COMPETITIVE STRATEGIES USED BY ADVERTISING AGENCIES IN KENYA

BY

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A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

2008

DECLARATION

I declare that, this proposal is my own ORIGINAL work and has not been presented for award of any degree in any University.

Signed: ____________________________

Francis Thathi (Reg. No. D61/P/8421/04)

Date: __________________

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

Signature: ____________________________

Jacob Nyamila

Date: __________________

DEDICATION

This project is dedicated to my dear family members, Wife Stella, Daughters Elly and Elvin whose love for education and whole heartily supported, encouraged me to pursue higher education.

To my late father Jonah, mum Margaret for giving me an opportunity to attend school and advance academically from my early age.

AKNOWLEDGEMENT

My pursuit of the MBA degree would not have been possible without the encouragement, support and assistance of a large number of people and institutions.

I would like to thanks my wife Stella, children Elly and Elvin for their encouragement and support during the entire duration of my studies. I acknowledge my mum Margaret and late Dad, Jonah for their unlimited more and financial support throughout my education.

All my lecturers were supportive but Mr. Jacob Nyamila clearly stand out. Mr. Nyamila vast knowledge, experience and uncompromising stand on quality and detail enriched the quality of this study.

I owe a great debt of gratitude to managers in the advertising firms for the sacrifice they made by taking time off their busy schedule to complete the questionnaire.

I am also grateful to my friend David of Mba library for helping me access all the materials I needed to this work. Njeri for typing the project and my brother John for helping administer the questionnaires.

Lastly but not least to my dear friends; Karanja, John, Gerald and Charles for their moral and material support including their inspiration and encouragement to work hard and pursue this degree.

And to me the best investment reward I have made in the last four (4) years, the resilience as a business person, husband, father and student with results expected in all these fields.

ABSTRACT

This paper analyses the competitive strategies used by advertising agencies in Kenya. The study involved fourteen (14) advertising agencies registered by the Association of Parishioners in Advertising (APA) of Kenya. According to the Steadman Report (2007) these advertising agencies controlled over 90% of the advertising budget in the industry in the year 2007.

The paper consequently aims to address the following research objective: “To identify the competitive strategies that are used by the advertising agencies in Kenya.” A descriptive research was undertaken focusing on the CEO or MD of the advertising agencies in Kenya. The researcher utilized questionnaires containing both closed and open ended questions to collect the necessary quantitative and qualitative data from ten (10) respondents (out of fourteen (14) respondents) for analysis using Microsoft Excel (MS-Excel). The study was a census survey hence sampling was not undertaken. The researcher then analyzed the study’s findings in accordance with the questionnaires structure that collected data on the general information (demographics), competitive strategies, competition and the environment.

The research findings illustrated that all the advertising agencies in Kenya have adopted a differentiation strategy as the organization’s overall competitive strategy. Competition is also found to be the most critical environmental factor determining the competitive strategy to be adopted by advertising agencies in Kenya. The paper further outlines various conclusions and recommendations in relation to the use of competitive strategies by advertising agencies in Kenya.

ACRONYMS

APA	-	Association of Practitioners in Advertising
CEO	-	Chief Executive Officer
FMCG	-	Fast Moving Consumer Goods
HR	-	Human Resource
MD	-	Managing Director
MS-Excel	-	Microsoft Excel
R&D	-	Research and Development
SD	-	Standard Deviation
TQM	-	Total Quality Management

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1.0 PART ONE : INTRODUCTION

1.1 Background

Competitive strategies which emanates from strategic planning is not a new management tool as its origins can be traced to the late 1950s and early 1960s. Under conditions of extreme competitive turbulence the rediscovery of the strategic planning concept is not unusual. In a stable environment firms can explain their historical strengths and any emerging opportunities, but with the increased level of competition, what used to work perfectly, may now fail. The competitiveness of a firm in an industry depends on its ability to organize its overall policies cutting across planning, organizing, controlling, staffing, leading, motivating, directing and communication in order to increase its productivity and efficient in the management of resources entrusted to it.

In Kenya, the advertising industry is a busy and lucrative one that is attracting many players and threatening the existing status quo. The key players are already in intense competition for more clients base and endeavoring to increase sales volume at the same time. Since early 1990's the Government of Kenya has made significant progress in the implementation of economic reforms measures necessary to stabilize the economy, restore sustainable economic growth and enhance both domestic and foreign competitiveness as well as investments.

By the end of 1994, most sectors of the economy had been opened up to market forces, and the government had removed foreign exchange controls, allowed a free floating exchange rate regime, dismantled import licensing and liberalized domestic marketing of all major products and services. These changes in the external environment, especially competition have had both positive and negative impact on organizations. (Government of Kenya, National Development Paper, 1997). Firms are environment dependent and changes in the environment shape opportunities and challenges facing the organizations. This understanding is important in defining the firm's objectives and in developing competitive strategy that will ultimately result in competitive advantage as a firm is always responding to those challenges posed by the external environment, studies carried out during the post liberation era, indicate that the reform process has led to stiff competition in key sectors of the economy (Bett 1995, Kombo 1997, Owiye 1999, Njau 2000, Murage 2001, Theuri 2002, Mbugua 2006).

The application of competitive strategies in Kenya can be traced back since 1970's when multinational firms practiced strategic management alongside corporate strategic plans covering several years. Most of the managers then did not have formal training in strategic management approaches and they learned these skills on the job through trial and error. Today most managers in Kenya have some knowledge in strategic management practices gained through formal education for instance, the evening MBA classes, while others have learned through seminars, symposia or in-house company training, Dr. Yabs (strategic management practices in Kenya 2007 pg 8).

As a result of the changes in the external variables mentioned earlier, the advertising industry has witnessed changes that have tremendously affected the state of competition. Heightened competition has meant that players have to go out flat for anything that differentiates them from the rest in the same industry. An organization strategy consists of the moves and approaches devised by the management to produce successful organization performance. Strategy is thus management game plan for the business (Thomson and Stickland, 1998). The essence of formulating strategy is relating a company to its environment (Porter 1998). According to Hamel and Prahalad (1994) the essence of strategy lies in creating tomorrow's competitive advantage faster than competitors mimic the ones you posses today.

Strategy can be defined as the broad program of goals and activities to help a company achieve success. It's a match between an organization's resources, skills, environment opportunities, risk and the purpose it wishes to accomplish (Schendel & Hoter, (1979) organizational goals should not be to maximize market share but rather to attain optimal market share. (Paul Bloom & Philip Kotler 1975). A company attains its optimal market share in a given market or products when a departure in either direction from that share would alter a company's long term profitability or risk in a negative way.

The essence of formulating a competitive strategy is relating a company to its environment. Although the relevant environment is broad, the key aspect of the firms environment is the industry in which it operates. Competitive strategies adopted by the firm should result in a competitive advantage. Competitive advantage grows fundamentally out of value a firm is able to create for their buyer that exceeds the firm's cost of creating it. (Porter 1998). Industry structure has a strong influence in determining the competitive rules of the game as well as the strategies potentially available to them. Forces outside the industry are significant. Primarily in a relative sense and since outside forces usually affect all firms in the industry, the key is found in the differing abilities of firms to respond to them.

Ansoff (1988) defines competitive strategy as the distinctive approach, which a firm uses or the intends to use to succeed in the market. Ansoff argues that for a firm to be successful it has to adopt to its environment, which leads to growth and profitability by linking its internal capability which includes resources, goals, values and systems to its external environment which relates to political situation, technology, competition, social pressure of the firm as well as saturations of the markets. Ansoff has viewed strategy as a means of establishing organizational purpose, a response to the changes in the environment, a coherent, unifying and interactive pattern of decisions, as a means of defining the competitive domain of the firm as a link between internal capability and its environment.

1.1.1 The Advertising Industry in Kenya

The industry is represented by a body known as the Association of Practitioners in Advertising (APA). The APA represents the agency point of view to advertisers helping identify and find solutions to any mutual problems and improves the value of member companies to their clients. The APA is also an expert servicing body. It contributes to the effective operation of its members through training and information services. In particular, the APA plays a major role in training of Agency personnel both through residential management courses and in shorter skills based courses, it aims to give advice on legal and regulatory matters, and actively promotes and participates in the provision of media research.

According to Sokoni (2001) The APA developed from small beginnings in the early 1960s to represent a strong body of advertising agencies, all of them connected to major international networks. The mission of the APA is to serve, promote and anticipate collective interests of members advertising agencies and in particular to define, develop and help maintain the highest possible standards of professional practice within the advertising business.

A number of studies (Murage, 2001; Gathogo, 2001; Karanja 2002; Ngeera, 2003) have been undertaken in relation to competitive strategies. However these studies have been done under totally different contexts and were carried out in industries that exhibit little similarity with the advertising industry. Murage did hers in the petroleum industry, Gathogo looked at the banking industry, Karanja in the real estate firms, and Ngeera in the retail sector of pharmaceutical industry.

According to the American association of advertising agencies, the agency purchases advertising space and time in various media on behalf' of different advertisers or sellers that are its clients to help them find customers or communicate information for their goods and services. This definition offers an idea as to why so many advertisers hire advertising agencies, which include the fact that agencies are not owned by the advertiser, the media or supplier so they bring an outside view point to the advertisers business, a state the advertiser may never attain. The structure of agencies is divided into six functions namely the client service department, creative department, production department, media department, accounts departments interact and have cross-functional operations and together work to contribute to the overall agency creative product.

1.1.2 Advertising Regulation in Kenya

The (APA) released a new set of guidelines launched on 24 May 2001, at the Norfolk hotel, following the associations annual general meeting. The new guidelines titled "Standards of Practice" and "Guide to good Pitching" are expected to revitalize the previous and outdated APA standards. The new guidelines are also seen as supplementing the Marketing Society of Kenya's comprehensive Advertising Standards Code. The documents reinforce the marketing community's commitment to responsible self regulation rather than centralize legislation on communication issues in our developing economy.

The advertising industry thrives on creative self-expression. Rules and guidelines may seem out of place, but given the role of advertising into the overall marketing communication strategy of a firm, the need for some checking and balancing cannot be overlooked. Indeed advertising is a billion US dollar industry globally and a multibillion shilling investment in Kenya: Its regulation cannot be "left to the dubious offices of quacks and other malpractitioners" as pointed out by Mr. Chris Harrison the chairperson of APA until 2001 "better the APA itself rather than some government department to act as advertising watchdog" (Sokoni, 2001).

1.1.3 Advertising Agency

Belch et al (1990) defined an advertising agency as a service organization that specializes in planning and execution of advertising programs for its clients. The agency personnel comprise highly skilled individual who are specialists in their chosen fields-Creative, writers, media, analysts, researchers, strategic planners whose role is to help the client market their products and services (Association of Practitioners and Advertising, Standards of practice, 2000).

The team of experts service clients who are known as ‘accounts’ This use of the word `accounts' has nothing to do with accountancy. An account is simply an advertiser who uses the agency's services. In the trinity that forms the advertising business the advertiser, the advertising agency and the media owner, the agency occupies the middle position between those who wish to advertise’ and those who provide the means to do so (Russell 1988).

The growth in advertising revenue will be driven by better media investment management and measurement processes, investment in appropriate technology and software, and ability to offer innovative integrated solutions under one stop shop concept. The advertising and communications industry is poised to continue its upward growth pattern due to following key factors:

Intense competition within the Fast Moving Consumer Goods [FMCG] sector driven by new entrants and increased consumer marketing awareness by smaller manufacturers. Existing key players will have to spend more to fight competition resulting in higher advertising expenditure.

Vertical Integration of campaigns by big advertisers will translate into higher marketing budgets. Advertisers will increasingly look at alternative consumer contact points to convert new buyers, as increased choice will inevitably create a more discerning consumer. Share of Love is now more important than Share of Voice and so advertisers will increasingly begin to look at new innovative ways of engaging with the consumers through a plethora of media connection platforms.

Enhanced television penetration driven partly by increase in consumer disposable incomes based on sustained economic growth. Television is set to take centre stage as the lead advertising medium within the East Africa region within the next three (3) years. Television is still relatively under-priced in the Kenyan market and its potency is set to grow as a medium with increased penetration. Year on Year penetration is growing by 15%. TV media inflation is also growing as the medium gives advertisers better reach. Proliferation of radio stations and its audience segmentation. Unearthing of new advertisers as EA economies rapidly expand. Media Inflation, which inevitably translates into higher media budgets, as advertisers will have to sustain their message exposure levels. Increased advertising expenditure in the key categories of alcoholic beverages, manufacturing, banking, consumer goods and telecommunications is the way forward for the industry.

1.2 Statement of the Problem

A review of the literature reveals(Steadman Group, 2007) that in Kenya there is a wide spectrum of advertising agencies varying in size, services and specialization for the advertiser to choose from. The reason as to why an advertiser chooses one agency and leaves out the other cannot be pointed out clearly, but it could be assumed that the advertising agencies apply competitive strategies in order to win clients. Consequently, it is crucial that an investigative study is undertaken to bring to light whether any competitive strategies are practiced by advertising agencies in Kenya to win more clients, maximize their sales and compete effectively.

Few studies have however been carried out on the advertising industry in general namely;- Ogutu (1983) carried out a study that looked at "Advertising agencies in Kenya; their nature and operations". Odhiambo (1986) carried out a study that looked at "Advertising timing strategy: the practice in Kenya" Oduor (1989) carried out a study that looked at " The relationship between advertising expenditures sale volume for selected Kenya products". Chebet (2002) carried out a case study "The factors considered during the media planning process, a case of advertising agencies operating in Kenya and Raider (2003) carried out a study that looked at "Local advertising agencies in Kenya before and after affiliation with international advertising agencies.

These studies which have been carried out have addressed various issues, however they have not addressed competitive strategies in the advertising industry. The researcher intended to assess the factors influencing local agencies in the application of competitive strategies such as, creating value for the buyer, cost leadership strategy, differentiation strategy and the focus strategy as popularized by Michael Porter (1980). This study therefore seeks to fill this gap by undertaking an investigative research on the application of competitive strategies by advertising agencies in Kenya.

1.3 Objectives of the Study

The research objective of this study was:

1. To identify the competitive strategies that are used by the advertising agencies in Kenya.

1.4 Importance of the Study

This study was expected to be of significance in the following ways:

1. To the current advertising practitioners, it will provide them with information on the General state of competition and strategies which other firms are using to compete in the industry, while determining if these strategies have resulted into positive results.

2. To potential advertising practitioners, the study will provide information on some of the critical challenges they will face hence prepare adequately when wanting to join the industry, the study will assist in evaluating the strategy of competition. They will therefore be more informed while looking at the industry opportunities and threats hence an insight of the competitive strategies they will need to adopt in order to be successful.
3. This study will be important as an addition to the knowledge by scholars in the regard to competition in advertising agencies and hopefully ignite the need for further research.

2.0 PART TWO: LITERATURE REVIEW

2.1 Overview

Advertising is the most widespread form of public communication in modern societies. It has a major presence in many areas of public space especially in urban centres, retail spaces, stadia but less so in suburbs, public building and parks and in most news and entertainment media (Richards et al, 2000) people who built the tower of Babel left the earliest known form of advertising. A Babylonia clay tablet dated 3,000 B.C. bears the inscriptions for an ointment dealer, a scribe and a shoemaker, papri exhumed from the ruins of Thebes showed the ancient also advertised. One of the messages found was offering a reward for run away slaves. Public illiteracy was the biggest obstacles and advertising therefore resorted to visual symbols and town criers. Greeks used the latter to announce the arrival of ships and their wares. Later town criers were used. This was the earliest medium of announcement in European countries for many centuries. Visuals remained largely used in the 17th Century and 18th Century in the decoration of inns. (Saxton 1954).

Later trademarks gradually came to be used as a form of advertising. This was followed by the next and most enduring advertising medium, newspapers. Printing was invented by Johann Gautenberg in about 1438. Forty years later Caxton printed and distributed a handbill calling the attention of potential buyers especially clergy to a book of ecclesiastical rules he had first published providing guidance to the clergy at Easter (Saxton, 1954). Commercial advertising came in the mid 1600’s when the first advertisement appeared in “Mercurius Poticus” of 30th September, 1659. By the mid 17th Century weekly newspapers, which lead to the gradual development of advertising, started to appear in England (Bishop, 1944). In advertising the manufactures discovered a technique, which enabled them to regain the ultimate consumer, and compelled wholesalers and retailer to stock goods.

2.2 Advertising

Scholars have given various definitions of advertising. Arens et al (1994) defined advertising as a non-personal communication of information usually paid for and usually persuasive in nature about a product, services or Ideas by an identified sponsor through various media. The Institute of Practitioners in Advertising has defined the same as "the most persuasive possible selling message to the right prospects for the products or service at the lowest possible cost". (Jefkins, 1994).

Recorded history of advertising' runs for a period of 5000 years to present day, but the most significant development happened in the last century (Russell and Kleppers, 1998). Today there is a view of communication as an interactive dialogue between the company and its customers that takes place during pre-selling, selling, consuming and post consuming stages.

Without advertising, the products or services cannot flow to the distributors and onto the consumers or users. A successful national economy depends on advertising promoting sales so that factory production is maintained, people are employed and have spending power, and the money goes round and round. When this process stops there is recession. Similarly prosperous countries are those in which advertising does its job. In the third world countries and in Russia, economies are poor and advertising is minimal, especially when a large proportion of the Population are young non-earners.

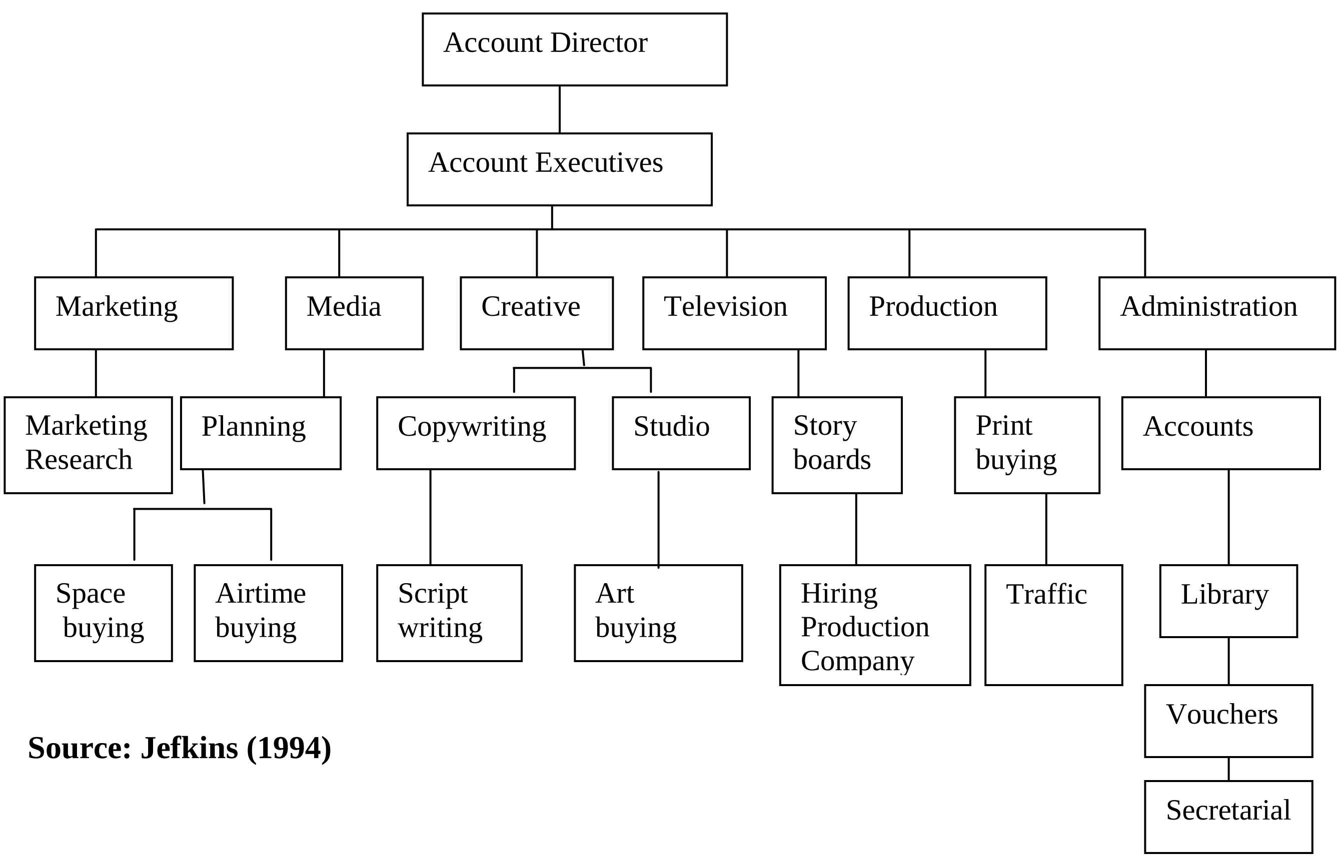
Kotler (2000) views advertising as any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. Kotler further explains that advertising can be used to build up a long-term image for a product or trigger quick sales, and can efficiently reach geographically dispersed buyers. Certain forms of advertising (TV advertising) can require a large budget, whereas other form (newspaper advertising) can be done on a smaller budget. Advertising might have an effect on sales simply through its presence. Consumers might believe that a heavily advertised brand must offer "good value". Advertising is therefore one major tool companies use to direct the public and more specifically to target buyers, essential part of the promotion mix for modern business.

2.3 Advertising and the Modern World

If one looks at an old picture of horse buses in the late nineteenth century London one will see that they carry advertisements for products famous today, a proof of the effectiveness of advertising. Nineteenth century advertisers still with us today include Beecham, Cadbury, Lever Brothers and Lipton. Thus the modern world depends on advertising, without it producers and distributors would be unable to sell, buyers would not know about and continue to remember products and services and the modern industrial world would collapse. If factory output is to be maintained profitably, advertising must be powerful and continuous. Mass production requires mass consumption, which in turn requires advertising to mass market through the mass media (Jefkins, 1994).

However Lowe (1963) in considering advertising proposed the view of "advertising in a high level economy" in which he suggests that the concept of waste in advertising must be related to the levels achieved by an economy. He observed that perhaps a good deal of wastefulness assigned to advertising springs from the fact that a large part of the world's population cannot consider satisfying psychological wants when most of their efforts must be devoted to needs.

Figure 1: Departments and Functions of a Large Full Service-Advertising Agency



Source: Jefkins (1994)

In Kenya the first advertising agency was the Kenya Advertising Agency established in 1937 (Kibera and Waruingi, 1988). Billing in its first year totaled Kshs.100,000. By late 1940's Nairobi had four such agencies. At the end of 1982 there was at least fourteen agencies which in terms of total billing Ogilvy and Mather was the largest. Advertising has grown through the centuries to its present state. The reason for its rapid development especially in the last century was summed up by Kotler when he noted that "advertising has dominated the media, and has vested power in shaping popular standards".

2.4 Effects of Advertising

Over the past decade, the reality of global competition has become manifest to managers in manufacturing industries such as automobiles, construction equipment, machine tools, consumer electronics, office equipment, copiers, semiconductors and telecommunication equipment. Managers in service industries too, have heard the news. Banking, consulting, auditing, accounting and advertising among other service industries are becoming global (Abernethy and Ginsburg, 1980). Multinational and domestic firms alike are realizing that drawing on the competence of others firms around the world to compete more effectively is not only feasible, but often necessary. Growing numbers of firms are seeking to build external networks of national and international subsidiaries (Yoshino, 1995).

The need for advertising developed with the expansion of population and the growth of towns with their shops and large stores, mass production in factories, roads and railways which lead to the emergence of advertising to convey goods and popular newspapers in which to advertise. The large quantities of goods being produced were made known by means of advertising to unknown customers who lived far from the place of manufacture. This process developed some two hundred years ago in industrialized countries. Advertising grew with the development of media such as the coffee house newspaper of the seventeenth century and the arrival of advertising agencies such as White's in 1800 to handle British government lottery advertising. Reynell and Son was an early agency, founded in London in 1912 (Jefkins, 1994).

Lawson (1978) criticized advertising on the grounds that it made people buy what they do not need thus leading to waste. Having said that according Keegan (1998) doing business without advertising is like winking in the dark, “You know what you are doing but nobody else does”.

2.5 Challenges Facing the Advertising Agencies

The growing integration of the global market place since the 1970s to the new millennium, termed as globalization has seen the emergence of all sorts of corporate strategies such as re-structuring, re-engineering, rationalization, downsizing all these are aimed at adjusting to the global business trends in order to remain variable. These coiled terms are intended to reflect the ranges of activities and functions of agencies that conform to what the current environment is dictating locally and globally.

The increased competition arising from the fast changing global market has resulted in a situation where companies are finding it increasingly difficult to follow history. Many of the skills, capacities and resources that the essential to a firms' current and future prosperity are to be found outside the firms' boundaries and outside managements' direct control (Doz and Hamel, 1998). Similarly in Kenya local advertising agencies are faced with the challenges in the areas of expansion into neighbouring markets, competitiveness especially for global client accounts, competitive advantage as perceived to be derived through access to proprietary tools held by international advertising agencies.

2.6 Response Strategies

Johnson and Scholes (1999:10) define strategy as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment, to meet the needs of market and fulfill stakeholders’ expectations. While Robins & Coulter (2002) defines strategic management as the process that encompasses strategic planning, implementation and valuation. In their view strategic management process is a way of considering, deciding and realizing already formulated strategies. Strategy implementation. , on the other hand, is concerned with both planning on how the choice of strategy can be put into effect and managing the changes required (Wang, 2000). Another issues relates to the achievement of competitive advantage over competitors. The changing environment suggests some level of dynamism in the environment and challenges that need to be managed effectively. Meeting the needs of the market suggest that firms are responsive to market demands and are customer focused, to meet and exceed these needs as otherwise they would not be in business. Firms are also expected to meet expectations of owners, customers, society, the public at large, employees and all other stakeholders. Firms therefore need good strategies to enhance their success. There are various strategies that are open to a firm. Strategies chosen for implementation usually depend on factors such as leadership, resources available to the firm and changes in the environment such as globalization. Studies in strategy suggest that firms need to seek strategic fit between their internal resources i.e. their strengths and weaknesses, and their external environment 1.e their opportunities and threats. (Andrews 1977) found that in order to remain competitive, relevant and sustainable, firms need to formulate and implement strategies that will balance the internal and external environments. Due to constant changes in the environment, firms used to continuously adapt their activities to the realities in the environment otherwise their future success may be in jeopardy (Aosa, 1998).

Strategy is therefore about getting to the state through competitive advantage. Advertising by its nature consumes large amount of money hence only muti-national companies are in the forefront of it. As markets continue to fragment and proliferate and product cycles move at faster speeds, it will became increasingly important for businesses to compete as core capabilities builders rather than share price manipulators. The ability to develop core capabilities that add value to products and services and to exploit emerging opportunities through accurate strategic targeting is the true competitive advantage that will prevail.

2.7 Competitive Strategies

Firms which endeavour to enter in any industry have to access the strategies that are applicable hence the need to identify them in order to compete favourably otherwise there will be no need of trying to enter in the same industry.

Pearce and Robinson (2003) states a strategy is a large-scale, future orienattion paln for interacting witrh the competitive envornment to achive company objectives. It is the comp,any's game polan. While it does not nmot detail all future developemnt of resources, it provides the framework for managerial decisions. Astrategy reflects a company's awareness of fhow, where and when it shoukld compete and for what purposer it should compete. Porter (1980, 1985) argues that superior performance can be achieved in a competitive industry through the pursuit of a generic strategy, which he defines as the development of an overall cost leadership, differentiation, or focus approach to industry competition. If a firm does not pursue one of these strategy types, it will be stuck-in-the-middle and will experience lower performance when compared to firms that pursue a generic strategy (Porter, 1980). Today Porter argues that the strategy is about selecting the set of activities in which an organization will excel to create a sustainable difference in the market place.

Companies are strained in resources they require to operate in today's competitive environment. The scare resources available have to be carefully allocated and prioritized to the firms functional activities, starting with the one giving most value to the firm.

Day and Wensley (1988) argue that competitive methods consist of skills and resources that are available for use by firms in a competitive industry. They define superior skills in terms of staff capability, systems, or marketing skills not possessed by a competitor. A superior resource is defined in terms of physical resources that are available to help strategic implementation. Examples include operating scale, location, comprehensiveness of a distribution system, brand equity, or manufacturing or processing assets. They conclude that establishing a generic strategy based on positional advantage in the marketplace will provide a firm with superior performance.

Bharadwaj (1993) suggest that a competitive advantage can be developed from particular resources and capabilities that the firm possesses that are not available to competitors. The transformation of available skills and resources into a strategic position can only take place under conditions that provide a customer benefit, and normally requires the transformation of multiple competitive methods. The ability to implant a cost leadership, differentiation, or focus strategy is dependent on a firm's ability to develop a specific set of competitive methods. This becomes the basis for the achievement of the firm to be able to perform above average industry performance.

Some contend that firms can follow both cost leadership and differentiation strategies simultaneously (Murray, 1988); however the issue remains unresolved. Indeed, Miller (1992) argues that the pursuit of a pure generic strategy (i.e. a generic strategy that does not mix emphasis on both cost and differentiation competitive methods), as compared to a hybrid strategy where firms place similar emphasis on both differentiation and cost leadership competitive methods simultaneously, is beneficial in markets where consumers exhibit strong preferences for either quality or price. He states that “Pure cost leadership is most effective when customers are sensitive to price and when there is a fighting chance to maintain a cost advantage because of economies of scale, proprietary technology, or unique access to cheap materials or channels of distribution” (Miller, 1992, p. 40). Because banking customers are sensitive to both loan and deposit rates, banks following a cost leadership strategy may realize a performance advantage over competitors that pursue another generic strategy type or those that are stuck-in-the-middle.

It should be noted that Porter (1980) indicates that firms cannot focus solely on a cost leadership or differentiation strategy to the exclusion of other strategies. He contends that cost leaders must devote some resources to differentiation activity, and those that pursue a differentiation strategy cannot do so to the detriment of their cost structure. Prior research has identified hybrid strategies, integrating both concepts which are those with simultaneous emphasis on both cost and differentiation competitive methods (Wagner and Digman, 1997). A stuck-in-the-middle position is difficult to identify and prior research may have incorrectly classified hybrid generic strategies and stuck-in-the-middle positions as equivalent. Also, these classifications may have been inconsistently interpreted and applied from study to study (Wagner and Digman, 1997).

Research on generic strategies has identified a tenuous link between an organization's attention to one of the Porter (1980) generic strategy types and performance. Some studies have found support for a single-strategy performance benefit (Hambrick, 1983). Other research has shown that it is possible to pursue a strategy that includes both cost and differentiation competitive methods (Miller and Friesen, 1986) although a performance benefit is not always evident.

The goal of competitive strategy for a business unit is thus to find a position in the industry where the company can best defend itself against competitive forces or can influence them in its favour. Knowledge of underlying sources of competitive pressure highlight the critical strengths and weakness of the company, animates it's positioning in the industry, clarifies areas where strategic changes may yield greater pay off and highlights the area where industry trends promise to hold the greatest significance as either opportunity or threat. An effective competitive strategy takes either offensive or defensive action in order to create a defendable position against the five competitive forces and there by yield a superior return on investment for the firm. Porter argues that understanding the structure of the industry plays a critical role in the formation of competitive strategies. According to Porter there are five forces during competition in the industry which largely determine the structure of the industry. These forces are:-

i) The threat of new entrants
ii) The bargaining power of suppliers
iii) The bargaining power of buyers
iv) The threat of substitute products and
v) Rivalry among competitors

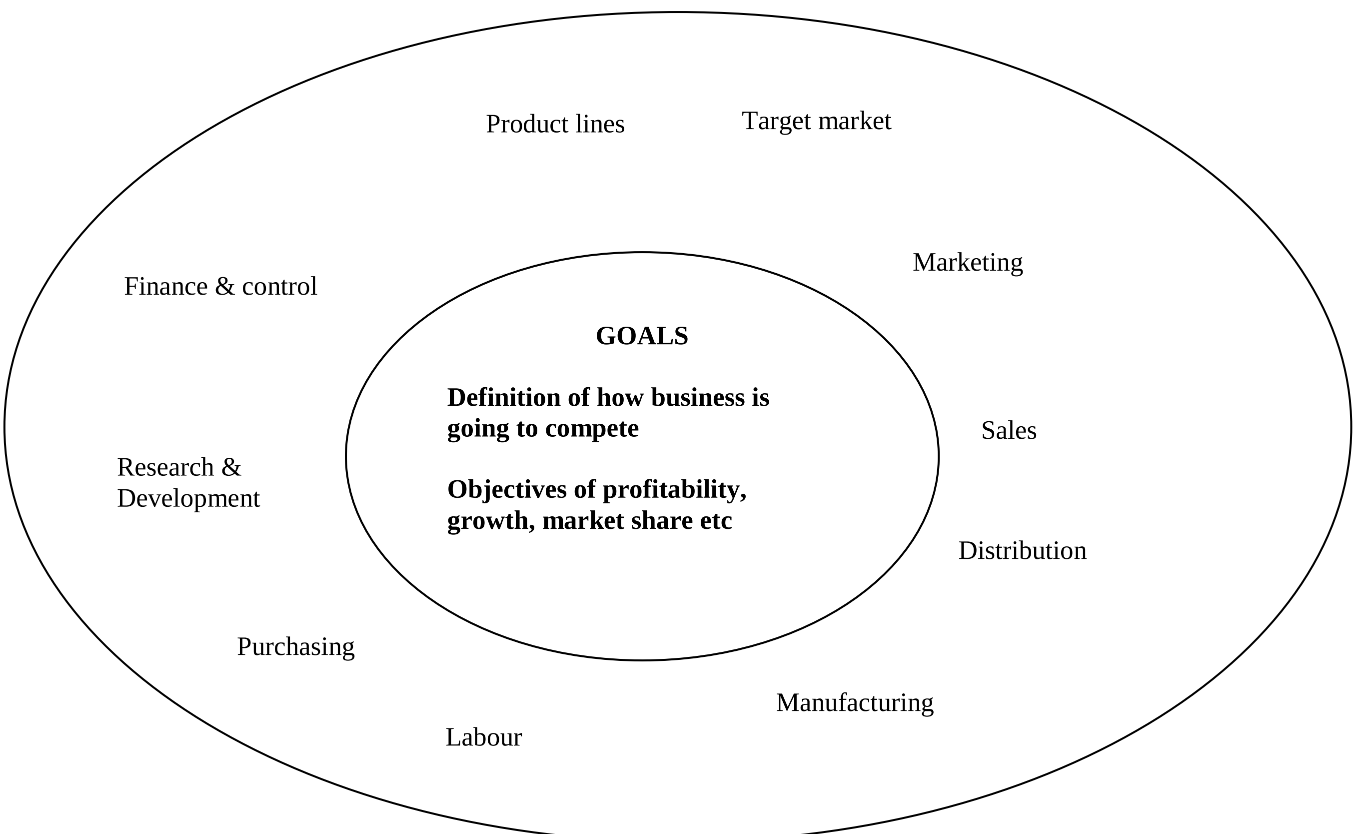
Other scholars such as Johnson and Scholes (1999) have explained that a firm's basic choices to achieve competitive advantage include:-

i) A "no frills" strategy combining lower price than competitors at similar added value of product/service to competitors
ii) A low price strategy providing lower prices than competitors at similar added value of product/service to competitors
iii) A differentiation strategy which seek to provide products/service which are unique or different from competitors.
iv) A hybrid strategy which simultaneously seek to achieve differentiation while maintaining prices lower than competition.
v) A focused differentiated strategy which aims at providing high perceived value justifying a substantial price premium.

The work of Andrews (1971) and Christensen, Andrews and Bower, (1973) provide insight into the classical approach to strategy management. 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 means (policies/tactics) by which it seeks to get there. The essential notion of strategy is captured in the distinction between ends and means.

Porter (1980) on the other hand argues that developing competitive strategies involve 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 include 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 aspect of a firm's competitive strategies in what he referred to as the "wheel of competitive strategies", on figure 2 below.

Figure 2: Wheel of Competitive Strategy



Source: Porter, 1998

At the centre of the wheel are the firms 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.

In order to address specific issues unique to this study, it is important to identify specific key aspects that will be used to identify competitive strategies adopted by firms in the advertising industry.

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

Faced with the five competitive forces firms according to Porter have three potentially successful generic strategies that they can use to outperform other firms in the industry.
The generic strategies are:-

i) Cost leadership
ii) Differentiation
iii) Focus

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 consumer are willing to pay a premium price that exceeds the marginal cost of differentiation. The former case represents a cost advantage while the latter a differentiation advantage (Grant 1998). The focus strategy is about using either cost leadership of differentiation strategy to targeting a particular buyer group, segment, product line and geographic market. (Porter 1998).

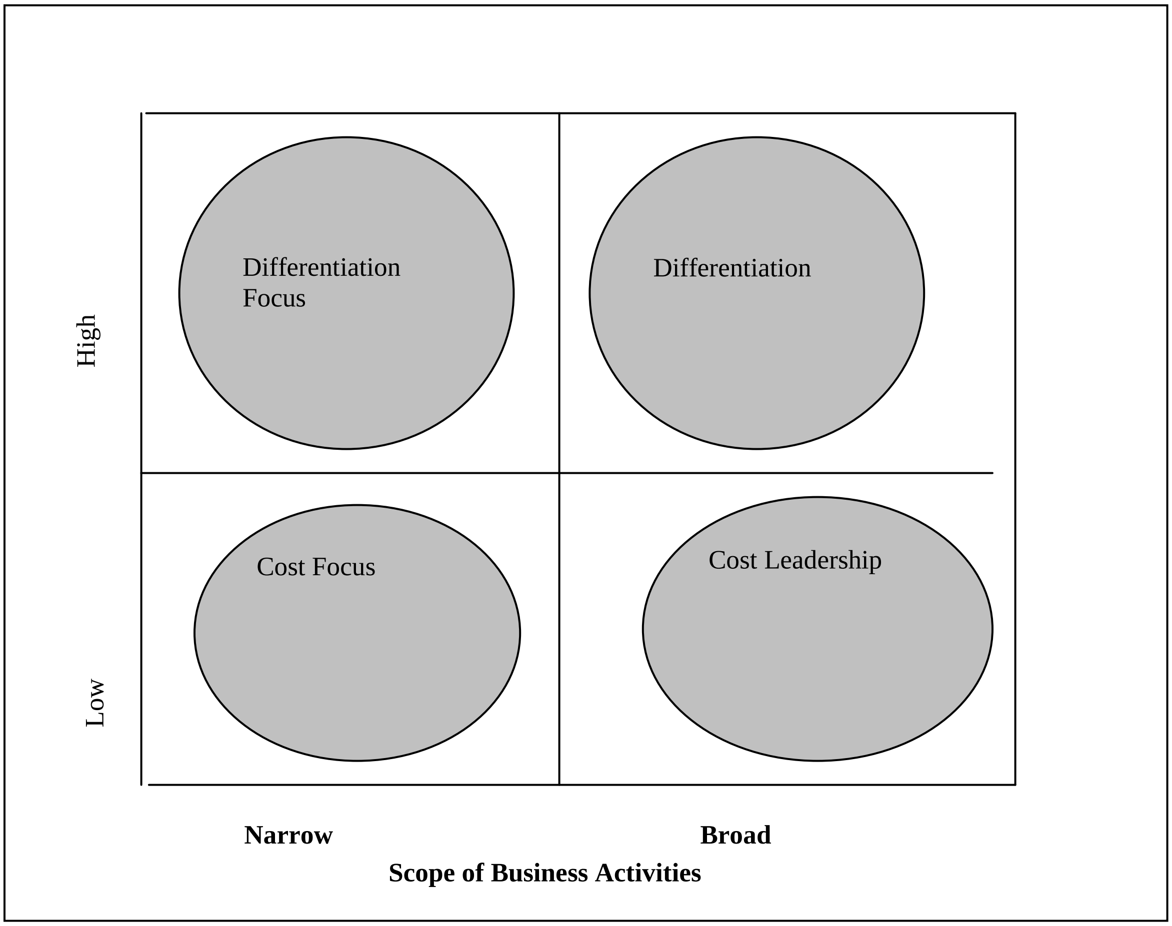
By pursuing cost advantage the goal of the firm is to become a cost leader in its industry or industry segment. Cost leadership requires that a firm must find and exploit all sources of cost advantage and sell a standard product (Porter, 1985). Differentiation by a firm from its competitors is achieved when it provides something unique that is valuable to buyers beyond simply offering a low price (Porter, 1980).

The two sources 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, resource and capabilities as well as organizational characteristics (Grant 1998). Porter further argues that cost leadership and differentiation strategies are mutually exclusive and that if one attempts to pursue both will lead to a firm being stuck in the middle and can subsequently lead to low profitability (Porter, 1980).

Porter (1998) states that the goals of a competitive strategy for a business unit in an industry is to find a position in the industry where the company can best defend itself against the five competitive forces-ease of entry, threat of substitution, bargaining power of buyers and suppliers and rivalry among current competitors. These five forces constitute the industry structure and its from this industry analysis that a firm determines its competitive strategy.

Porter unveiled four generic competitive strategies that can be viable in the long term's business environment. They are cost-leadership strategy, differentiation strategy, cost focus strategy and differentiation focus strategy. Pearce and Robinson (1997) states knowledge of this underlying source of competitive pressure provides the groundwork for strategic agenda of action. The highlight of the critical strengths and weaknesses of the company animate the positioning of the company in its industry, clarify the areas of strategic changes and may yield the greatest payoff.
The differentiation and cost leadership strategies seek competitive advantage in a broad ran market or industry segments while in contrast, the differentiation focus and cost focus strategies adopted in a narrow market or industry. See the diagram below.

Figure 3: Porters Cost and Differentiation Model.



Source: Porter M. E. [1998]

2.7.1 Cost-Leadership Strategy

The lowest cost producer in the industry enjoys the best profits. Minimizing of costs is a strategy that can be used by various firms so as to have a significant cost advantage over the competition and have a higher market share. This strategy is associated with large businesses offering standard products that are clearly different from competitors who may target a broader group of customers.

The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share.

Some of the ways that firms acquire cost advantage are by improving process efficiencies, gaining unique access to large source of lower cost materials, making optimal outsourcing and vertical integration decision, or avoiding some costs altogether. If competing firms are unable to lower their costs by a similar amount, the firm may be able to sustain a competitive advantage based on cost leadership.

2.7.2 Differentiation Strategy

Targeting smaller market segments to provide a special customer needs is also a strategy widely used in the corporate scene. Advertising firms have taken up this strategy to create various products for different customers on a frequent basis. It involves selecting one or more criteria that are used by buyers in a market and positioning the business uniquely to meet those criteria.

It calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive that product to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Firms that succeed in a differentiation strategy often have some internal strength including research and development capabilities, strong sales team and a corporate reputation for quality and innovation.

2.7.3 Cost Focus Strategy

Lower cost advantage to a section of market segments with basic services offered to higher priced market leaders is also a strategy acceptable in the corporate world. It results to similar products to much higher priced products that can also be acceptable to sufficient customers in the market. It concentrates on a narrow segment and within that segment and attempts to achieve cost advantage. The premise is that the need of the group can be better serviced by focusing entirely on it, hence enjoy high degree of customer loyalty, which discourages other firms from competing directly.

2.7.4 Differentiation Focus Strategy

A business aims at differentiating within just one or a 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 may be targeting a broader group of customers. It involves recognizing that customers do really have different needs and wants. Firms pursing a differentiation-focused strategy may be able to pass higher costs on the customers since close substitute products do not exist.

2.8 Competitive Challenges

In the implementation of competitive strategies, firms face challenges such as inadequate financial resource, costly sources of funds, skills and ability of staff, marketing abilities, changes in customer needs, government requirements and the complexity of coordinating all firms' activities in pursuit of the agreed strategy (Porter 1998, Grant 1998, Ansoff 1990).

Ansoff proposition is that different firms or organizations are faced with different challenges emanating from the environment and each firm requires and develops its own response to arrive at appropriate successful strategy. There is no single prescription for future success which can apply to all firms, each need to discover its own threats and weaknesses then design and implement its unique response to these challenges of which tomorrow will be different from those of yesterday. Firms should continuously survey the environment for signs of future discontinuity and potential surprises and develop plans which are not based on successful past responses.

Suave (2002) argued the environment is a critical factor of any organization survival and success. The forces of external environment are so dynamic and interactive that their impact on any single element cannot be wholly disassociated from impact of other elements. The impact of general environment forces tends to surface more in the immediate industry the organization is operating in. Swaan and Waaalewijn (2005) observe that the essence of formulating starte4gy is relating a company to environment. Therefore analysis is critical to the outcome of the total planning process and a major part in the diagnosis of the external environment. Several tools and techniques have been developed to assist planners in the evaluation and in particular the assessment of profit potential of the industry.

Ansoff further argues that organizations are confronted by global phenomenon of many differentiated products, available and purchased all over the world, quality in production faced with ever changing technology, consumers awareness and preferences, hence the need of framework within which choices about the future, nature and direction of the organization can be made. The firms strategic success formula will be based on prospects of the industry to be attractive and competition which is viable if the industry loses attractiveness and the firm can no longer complete favourably, it exists the industry in a timely manner.

Porter (1996) also argue that most of what many management trends of the 80’s and 90’s such as Total Quality Management (TQM), re-engineering, empowering the workforce, lean production, outsourcing and time based competition were a matter of operational effectiveness rather than strategy. Therefore in implementing strategies for the firm, the leadership may be pursuing operational effectiveness in the name of strategy, yet porter points out that operational effectives though necessary is not sufficient to bring about competitive advantage. He concludes by saying that achieving competitive advantage means adopting the appropriate generic strategy and implementing the strategy with the network of supportive activities (Porter, 1996).

Other challenges in the implementation of generic strategies for instance Porter (1998), includes some of them in terms of risk as:-

i) Technological changes that renders investment in new technology and learning worthless.
ii) Low cost industry learning by new comers through imitation and the use of new technology.
iii) Inflation of costs of inputs that increase the firms costs.
iv) The consumers need for differentiating factors falls.
v) Imitation can narrow perceived differentiation.
vi) Differences is desired products between the strategic target and the market.
vii) Competitors break into the target market and outplay the focuser.

Grant argues that there are two sources of superior performance, one is to locate in an industry where conditions are good enough to allow a rate of return above the competitive level. The other option is for the firm to attain a position of advantage vis a vis competitors within an industry to allow it to earn a return in excess of industry average. He further argues that as competition intensifies in almost all industries, very few industry environment can guarantee secure return, hence the primary goals of a strategy is to establish a position of competitive advantage for a firm by either focusing on cost leadership or differentiation.

A firm that competes on low cost is distinguishable from a firm that competes through differentiation with regard to market positioning, resource and capabilities as well as organizational characteristics (Grant 1998).

In conclusion porter further argues that cost leadership and differentiation strategies are mutually exclusive and that is one attempts to pursue both will lead to a firm being struck in the middle and can subsequently lead to low profitability (Porter, 1980).

In the advertising industry in Kenya some of the competitive challenges include capital required to set and expand interms of growth and market share, this is due to problem of capitalization in accessing financing needs to help in sustaining operations interms of hiring skilled manpower, acquiring modern technology, ownership structure of multi-national companies who happens to have the biggest percentage of advertising budget in the country. All these coupled with human resources weakness and limited management capacity have all been noted. Market research, product design, innovation and creativity couped with limited market knowledge have also been cited as significant challenges for advertising agencies in Kenya (Steadman group, 2007).

3.0 PART THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research was carried out through a census survey. This is because a census survey research collects data from all members of a population which facilities comparisons. This type of research design was appropriate in getting answers from all individuals at one point in time. The design involved primary data collection which enabled the study to establish and compare various strategies of population members with respect to the competitive strategies they use.

3.2 Population of Interest

The population of this study comprised of all the advertising agencies in Kenya. According to the APA and Steadman group records there are only 14 of them (see attached appendix III). All the fourteen firms were studied in a census survey, where the researcher interviewed the chief executive officer or the managing director.

3.3 Data Collection

The data was collected using a self-administered semi-structured questionnaire (see attached appendix II). The questionnaire consisted of both open and closed ended questions and was developed in line with the objective of the research. Data collection was administered through personal interviews where the researcher secured suitable time for personal interviews with the Chief Executive or Managing Director. Personal interviews are recommended by Parasulaman (1986) as having the potential to yield the highest quality and quantity of data compared to other methods, because supplementing information may be collected in the course of the interview.

3. 4 Data Analysis

Data was analyzed using descriptive statistics. Descriptive statistics included percentages, mean score and sum enabling the researcher to meaningfully interpret the research findings in order to draw the necessary conclusions and recommendations.

Microsoft Excel (MS-Excel 2003) was used to analyze the responses from the five point Likert scale.

4.0 CHAPTER FOUR: DATA ANALYSIS

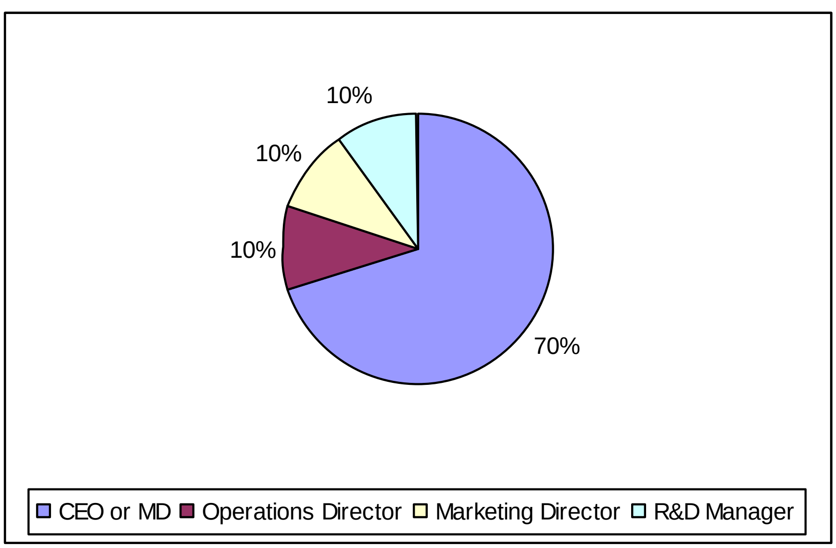
4.1 Introduction

The researcher distributed fourteen (14) questionnaires and received responses from ten (10) respondents. This represents 70 per cent response rate which enabled meaningful qualitative and quantitative statistical data analysis. There was 30 percent non-response rate. This chapter analysis the data collected from the respondents and interprets the findings with respect to their mean, standard deviation and percentages.

4.2 General Information (Demographics) Analysis

Figure 4.1 to figure 4.5 below illustrate the percentages of the respondents' response to questions relating to general information (demographics). The researcher considered an analysis of the population's demographics to be important as different demographic characteristics impact on the quality and reliability of not only the data collected, but also the research findings generated from such data.

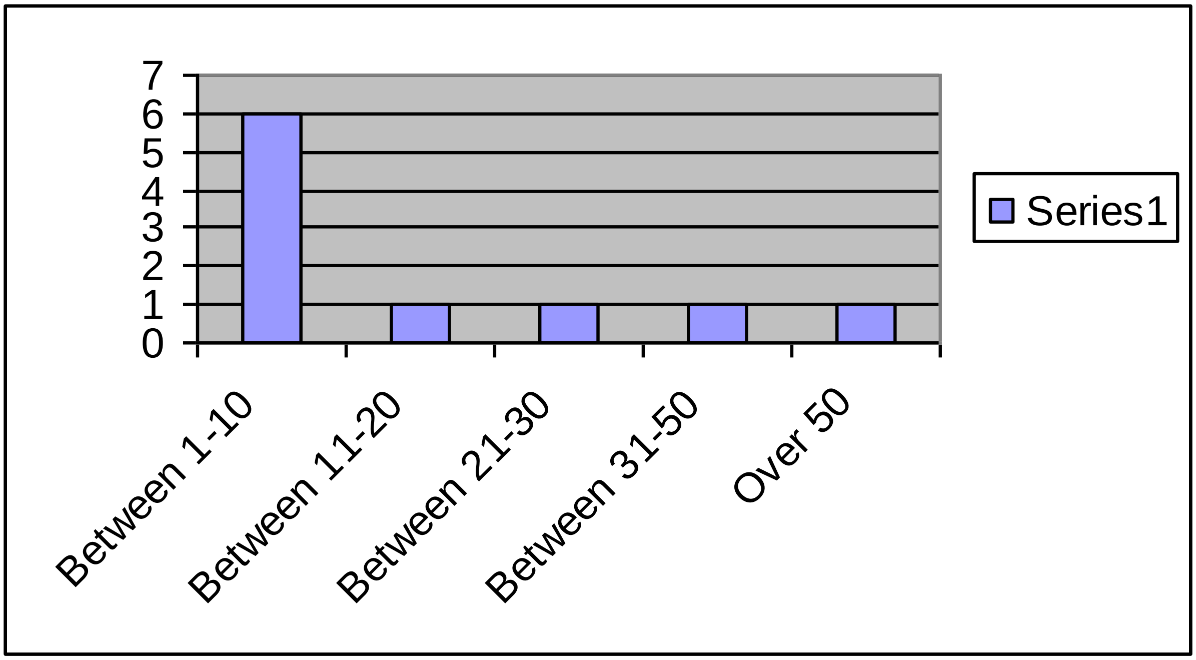
Figure 4.1: Position occupied within the Agency



Source: Research Data

According to Figure 4.1 above, 70% of the respondents were either the CEO or MD within their respective Advertising Agency. The research findings can therefore be deemed to be reliable as the competitive strategies being investigated in this study are mostly formulated by the top management of most organizations including advertising agencies in Kenya. The remaining 30% of the data was collected from the operations director, marketing director and the R&D manager.

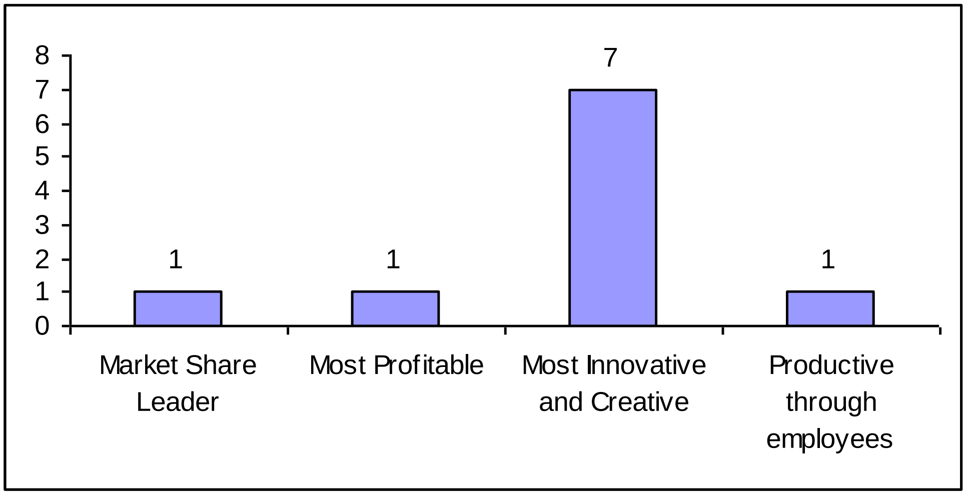
Figure 4.2: Total number of years worked in the Agency



Source: Research Data

Figure 4.2 above indicates that 60% of the respondents had been working with their respective advertising agency for a period of between one and ten years. This research findings illustrate that the data collected and findings derived from such data can be used to analyze the competitive strategies adopted by advertising agencies in Kenya for the past ten years. The remaining 30% of the employees had been working with their agency's for more than ten years.

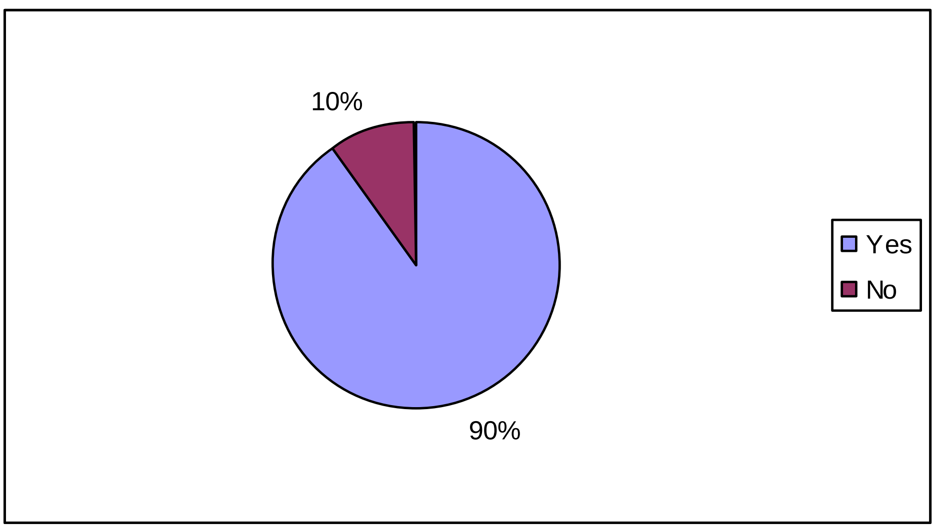
Figure 4.3: Main purpose of the Agency



Source: Research Data

Figure 4.3 above indicates that 70% of the advertising agencies in Kenya aim to be innovative and creative. Consequently, according to the literature review (in Chapter Two), the agencies should adopt a differentiation strategy (Porter, 1980). 10% of the agencies aimed at being the market leader, 10% aimed at being the most profitable, while the remaining 10% aimed at being productive through employees.

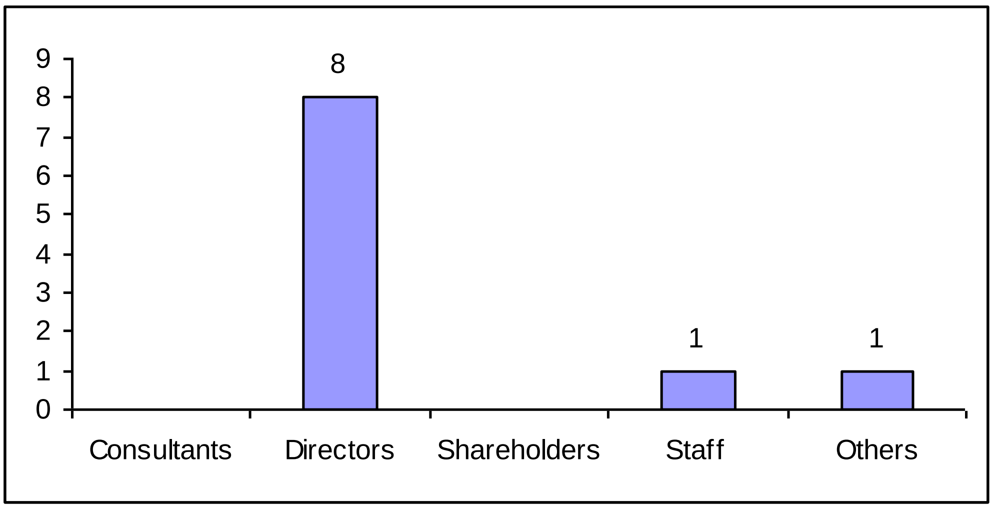
Figure 4.4: Presence of a mission and vision statement



Source: Research Data

According to Figure 4.4 above, 90% of the advertising agencies in Kenya have formulated a mission and vision statement for their organization. This research findings illustrate that the management of the agencies do implement strategic management principles and therefore are most likely to have competitive strategies developed in line with their organization's mission and vision statement. Only one agency, representing 10% of the population, was found to be lacking a mission and vision statement.

Figure 4.5: People involved in the formulation of mission and vision statement



Source: Research Data

Figure 4.5 above indicates that 80% of the advertising agency's mission and vision statements were formulated by the directors. This research findings illustrate that the top management of the advertising agencies is indeed involved in strategy formulation as this is important in the success of such organizational strategies. The remaining 20% of the agency's mission and vision statement were formulated by the staff and others.

4.3 Competitive Strategies and Competition Analysis

Table 4.6 below illustrates the mean of the respondents' response to the question "to what extent do firms adopt strategies to remain competitive in the market." To illustrate this, the researcher coded the responses with "Greater Extent" given the value five (5.0), "Moderate Extent" given the value four (4.0), "Neutral" given the value three (3.0), "Low Extent" given the value two (2.0) and "No Extent" given the value one (1.0).

According to the table, the use of advertising was found to be affecting the agencies competitiveness to a greater extent as its mean moves closer to five (5.0), that is, a mean of 4.5. Avoiding loss making areas, offering a wide range of services, use of publicity, engaging highly skilled staff and automation of business processes were found to be affecting the agencies competitiveness to a moderate extent as their means draw closer to four (4.0). Reducing operating costs, sharing commissions earned with clients, offering free consultant services to customers, outsourcing support staff, intensive staff training and acquiring or merging with competitors were found to be neutral in affecting the competitiveness of the advertising agencies in Kenya, as their means draw closer to three (3.0).

The research findings illustrate that the competitiveness of advertising agencies in Kenya is highly affected by the marketing strategies adopted by the agency including advertising and publicity. According to the findings, other organizational factors including staff training and their level of skills, internal business processes, offering a wide range of services and the avoidance of loss making areas can be used to improve the competitiveness of the advertising agency.

The standard deviation (SD) indicates that all the respondents tended to agree with respect to their responses as SD was close to one (1.0). The research findings can therefore be extrapolated with confidence to represent the entire industry as their spread was not statistically significant to illustrate divergence of views within the industry.

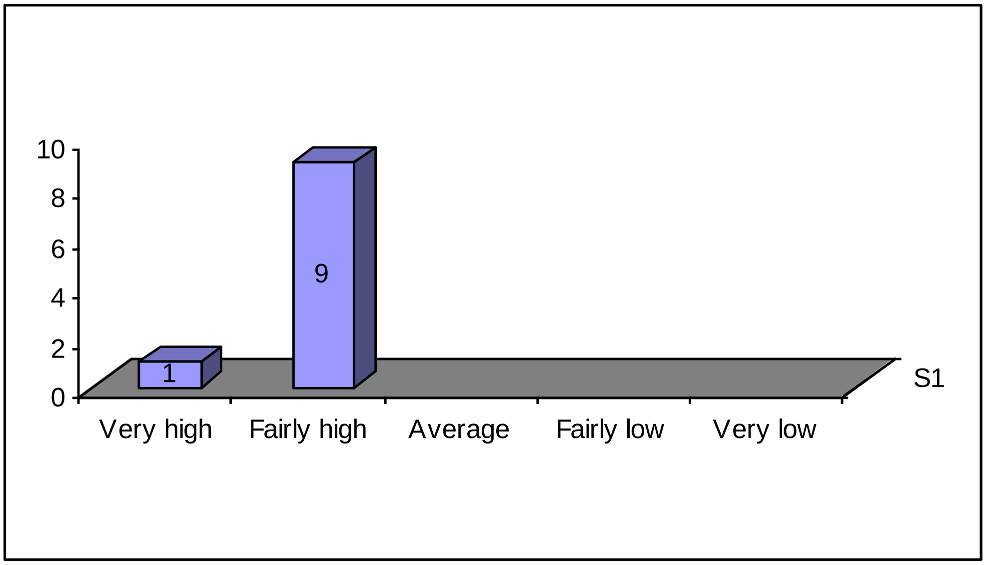
Table 4.6: Extent to which the Agency adopts strategies to remain competitive

Adoption of Competitive Strategies	Mean	SD
Offering a wide range of services	**4.1**	**1.2**
Reducing operating costs	**2.7**	**1.1**
Sharing commissions earned with clients	**3.2**	**1.4**
Offering free consultant services to your customers	**2.7**	**1.4**
Engaging highly skilled staff	**3.9**	**1.3**
Use of publicity	**4**	**1.2**
Outsourcing support staff	**3.2**	**1.1**
Intensive staff training	**3.1**	**1.3**
Automation of business processes	**3.8**	**1.4**
Avoiding loss making areas	**4.2**	**1.2**
Acquiring or merging with competitors	**3.2**	**1.2**
Use of Advertising	**4.5**	**1.3**

Source: Research Data

Figure 4.7 below indicates that 90% of the advertising agencies incorporate competitive strategies in their strategic plan to a fairly high extent. 10% of the agencies do such incorporation to a very high extent. This research findings illustrate that all the advertising agencies in Kenya incorporate competitive strategies within their respective strategic plans. This is in line with earlier findings in this chapter, that such strategies are formulated by the top management of the advertising agencies with whom the responsibility of developing and implementation of the organizations strategic plan lies.

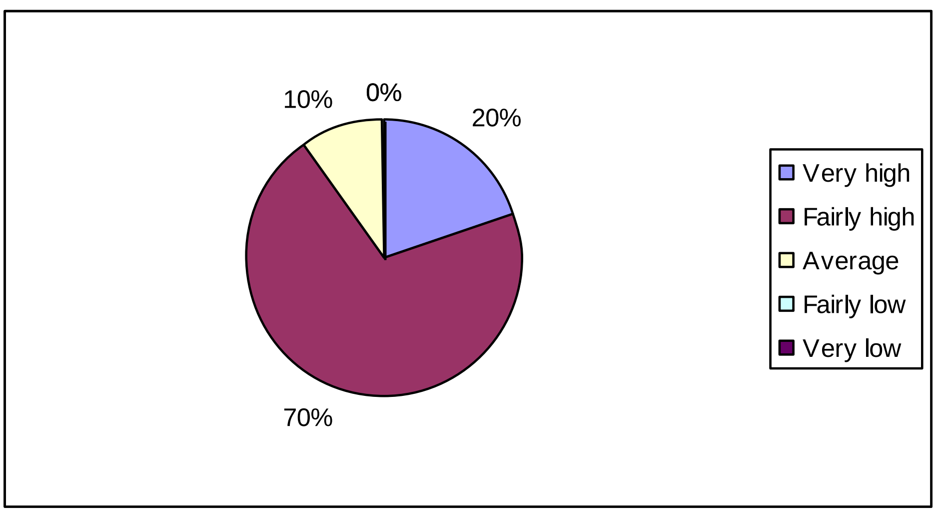
Figure 4.7: Extent to which the strategic plan incorporates competitive strategies



Source: Research Data

Figure 4.8 below indicates that 70% of the advertising agencies adopt competitive strategies to a fairly high extent as compared to other similar businesses. 20% adopt such strategies to a very high extent, while the remaining 10% adopt such strategies to an average extent. This research findings illustrate that all the advertising agencies in Kenya are not only aware of the competitive environment within their industry, but also develop competitive strategies to remain competitive.

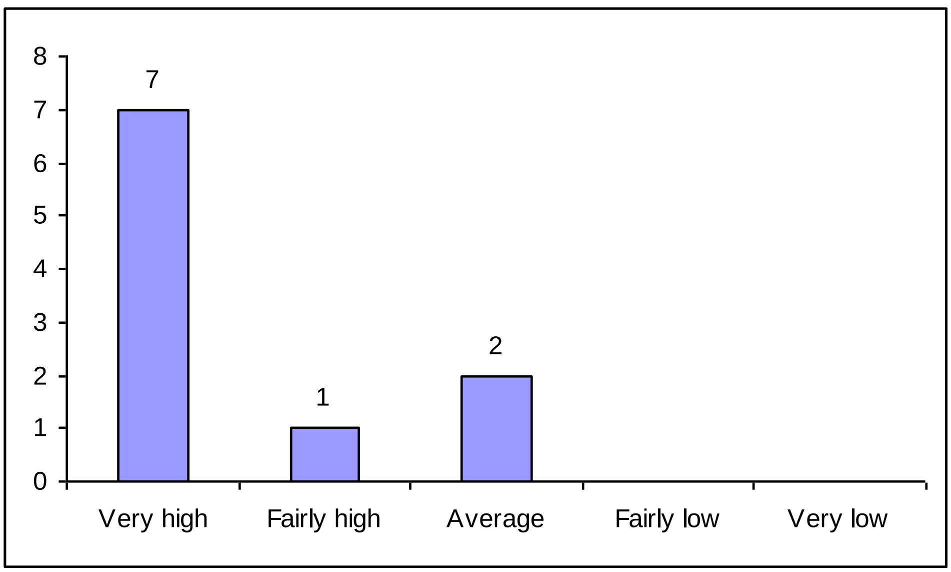
Figure 4.8: Extent to which the Agency adopts competitive strategies compared to others



Source: Research Data

Figure 4.9 below indicates that 70% of the advertising agencies consider competition from other agencies to affect their organization's performance to a very high extent. 20% consider such competitiveness to affect their performance to an average extent, while the remaining 10% consider such competitiveness to affect their performance strategies to a fairly high extent. This research findings illustrate that competition is a major factor affecting the performance of advertising agencies in Kenya. Consequently, the successful implementation of competitive strategies by a given advertising agency, can tremendously increase its organizational performance.

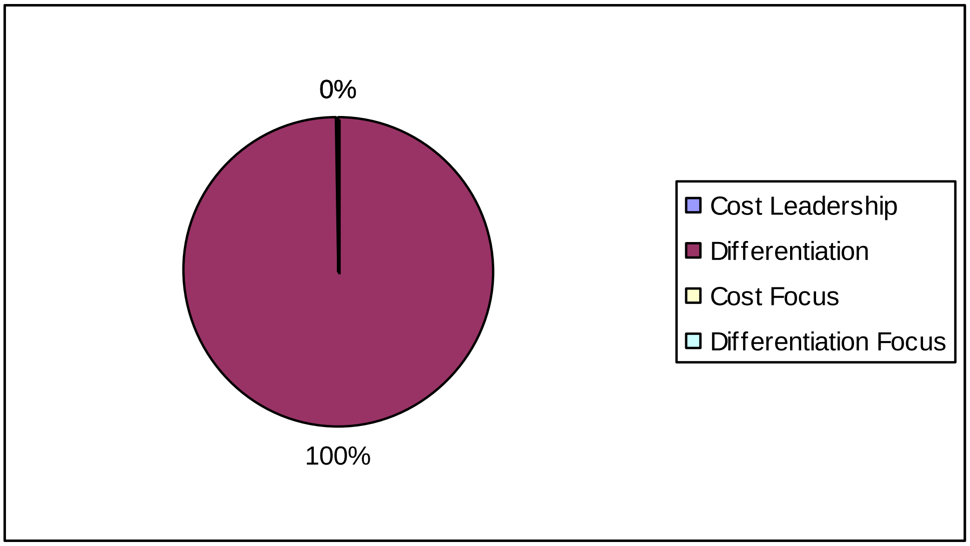
Figure 4.9: Extent to which the Agency considers competition from other agencies in influencing performance



Source: Research Data

Figure 4.10 below indicates that 100% of the advertising agencies adopt a differentiation strategy as the overall organizational competitive strategy. This research findings are in line with earlier findings in this chapter that most advertising agencies aim to be innovative and creative and therefore, according to the literature reviewed (in Chapter Two), a differentiation strategy would be the most appropriate. The findings also illustrate the extent two which a differentiation strategy is deemed to be effective in increasing an organization's performance in a highly competitive business environment, similar to that of advertising agencies in Kenya.

Figure 4.10: Overall competitive strategy adopted by the Agency



Source: Research Data

Table 4.11 below illustrates the mean of the respondents' rating as to the extent various variables affect competition within the industry. To illustrate this, the researcher coded the responses with "Greater Extent" given the value five (5.0), "Moderate Extent" given the value four (4.0), "Neutral" given the value three (3.0), "Low Extent" given the value two (2.0) and "No At All" given the value one (1.0).

According to the table, ability of the firm to differentiate its products and the innovativeness as well as the creativity of the firms services were found to be affecting the competition within the industry to a greater extent as its mean moves closer to five (5.0). Ability to improve service provision, profitability of rival firms, availability of core competitive areas, the ability to imitate a core competitive area, diversification by rival firms and the ability to improve service provision were found to be affecting the agencies competitiveness to a moderate extent as their means draw closer to four (4.0). The ability of supply chains as well as the ability to recruit and retain competent professionals were found to be neutral in affecting the competition within the industry, as their means draw closer to three (3.0). Buy out by competing firms was found to affect the competition within the industry to a low extent as its mean draws closer to two (2.0).

This illustrates that the competition within the industry was mostly as a result of the effectiveness with which advertising agencies in Kenya adopt and implement differentiation strategy as a competitive strategy.

The standard deviation (SD) indicates that all the respondents tended to agree with respect to their responses as SD was close to one (1.0). The research findings can therefore be extrapolated with confidence to represent the entire industry as their spread was not statistically significant to illustrate divergence of views within the industry.

Table 4.11: Extent to which the following variables affect competition within the industry

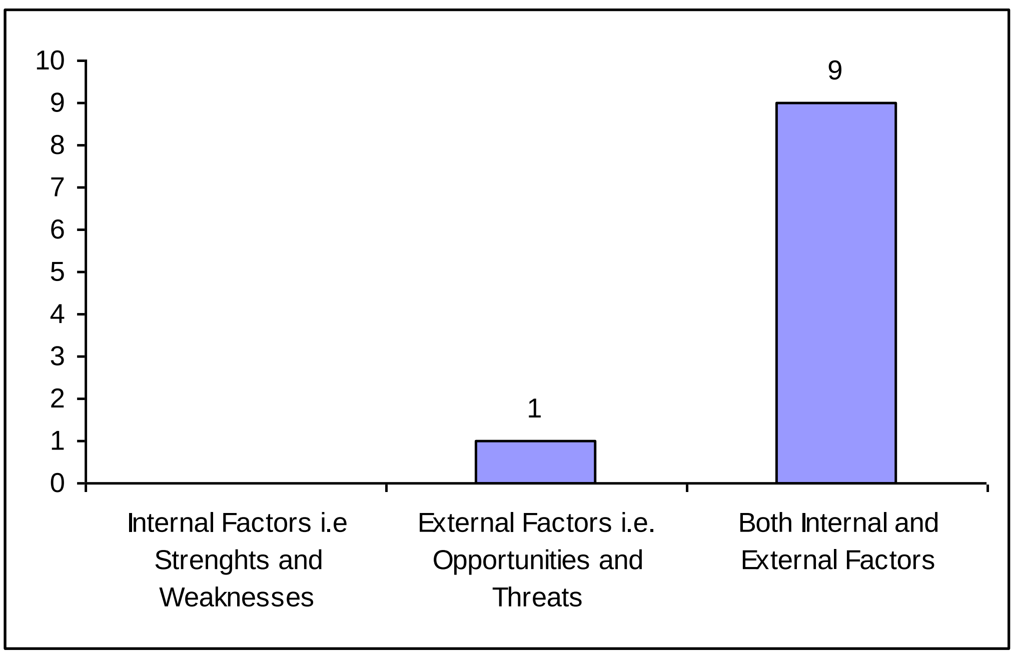
Variables affecting competition in the industry	**Mean**	**SD**
Profitability of Rival Firms	**3.9**	**1.4**
Availability of core competitive areas	**3.8**	**1.1**
The ability to imitate a core competency	**4**	**1.2**
Diversification of rival firms	**3.8**	**1.1**
Buy out by competing firms	**2.3**	**1.2**
Ability to improve service provision	**4.2**	**1.3**
The ability of supply chains	**3.2**	**1.4**
Recognition by customers of existing competencies	**3.7**	**1.2**
Ability of the firm to differentiate its products/services	**4.7**	**1.4**
Innovativeness and creativity of the firms services	**4.5**	**1.3**
Recruitment and retention of competent professionals	**3.2**	**1.1**

Source: Research Data

4.4 Competitive Strategies and the Environment Analysis

Figure 4.12 below illustrates the percentages of the respondents' response to the question "what factors does your organization consider to be important in identifying the competitive strategy adopted." . According to the table, 90% of the advertising agencies consider both internal and external factors, while only one agency, representing 10% of the population, considers only external factors as important in identifying the competitive strategy to be adopted. This is in line with earlier findings in this chapter that illustrated that competition within the industry is the most critical variable with respect to it impact on the agencies performance.

Figure 4.12: Factors considered important in identifying the competitive strategy adopted



Source: Research Data

Table 4.13 below illustrates the mean of the respondents' rating as to the extent various aspects regarding the influence of environmental factors in advertising agencies in Kenya. To illustrate this, the researcher coded the responses with "Strongly Agree" given the value five (5.0), "Agree" given the value four (4.0), "Neutral" given the value three (3.0), "Disagree" given the value two (2.0) and "Strongly Disagree" given the value one (1.0).

According to the table, the economic and technological environment were found to be the most influential as most respondents strongly agreed with their means moving closer to five (5.0). Social-Cultural environment as the most influential, changing strategy with the environment, having the strategy being guided by the environmental variables and the political environment being the most influential were agreed to as their means draw closer to four (4.0). The industry has a dynamic environment that is hard to deal with was found to be neutral as its mean draws closer to three (3.0). The competition does not make part of the environment was disagreed to its mean draws closer to two (2.0). This finding confirms that the competition within the industry is a major environmental concern with regard to the adoption and success of a competitive strategy. Moreover, the countries economy and technological advancements within the industry have emerged as significant environmental factors that impact on the competitiveness of advertising agencies in Kenya. The standard deviation (SD) indicates that all the respondents tended to agree with respect to their responses as SD was close to one (1.0). The research findings can therefore be extrapolated with confidence to represent the entire industry as their spread was not statistically significant to illustrate divergence of views within the industry.

Table 4.13: Environmental factors influencing the Agency

Influence of Environmental Factors	**Mean**	**SD**
We change strategy with the environment	**3.9**	**1.1**
Our strategy is guided by the environmental variables	**3.9**	**1.3**
The competition does not make part of the environment	**2.1**	**1.4**
The industry has a dynamic environment that is hard to deal with	**3.1**	**1.2**
Political environment is the most influential	**3.6**	**1.2**
Economic environment is the most influential	**4.6**	**1.4**
Technological environment is the most influential	**4.7**	**1.3**
Social-Cultural environment is the most influential	**4.4**	**1.1**

Source: Research Data

5.0 CHAPTER FIVE: CONCLUSION AND RECOMMENDATION

5.1 Introduction

This research paper has assessed the competitive strategies used by advertising agencies in Kenya. Based on the research findings outlined earlier in this paper (in Chapter four) and the literature reviewed in Chapter Two, this chapter outlines the conclusion as well as the researcher's recommendations with respect to the competitive strategies adopted by advertising agencies in Kenya.

5.2 Conclusion

According to Porter (1980), a differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive that product to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it.

According to the research findings (in Chapter Four), all the advertising agencies surveyed have adopted a differentiation strategy as their overall organizational competitive strategy. According to Porter (1980), the key step in devising a differentiation strategy is to determine what makes a company different from a competitor's. Factors including market sector quality of work, the size of the firm, the image, graphical reach, involvement in client organizations, product, delivery system, and the marketing approach have been suggested to differentiate a firm. To be effective, the message of differentiation must reach the clients, as the customer's perceptions of the company are important. Porter (1980) suggests bending the customer's will to match the company's mission through differentiation. When using differentiation, firms must be prepared to add a premium to the cost. This is not to suggest costs and prices are not considered; only it is not the main focus. However, since customers perceive the product or service as unique, they are loyal to the company and willing to pay the higher price for its products. Advertising agencies in

Kenya chose the differentiation strategy in line with their aim of being the innovative and creative by offering differentiated products. However, as recommended by the literature reviewed, most of the advertising agencies have not consistently communicated the message of differentiation to the clients.

On the other hand the differentiation strategy is effective in a highly competitive environment as is illustrated by the findings in Chapter Four to be the case of advertising agencies operating in Kenya. Consequently, the research findings have guided the researcher to the conclusion that advertising and publicity have been consistently considered to be effective in the implementation of the differentiation strategy by the advertising agencies in Kenya for the past ten years.

It can also be concluded that most advertising agencies in Kenya have developed a strategic plan that incorporates the differentiation strategy and have developed a mission and vision statement in line with such a strategy. In addition, the countries economy as well as the technological advancements within the industry have been found to be critical to the success of the competitive strategy adopted by advertising agencies in Kenya. Consequently, advertising agencies in Kenya have strived to maintain competent staff and to continually train them, as well as improving their internal business processes.

5.3 Recommendations

The research findings and conclusions illustrated in this paper led to the following recommendations by the researcher with respect to the adoption of competitive strategies by advertising agencies in Kenya.

First and foremost, since all the agencies are adopting a differentiation strategy to remain competitive in the highly competitive Kenyan advertising industry, the advertising agencies should consider adopting a combination strategy by mixing of the aforementioned generic strategies. For example, an agency may choose to have a focused differentiation strategy. This means the organization has a unique product offered to a targeted market segment. This way, the agency might be able to increase its competitiveness in the various market niches available as well as the organization's overall competitiveness and performance.

The researcher also recommends that further research into the adoption and implementation of competitive strategies by advertising agencies in Kenya should be undertaken with an aim of overcoming the limitations of this study.

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APPENDIX I: LETTER OF INTRODUCTION

School of Business
University of Nairobi
P O Box 30197,
Nairobi, Kenya

15th July 2008.

Dear

<u>RE: LETTER OF REQUEST TO DO RESEARCH AND INTRODUCTION TO RESPONDENTS</u>

I am a student in the School of Business of the University of Nairobi, Kenya. In partial requirement of the degree of Master of Business Administration (MBA), I am conducting a studying titled "Competitive Strategies used by advertising Agencies in Kenya''.
Your firm has been selected for this study as your agency is unique in several ways. I seek your approval to document this import strategic episode. The research will involve interviewing key personnel who have been involved in strategy formulation and implementation .

Any information you might provide to make this study more revealing will indeed be appreciated. Your cooperation in participating in this study will be highly appreciated.

Thank you in anticipation.

Yours faithfully,

Francis Thathi	Mr. Jacob Nyamila
MBA Student	Supervisor

APPENDIX II: QUESTIONNAIRE

PART A: GENERAL INFORMATION

1. Name of your Advertising agency

2. The position you occupy in your Agency.
    1. C.E.O or M,D
    2. Operations Director
    3. Marketing Director
    4. Research and Development Manager

3. What is the total number of years worked in your Agency?

Between 1-10 ( ), Between 11-20 ( ), Between 21-30 ( ), Between 31-50 ( ), over 50 ( ).

4. What is the main purpose of your agency?

To be a market share leader	( )
To be the most profitable in the industry	( )
To be the most innovative and creative	( )
To be productive through employees while satisfying customers	( )

5. Does your Agency have a Mission and Vision Statement?

Yes ( )

No ( )

6. If Yes in (5) above, please indicate the people involved in formulating your Agencies Mission and Vision statement.

Consultants	( )	Shareholders	( )
Directors	( )	Staff	( )

Others (please specify)…………………………………………………………………………..

PART B: COMPETITIVE STRATEGIES AND COMPETITION

7. The table below presents various aspects regarding to what extent do firms adopt strategies to remain competitive in the market. Kindly indicate your rating on the statement by applying the following key

5= Greater Extent, 4= Moderate Extent, 3=Neutral, 2=Low Extent, 1= Not Extent

Strategies	**Greater Extent**	**Moderate Extent**	**Neutral**	**Low Extent**	**Not Extent**
Offering a wide range of services					
Reducing operating costs					
Sharing commissions earned with clients					
Offering free consultant services to your customers					
Engaging highly skilled staff					
Use of publicity					
Outsourcing support staff					
Intensive staff training					
Automation of business processes					
Avoiding loss making areas					
Acquiring or merging with competitors					
Use of Advertising					

8. To what extent does the Strategic plan of the organization incorporate the use of competitive strategies as a way of gaining competitive advantage in the industry?

a. Very high ( )
b. Fairly high ( )
c. Average ( )
d. Fairly low ( )
e. Very low ( )

9. To what extent does your organization apply competitive strategies as compared to other similar businesses in your industry?

a. Very high ( )
b. Fairly high ( )
c. Average ( )
d. Fairly low ( )
e. Very low ( )

10. To what extent do you consider competition from other organizations as a major factor influencing the performance of your organization?

a. Very high ( )
b. Fairly high ( )
c. Average ( )
d. Fairly low ( )
e. Very low ( )

11. What overall competitive Strategy does your organization use to attract clients?

Cost leadership ( )

Differentiation ( )

Cost Focus ( )

Differentiation focus ( )

12. The table below presents various variables affecting competition in the industry.

Kindly indicate your rating on statements by applying the following key.

5= Greater Extent, 4= Moderate Extent, 3=Neutral, 2=Low Extent, 1= Not at all

Variables	**Greater Extent**	**Moderate Extent**	**Neutral**	**Low Extent**	**Not at all**
Profitability of rival firms					
Availability of core competent areas					
The ability to imitate a core competency					
Diversification of rival firms					
Buy out by competing firms					
Ability to improve service provision					
The ability of supply chains					
Recognition by customers of existing competencies					
Ability of the firm to differentiate its products/services					
Innovativeness and creativity of the firms services					
Recruitment and retention of competent professionals					

PART C: COMPETITIVE STRATEGIES AND THE ENVIRONMENT

13. What factors does your organization consider to be important in identifying the competitive strategy to be adopted?

Internal factors i.e. strengths and weaknesses ( )

External factors i.e. opportunities and threats ( )

Both Internal and External factors ( )

14. The table below presents various aspects regarding the influence of environment factors in Advertising Agencies in Kenya. Kindly indicate your level of agreement with the following statements by applying the following key

5= Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1= Strongly Disagree

Statements	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly Disagree**
We change strategy with the environment					
Our strategy is guided by the environmental variables					
The competition does not make part of the environment					
The industry has a dynamic environment that is hard to deal with					
Political environment is the most influential					
Economic environment is the most influential					
Technological environment if the most influential					
Social-Cultural environment is the most influential					

APPENDIX III: ADVERTISING AGENCIES IN KENYA

The following is a list of registered advertising agencies in Kenya, registered by Association of Practioners in advertising (APA) to be visited by the researcher. They controlled over 90% of Advertising budget in the industry in the year 2007 (Steadman, 2007)

AGENCIES

1. THE SCAN GROUP
2. RED SKY LTD
3. OGILVY &MATHER
4. ZK ADVERTISING LTD
5. AYTON YOUNG AND RUBICAM
6. ACCES LEO BURNETT LIMITED
7. MARKETING COMMUNICATIONS LTD
8. SARACEN MEDIA LIMITED
9. THE ADVERTISING CO.
10. EXPRESS ADVERTISING
11. NUTURN BATES LTD
12. SPREAD MARKETING AGENCY LTD
13. TOMORROW CREATIONS
14. MIKE JONES SOFTWARE