourcing, and time based competition were a matter of operational effectiveness rather than strategy. Therefore in implementing strategies firms may be pursuing operational effectiveness in the name of strategy yet Porter argued out that operational effectiveness though necessary is not sufficient to bring about competitive advantage. He concludes by arguing that achieving advantage means adopting the appropriate generic strategy and implementing the strategy with a network of supportive activities.

Porter (1998) illustrates some of the challenges in the implementation of generic strategies in terms of risks: Technological change that renders investment in technology and learning worthless, Low cost industry learning by new comers through imitation and the use of new technology, Inflation in costs of inputs that increases the firms costs, The consumer's need for differentiating factor falls, Imitation can narrow perceived differentiation, Differences in desired products between the strategic target and the market and Competitors break into the target market and outplay the focuser.

In implementing strategy firms face challenges such as inadequate financial resources costly sources of funds, skills and ability of staff, marketing abilities, changes in customer needs, government requirements and the complexity of coordinating all firm's activities in pursuit of the agreed strategy (Porter 1998, Grant 1998, Ansof 1990)



Despite the progress made by the co-operative as co-operatives in the world over, they are in a state of flux as they are facing one or more of the following problems: Lack of Capital, Archaic Management, Lack of Strategic Planning, Poor Leadership, Low Productivity, Lack of rigorous control mechanism, Poor participation of co-operators, Ageing population and Negligible equity participation.

### **2.3 Studies carried out on Savings and Credit Services**

Co-operative and micro finance programs have been developed to fill this gap. Their purpose is to help the poor become self-employed and thus escape poverty. Many of these programs provide credit using social mechanisms such as group based lending in order to reach the poor and other clients, including women who lack access to formal financial institutions (Hulme et al 1994).

In India attempts have been made to link self-help groups with commercial bank. These linkage programmes has been running for 10 years now and provide savings and loans to 7.8 million households. The system is based on self-help groups that organize loans and savings or access groups from the bank. The National development Bank (NABARA) provides refinancing and NCOS help form and nurture the self-help groups (Gernidis 1991).

Several studies conducted in Kenya shows that demand for financial services far out weigh the supply. It only call for understanding of the nature of demand and developing products / services design and mechanisms (Rutherford 1999, Wright et al 2000, Kimuyu et al 2000)

Credit market imperfections can create inefficiency in both production and consumption a problem that disproportionately affects the poor in rural areas. Government directed financial institutions have been developed in order to provide the poor with access to credit. In many countries directed credit programs have been heavily subsidized. Moreover, because the poor lack the physical capital necessary as collateral, credit subsidies have reached the better-off/ (Pearce 2000).

Many directed credit programs set interest rates below the market rate and deliver credit without mobilizing savings. Policy makers have been urged to liberalize financial markets and to design credit programs that engage in true Financial Intermediation rather merely delivering credit from

government or donor funds. Some analysts argue that even if financial institutions began practicing financial intermediation or raising interest rates to cover costs, such measures would not necessarily resolve credit market or sustainability problems (Armin 1992).

Cooperatives have been more successful than traditional financial institutions at reaching the poor. They have managed to reduce loan default costs as most of the programs rely on group-based lending and other methods to resolve the problems of imperfect information and imperfect enforcement of lending. By relying on peer pressure to monitor and enforce contracts, group-based lending provides an incentive for borrowers to repay and helps to avoid adverse selection of borrowers, thereby improving loan recovery rates while group-based lending does not always improve loan recovery. It constitutes a powerful incentive for repayment when it helps create "social collateral" that works against loan default (Bydas 1997).

Savings and Credit Cooperatives offer instruments to reduce the risk of loan default attributable to production risk. Savings mobilization for example is treated as an integral part of financial intermediation irrespective of their borrowing status. Members are asked to save often. Most of the programs also ask borrowers to contribute a percentage of their loan principal to a group fund. Borrowers are also required to contribute a certain portion of interest payments and premiums to an insurance fund that protects both borrowers and lenders in the case of defaults. In Kenya, the informal sector was alienated from credit facilities as banks considered them non-bankable. Provision of credit to them proved to be very expensive to maintain, they do not pay in full and in time. This increases the risk of lending to them (Victor 1989).

The first recorded policy measure aimed at promoting small-scale enterprises came about in 1967 when the act establishing the Industrial Commercial Development Corporation (ICDC) was amended. The ICDC had been established by the colonial government in 1954 to facilitate economic development through the provision of financial and commercial enterprises. The amendment to the act created the Kenya Industrial Estates (KIE) as a subsidiary of the ICDC, to look into matters relating to finance and technical assistance for the industrial ventures of Kenyan citizens. It was however operative in only a few areas of the country (Aleke 1992).

Provision of credit to the micro entrepreneurs helps their business to graduate from micro to small scale businesses and even to large businesses. A survey conducted in various parts of the country indicates that small and micro enterprises if effectively funded have a potential of changing the fortunes of the entrepreneurs (Dichter, 1999).

Case studies carried out at the Illinois state university focused on cooperative societies in other sectors such as marketing by ranching cooperatives ([www.iira.org](http://www.iira.org)). No known study has been carried on sources of competitive advantage for Transport Saccos.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design**

A survey design was considered appropriate for the study as is able to capture operators who were active or retired from the Sacco while as a social and economic unit. It is cost effective and convenient to the researcher as the respondents were reached from the Sacco otherwise operators would be scattered.

#### **3.2 Population**

The target population of this study was Matatu operators who are members of a Transport Sacco. MTN Transport Sacco provided the list of operators (166) as at august 2007. Present members list was obtained from the Sacco offices. There are six registered transport Saccos operating in Murang'a town.

#### **3.3 Sample**

The sample list comprised of every 4<sup>th</sup> member in the Sacco list. This is going to give a total of 40 operators who the researcher considered as a manageable number of members for the survey.

#### **3.4 Data Collection**

Both Primary and Secondary data was collected. Primary data was collected via a pre-coded questionnaire administered to members via crews of the operators' vehicles form the Sacco offices and arranged for the duly filled questionnaires to be deposited back to the Sacco office. Secondary data was generated from members' records such as PSV books, members' files with the Sacco and data on Sacco operations were collected from society's records such as annual accounts, management accounts and minutes of the Sacco etc.

### **3.5 Data Analysis and Presentation**

Descriptive statistics was used to analyze data including mean scores, standard deviations, frequencies and percentages. Data editing was carried out to identify omissions, ambiguities and errors in response and adjusted for statistical compliance. A narrative summary was used for upon-ended questions. Demographic data available was coded into nominal scales and Linkert type data was coded into ordinal scales.

# CHAPTER FOUR

## DATA ANALYSIS AND INTERPRESENTATIONS

### 4.1 Introduction

In this chapter, an attempt was made to interpret and explain findings. Key information areas relating to the specific objectives were covered so as to give a clear picture of the results. The researcher used 40 questionnaires. 75% (30 respondents) of the sample size was successfully analyzed. The analysis was made in tabular mode presentations. The researcher used the sum of the means, means and frequencies to analyze the results.

### 4.2 Sample Characteristics

#### 4.2.1 Analysis of respondents by age

The respondents were asked to state their age and findings were reflected in table 4.1

Table 4.01: Age of members in the sample

Age Bracket	Frequency	Percentage
18-24 yrs	0	0%
25-35 yrs	6	20%
36-45 yrs	6	20%
45-50yrs	12	40%
50 and above	6	20%
Total	30	100%

From the above table, 40 percent of the members of the Sacco are people of the age 45-50, all the other age limits in the population were represented equally i.e. 20% except the age limit of 18-24 which the researcher found out that no one in that group had registered in the Sacco.

The average number of matatus each respondent owned was 3. The years of experience for respondents, the minimum number of years of experience was 3 while the respondent who had the highest number of years of experience was 10. The standard deviation of years of experience 2.8 and the average number of years was 6 years and 6 months.

#### 4.2.2 Analysis of respondents' monthly income

The respondents were asked to state their various sources of income per month. A table was provided for them to be filled with the aggregate amount of revenue from each source in Kenya Shillings. The mean scores from all the sources were computed.

Table 4.02: Monthly sources of income for respondents

Sources of income	Mean	Std.Deviation
Matatu Business	88,102	33293
Other Businesses	49,333	42551
Rental Income	15,000	.
Employment income	34,000	18187
Other Sources	29,502	26092
Grand Mean	43,187	24024

From the above table it's clear that the grand mean is lower than that of the Matatu income and greatest source of income for the respondents was the Matatu business. Only one respondent had rental income and was quite below all the other sources. This indicates the respondents risk preference was high and Matatu business has higher returns than other businesses.

### 4.3 Sources of Competitive Advantage for MTN Sacco Ltd

The first objective of the study was to establish the Transport Saccos' competitiveness in the PSV industry. Transport Saccos' were noted to have become very popular in all corners of the country. The researcher sought to establish the sources of the competitive advantage enabling them to become vibrant against other forms of business organisation.

#### 4.3.1 Contribution of Product's to Society's Performance

The respondents were asked to what extent the following products contributed to the good performance of the society. They were to rate the products performance on a 5 point scale where 1=Not at all, 5=Greatest. Majority of the respondents felt that all the products had contributed quite similarly to the Overall performance given a grand mean of 3.82. The greatest contribution proved to be the savings scheme accorded to the respondents with a mean of 4.9 while the lowest contribution was from employee's welfare. The results are enumerated on the table below:

Table 4.03; Products contribution to Sacco performance

<b>Products</b>	<b>Mean</b>
Savings	4.90
Loans	4.60
Parcel Services	4.56
Route Management	4.0
Benevolent services	2.62
Employees welfare	3.22
Grand Mean	3.98

#### 4.3.2 Performance Perception In Relation To Resources And Practices

The respondents were asked to what extent they considered the following resources and practices to have contributed to the good performance of the society. They rated the contribution to Sacco's performance on a 5 point scale where 1=Not at all, 5=Greatest.

Table 4.04: Resource and practices contribution to Sacco's performance

<b>Resources and practices</b>	<b>Mean</b>	<b>Std Deviation</b>
Timely disbursement of loans	3.375	0.916
Low cost loans	4.557	0.727
Strategic location to terminuses	4.250	1.035
Committed Management	4.444	1.130
Superior Staff Motivation	4.000	1.732
Members' loyalty to Sacco	4.200	1.135
Effective Route Management	3.750	0.886
MTN Sacco brand name	3.111	2.205
Service legacy built over the years	4.125	0.835
Ability to replace vans	4.111	1.054
Friendly savings and loans scheme	4.444	1.014
Grand Mean	4.033	1.152

From the grand mean the resources and practices contributed favorably to the overall performance scoring 4 out of 5. The biggest contribution was the low cost of loans accorded to members from the society with a mean of 4.557 whilst the least was brand name. Route management and timely disbursement of loans were well below the average contribution.



### 4.3.3 Practices Leveraging Society's Competition From Other Financial Institutions

The respondents were asked, given intense competition from other financial institutions, how the following practices gave the society leverage over competition in provision of financial services to members. They rated the practices leverage to Sacco's competitiveness against other financial institutions on a 5 point scale where 1=Not at all, 5=Greatest.

Table 4.05: Practices leverage on competition against other financial services providers

<b>Practices leverage on competition</b>	<b>Mean</b>
Timely disbursement of loans	3.75
Low cost loans	4.67
Strategic location to terminuses	3.88
Committed Management Team	4.56
Superior Staff Motivation	3.78
Appropriate savings scheme	4.11
Members' loyalty to Sacco	4.40
Effective Route Management	3.00
Grand mean	4.02

From the grand mean of 4.02 out of 5.0 (80%) the respondents found the society practices contributing favorably towards competitiveness against the other financial services providers with the best practice being the cheap loans accorded to members (a mean of 4.67). Again route management was found to provide least leverage at mean of 3.0 out of 5.0

### 4.3.4 Competitive advantage of Sacco in relation to savings products

The respondents on being asked about their preference to savings with the Sacco other than to other savings products such as Jumbo junior accounts of cooperative bank or the Nairobi Stock Exchange. They rated the reasons for preference to save with the Sacco on 5 point scale where 1=Not at all, 5=Greatest. They responded as in the table below.

Table 4.06: Reasons for preferring saving with the Sacco

<b>Reasons for saving with the Sacco</b>	<b>Mean</b>
Use of deposits to guarantee loans	4.78
Peer pressure by fellow operators	2.33
Superior returns on dividends	4.50
Daily Collection from Vans	4.11
Participation in G. Meetings	4.38
Grand Mean	4.02

According to the grand mean all the reasons advanced were favorable at 4.02 out of 5.0 (80%) approval rates. However the peer pressure was of little influence on the members to save with the Sacco at a mean of 2.33. It was clear members saved money in the Sacco in order to use the same to guarantee them to borrow from the society: a mean of 4.78.

#### 4.3.5 Competitive advantage of Sacco's loans in relation to other loans

The respondents were asked why they preferred Sacco loans as opposed to personal loans being accorded by competition. The respondents gave different reasons why they chose the loans given to them by the Sacco and rated them on a 5 point scale where 1=Not at all, 5=Greatest. Results are tabulated in the table below.

Table 4.07: Sacco loans attributes

<b>Attractive attributes for loans</b>	<b>Mean</b>
Timely distribution of loans	3.86
Rebates on interest paid	4.44
Social Collateral	2.86
No hidden costs	4.50
Ease of repayment	4.60
Suitability to needs	4.67
Grand Mean	4.12

Source: Author (2007)

The grand mean of 4.12 out of 5.0 meant that the Sacco loans were competitive at 80 % approval rate. The respondents felt that the greatest attribute for preferring the loans was the

suitability to their needs with a mean of 4.67. The attribute of social collateral to one another scored lowest mean of 2.86 well below the average.

#### 4.3.6 Competitive advantage of Sacco's Vans in relation to bus lines

The respondents were asked why they thought commuters preferred to use their vans services instead of the bus lines that operated in the same route as they did. The respondents gave different reasons why commuters preferred the vans to buses and rated them on a 5 point scale where 1=Not at all, 5=Greatest. Results are tabulated in the table below:

Table 4.08: Attributes making the vans attractive to commuters than to buses.

<b>Attractive attributes for the vans to buses</b>	<b>Mean</b>
Timely service delivery	4.83
Well groomed crew	4.22
Vans condition	4.68
Travel Security	4.32
Reliability	4.78
Price	4.45
Grand Mean	4.49

From the grand mean of 4.49 out of 5.0 this is a confirmation that the respondents felt that a majority of commuters preferred vans to buses. The timely service between destinations was source of the greatest competitive edge over buses. The commuters were also insensitive to price charged by the vans as they still had a mean of 4.45 which is more than 50 % approval rate.

#### 4.4 Challenges faced by Mtn Sacco limited

The researcher highlighted several challenges facing the savings and loans regime of the society, factors that do pose challenge to the transport business and parcel delivery service today and factors contributing to loss of membership in the Sacco. Mean of the totals was taken to tables as shown below;

#### 4.4.1 Challenges facing the savings and loans regime

The respondents were asked on the major challenges facing the savings and loans regime of the society. They rated them on a 5 point scale where 1= Not at all, 5 = Greatest. The results are tabulated in the table below.

Table 4.9: Challenges facing savings and loans schemes

<b>Challenges to loans and savings</b>	<b>Mean</b>
Mismanagement of the society	2.22
Old fashioned savings scheme	2.22
Inadequate capitalization	2.22
Investment in non core business	2.11
Delay in disbursement of loans	2.10
Collateral demanded	1.78
Cost of loans	2.38
Accident claims	1.38
New products by competitors	2.63
Obsolete technology	2.33
Grand Mean	2.14

From the grand mean of 2.14 out of 5.0 the challenges were found to be of low significance at 43%.

However, the greatest challenge was an unstable external environment brought by competition by

way of new products which had a mean of 2.68 though it remained remote

#### 4.4.2 Challenges facing the transport business

The respondents were asked about the extent to which they considered the factors that pose a challenge to their transport business today. They rated them on a 5 point scale where 1= Not at all, 5 = Greatest. The results are tabulated in the table below.

Table 4.10: Challenges facing the transport business

<b>Challenges to Transport business</b>	<b>Mean</b>	<b>Std Deviation -</b>
Insecurity	3.40	1.96
Corrupt police force	5.00	0
Competition from buses	3.70	1.57
Government legislation	4.70	0.48
Grand mean	3.36	0.80

The grand mean of 3.36 out of 5.0 (over 50%) meant that the respondents felt that the transport business was faced with major challenges. Corruption by the police force at a mean of 5.0 out of 5.0 was rife in the industry and posed the greatest threat to their business. This was followed by competition with a mean of 4.7 out of 5.0.

#### 4.4.3 Challenges facing the parcel services

The respondents were asked about the major challenges facing the parcel services offered by the society. They rated them on a 5 point scale where 1= Not at all. 5 = Greatest. The results are tabulated in the table below

Table 4.11: Challenges facing Parcel services

<b>Challenges facing Parcel services</b>	<b>Mean</b>	<b>Std Deviation</b>
Redundant technology	1.39	1.94
Loss of goods on transit	1.05	1.11
Inadequate route network	0.93	0.86
Low level of investment	1.06	1.11
Low level of trained staff	1.03	1.28
Tampering of parcels by crew	0.7	0.50
Grand mean	1.36	1.09

With a grand mean of 1.36 out of 5.0 (below 50%) the parcels services is not faced by any significant challenge. The staffs were found not to have engaged in the vice of tampering with parcels. Redundancy in technology with a mean of 1.39 was most significant but is yet to reach alarming levels.

#### 4.4.4 Challenges factors that contributed to members exit in the industry

The researcher sought to know the factors that contributed to the loss of members from the Matatu business today. The respondents rated them on a 5 point scale where 1= Not at ail, 5 = Greatest. The results are tabulated in the table below.

Table 4.12: Reasons why members quite the Matatu business

<b>Factors that led to members exit</b>	<b>Mean</b>
Insecurity	3.02
Government legislation	3.57
Divestment to other sectors	3.38
Accident claims	1.56
Mismanagement	1.55
! Grand mean	2.41

With the grand mean of 2.41 the respondents did not answer satisfactorily on the reasons as to why Matatu operators' exit from the industry. Interestingly government interventions were found to be the highest contributor with a mean of 3.57.

# CHAPTER FIVE

## SUMMARY, DISCUSSIONS AND CONCLUSIONS

### 5.1 Summary Discussions and Conclusions

From the whole project, the researcher has analyzed that the Transport Saccos - a case study of MTN Sacco - apart from their increasing popularization, are an important tool in the Public Transport Service (P.S.V.) sector in Kenya today. The Transport Saccos have become popular with Matatu operators and commuters and so it they several sources of competitive advantages in spite of challenges facing them. The majority membership in the MTN Sacco is of the age bracket of 36-45 years. Members should also encourage young investors to join the Sacco since they will bring fresh minds with high technological competence. Matatu business was the highest source of income for members.

The researcher found out greatest source of competitive advantage was the concentration on core business namely savings and loans scheme. This was manifested through practices such as timely disbursement of loans, low cost of loans strategic location to terminuses, committed management and staff, members' loyalty, effective route management, MTN Sacco brand name, service legacy built over the years and friendly savings schemes used as security for loans.

" \* s ' ( | I Hf11 r l f y  
Parcel delivery is one of the major sources of competitive advantage in the MTN Sacco. Members of the public have developed trust with the MTN Sacco which is now a competitor of the major parcel delivery companies in Kenya e.g. G4S courier, Western Union, Kenya Posta and Nation Courier. This should also be developed by the members by reducing loss of goods on transit, increase route network, train staff more through training sessions, refresher courses, zero on tempering of parcels by the crews and reduce accidents.

The timely service between destinations was the most gave the greatest source of competitive advantage over buses. The commuters were also insensitive to price charged by the vans. This explained the Saccos competitive advantage over bus lines. Therefore, success in PSV Transport is dictated by <sup>x</sup> quality service rather than price.

MTN Sacco other than being faced by insecurity, government legislations, other competitors, accident claims and mismanagement, the members perceived it to have major- competitive advantages of good performance in terms of savings, loans, parcel services, route management, members' benevolent services and employees' welfare. The challenges faced by the MTN Sacco are little vis-a-vis the competitive advantages derived from the same. The greatest challenge was on the transport business faced by the corruption in the police force.

The PSV industry in Kenya today is destined to organized co-operatives like the MTN Sacco. All the stake holders in the industry i.e. commuters, transport crew, parcel senders, receivers, police, the government in general, members of the Sacco and the management of the Sacco should know the importance of investing on the credit and savings cooperatives not only to reap efficiency in terms of transportation but also to be a source of finance and savings.

## **5.2 Limitations of the Study**

The researcher had financial and time resource constraints to survey the 166 members of the MTN Sacco. The other limitation was unavailability of members due to their geographic spread which resulted to some failing to return the questionnaires. This made the researcher take longer than had been anticipated.

## **5.3 Recommendations for Policy and Practice**

Management and members of the Sacco should recognize the competitive advantages enjoyed by the Sacco and work on sustaining the standards in order to continue being perceived as the best transport service providers. They should invest in means of improving the savings and loans product range and timely disbursements of funds through modern technology such as Automated Teller Machines (ATM) and Electronic Funds Transfer (EFT).

They should also work on some challenges mainly a policy on how to deal with rampant corruption by the police force. Other challenges that required being addressed included mismanagement of the society and timeliness in service delivery. This can be addressed by employing competent managers with high education and good track record who will lead the Sacco to major investments on the core business. Staff empowerment would greatly reduce time



lag in service delivery. Therefore more emphasizes should be laid increasing the competitive advantages and in curbing the challenges.

The government on the other hand should encourage self regulation by encouraging savings and credit cooperatives. This way, the government can fight with insecurities in the terminus e.g. with the outlaws, corrupt police force, reduce government legislations, taxes and licenses to encourage investment in the industry.

As per the research, I recommend the MTN Sacco to:-Train its staff regularly to ensure that they offer the best flawless commuter service. This is by establishing their training needs and ensuring that all weaknesses are dealt with. Secondly MTN Sacco should strengthen its loans and savings schemes to encourage more investors in the society and improve the living standards of its members. Members should also work on improving the daily collections from vans, participate in general meetings, increase the returns on dividends, and use deposits to guarantee loans. The society should make sure that parcels are delivered to customer safe and sound without any tampering, spillages and on time.

#### **5.4 Areas for further study**

I would suggest that further study should be done on the following:

- Challenges facing the transport industry especially corruption by police officers.
- Profitability of various products.
- Strategies to increase the competitive advantage.
- Need for performance appraisal in members and staff
- Financial management in the daily collections, savings modes and credit terms.
- Factors contributing to effective customer retention and customer service.
- Effectiveness of information technology and other technological advancement.
- Other service provider's competitive advantages.
- The reasons contributing to members quitting Matatu business

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# APPENDICES

## Appendix 1: Questionnaire

June 19,2007

NAME OF MEMBER :.....(optional)

MEMBER REGISTRATION NO:.....YEAR OF MEMBERSHIP

ADDRESS:.....TEL. NO

DISTRICT:.....QUESTIONNAIRE NO

You have been scheduled to participate in this survey on members of MTN Sacco Society Ltd which is in partial fulfillment for the award of MBA at the University of Nairobi. You are not required to disclose your personal information of confidential nature, but will only be required to fill in your response using the scale provided below.

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Any information will be handled in strict confidence and will not be used to advance any commercial interests beyond the academic objectives that it's supposed to address. A copy of the final findings shall be forwarded to the offices of the Sacco for interested participants.

**PART ONE: MEMBER BASIC DATA**

1. Kindly indicate the age bracket in which you fall under

18-24 yrs	
25-35 yrs	
36-45 yrs	
45-50yrs	
50 and above	

2. For how long have you been in the Matatu industry?

3. How many Matatus do you own?

4. Please state your monthly sources of income

Source	Kshs
Matatu business	
Other business	
Rental Income	
Employment	
Others	
Total	

5. What is your average deposit contribution per month to the Sacco?  
KShs\_

Do you have savings and credit with the following organizations. Tick Appropriately.

- Bank
- Merry -go- round
- Welfare groups (Name ..... )
- Cooperative Other than transport
- Other transport cooperative
- NGO
- Relatives and friends
- Micro Financial institution
- Community Based Organizations

Others (Specify) .

Which is your most preferred savings scheme? (Use a 5 Point scale where 1= Not at all, 5 =

Greatest)	1	2	3	4	5
Deposits		●	●	●	●
Withdrawal savings		●	●	●	●
Fixed Deposits		●	●	●	●
Service money		●	●	●	●
Other (Specify)		●	●	●	●

8. What types of loans have you taken since you joined the Sacco? Tick appropriately

- Development .
- School fees .
- Emergency .
- Short term .
- Others specify .

**PART TWO: SOURCES OF COMPETITIVE ADVANTAGE FOR MTN SACCO LTD**

1. To what extent do you consider the following products to have contributed to the good performance of the society? (Use a 5 Point scale where 1= Not at all, 5 = Greatest)

	1	2	3	4	5
Savings	.	.	.	.	.
Loans	.	.	.	.	.
Parcel services	.	.	.	.	.
Route Management	.	.	.	.	.
Members' Benevolent services	.	.	.	.	.
Employees' welfare	.	.	.	.	.

2. To what extent do you consider the following products to have contributed performance of the society? (Use a 5 Point scale where 1= Not at all, 5 = Greatest)

	1	2	3	4	5
Savings	.	.	.	.	.
Loans	.	.	.	.	.
Parcel services	.	.	.	.	.

Route Management	•	•	•	•	•
Members' Benevolent services	•	•	•	•	•
Employees' welfare	•	•	•	•	•

3. To what extent do you consider the following resources and practices to have contributed to the good performance of the society? (Use a 5 Point scale where 1=Not at all, 5 = Greatest)

	1	2	3	4	5
Timely disbursement of loans	●	●	●	●	●
Low cost loans	●	●	●	●	●
Strategic location to terminuses	●	●	●	●	●
Committed Management	●	●	●	●	●
Superior Staff Motivation	●	●	●	●	●
Members' loyalty to Sacco	●	●	●	●	●
Effective Route Management	●	●	●	●	●
MTN Sacco brand name	●	●	●	●	●
Service legacy built over the years	●	●	●	●	●
Ability to replace vans	●	●	●	●	●
Friendly savings and loans scheme	●	●	●	●	●
Other (specify)	●	●	●	●	●

4. Given intense competition from other financial institutions how has each of the following practices given the society leverage over competition in provision of financial services to members? (Use a 5 Point scale where 1=Not at all, 5 = Greatest)

	1	2	3	4	5
Timely disbursement of loans	●	●	●	●	●
Low cost loans	●	●	●	●	●
Strategic location to terminuses	●	●	●	●	●
Committed Management Team	●	●	●	●	●
Superior Staff Motivation	●	●	●	●	●
Appropriate savings scheme	●	●	●	●	●
Members' loyalty to Sacco	●	●	●	●	●
Effective Route Management	●	●	●	●	●
Other (specify) ...!...!	●	●	●	●	●



5. Given that there are many savings products such as Jumbo junior accounts of cooperative bank or the Nairobi Stock exchange, why do you still prefer saving with the Sacco? (Use a-5 Point scale where 1=Not at all. 5 = Greatest)

	1	2	3	4	5
Use of deposits to guarantee loans	●	●	●	●	●
Peer pressure by fellow operators	●	●	●	●	●
Superior returns on dividends	●	●	●	●	●
Daily collection from vans	●	●	●	●	●
Participation in General meetings	●	●	●	●	●
Others (Specify)	●	●	●	●	●

6. Given that there are many loans products such as personal loans being accorded by competition, why do you still prefer taking loans from the Sacco? (Use a 5 Point scale where 1=Not at all, 5 = Greatest)

	1	2	3	4	5
Timely disbursement of loans	●	●	●	●	●
Rebates on interest paid	●	●	●	●	●
Social collateral	●	●	●	●	●
No hidden costs	●	●	●	●	●
Ease of repayment		●	●	●	●
Suitability to needs	●	●	●	●	●
Others (Specify)	...	●	●	●	●

7. Why do commuters prefer to use your vans services instead of the bus lines that operate in the same route as you do? (Use a 5 Point scale where 1= not at all, 5 = Greatest)

	1	2	3	4	5
Timely service to destinations	●	●	●	●	●
Well groomed crew	●	●	●	●	●
Immaculate condition of vans	●	●	●	●	●
Security while traveling	●	●	●	●	●
Reliability	●	●	●	●	●
Price <sup>1</sup> ; v/	●	●	●	●	●
Others (Specify).....1	..	●	●	●	●

8 Why is your parcel service performing well as compared to of the courier services offered by G4securicor, Posta and Nation courier that operate in the same region as you do? (Use a 5 Point scale where 1= not at all, 5 = Greatest)

	1	2	3	4	5
Timely service to destinations	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Long opening hours	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Proximity to stages	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Reliability	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Low price charged to customers	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Low cost of offering the service	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Others (Specify)	<input type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>

**PART THREE: CHALLENGES FACED BY MTN SACCO LTD**

1 What are the major challenges facing the savings and loans regime of the society? (Use a 5 Point scale where 1= Not at all, 5 = Greatest)

	1	2	3	4	5
Mismanagement of the society	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Old fashioned savings schemes	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Inadequate capitalization	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Investment in non core business	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Delay in disbursement of loans	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Collateral demanded	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Cost of the loans	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Accident claims	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
New products by competitors	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Obsolete technology	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Others (specify)	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>

2.To what extent do you consider the following factors do pose a business today? (Use a 5 Point scale where 1= Not at all, 5 - Greatest)

	1	2	3	4	5
Other security menace	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>
Corruption from the police force	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>	<input checked="" type="radio"/>

Competitors such as buses	•	•	•	•	•
Government legislation	•	•	•	•	•
Others (specify) . . . . .	•	•	•	•	•

3. What are the major challenges facing the parcel services offered by the society? (Use a 5 Point scale where 1= Not at all, 5 = Greatest)

	1	2	3	4	5
Redundant technology	●	●	●	●	●
Loss of goods on transit	●	●	●	●	●
Inadequate route network	●	●	●	●	●
Low level of investment	●	●	●	●	●
Low level of trained staffs	●	●	●	●	●
Tampering of parcels by crews	●	●	●	●	●
Others (specify)	●	●	●	●	●

4. To what extent have the following factors contributed to loss of members' from the Matatu business today? (Use a 5 Point scale where 1= Not at all, 5 = Greatest)

	1	2	3	4	5
Other security menace	●	●	●	●	●
Government legislation	●	●	●	●	●
Divested to another sector	●	●	●	●	●
Accident claims	●	●	●	●	●
Mismanagement of daily revenues	●	●	●	●	●
Others (specify)	●	●	●	●	●

## Appendix 2 : Introductory Letter

Patrick Irungu Kimani  
University of Nairobi  
Faculty of Commerce  
Box 30197  
Nairobi

June 19,2007

Dear Sir Madam

**Ref: Invitation to fill questionnaire on competitive advantage for MTN Sacco Ltd**

I am a post graduate student from the faculty of commerce, university of Nairobi. Currently, am undertaking a research project on sources of competitive advantage for Transport Sacco's operating in the **PSV** industry.

I therefore request you to participate as one of the respondents. The information and data collected will be exclusively used for academic purposes and will be treated with strict confidentiality.

Your co-operation will be highly appreciated.

Thanking you in advance.

Yours faithfully,

Patrick Irungu Kimani  
Student, Faculty of commerce University of Nairobi  
With the consent of my supervisor

Dr Martin Ogutu,  
University of Nairobi