

APPLICATION OF PORTER'S COMPETITIVE STRATEGIES IN THE MATATU  
TRANSPORT INDUSTRY IN NAIROBI, KENYA

BY  
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## DECLARATION

This research project is my original work and has not been submitted for degree award in any other University.

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

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## **DEDICATION**

This research is dedicated to my family and friends for their love, support and inspiration to excel in my further studies.

## **ACKNOWLEDGEMENT**

I first wish to thank the Almighty God for granting me the opportunity to carry out this project.

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## **ABSTRACT**

In Nairobi Kenya, Matatu industry is one of the sectors that have experienced exponential growth in the recent past. Nairobi has the highest number of Matatu routes. Matatu operators face competition not only amongst themselves but also from other modes of transport available in the city, these include bus services such as Stagecoach and Citibus, taxis that are available throughout the city. With these intense levels of competition Matatu owners have come out with competitive strategies aimed to counter competition and thereby increase their chances of survival and also increase profitability. The study sought to find out and establish application of Porter's competitive strategies in the Matatu transport industry in Nairobi, Kenya. It also sought to highlight the various challenges these firms face in strategy implementation. In trying to achieve the research objective, the researcher adopted a survey study approach, through administration of questionnaires to Matatu owners. The study found out that Matatu owners have taken deliberate moves to adequately respond to challenges they face in the operating environment. The study recommends that although Matatu firms have been successful in neutralising the challenges brought about by competition, the owners should take a pro-active role in the management of their Matatus and also be keen in recruiting and retaining qualified crew, i.e. drivers and touts.

## TABLE OF CONTENTS

<b>DECLARATION</b> .....	ii
<b>DEDICATION</b> .....	iii
<b>ACKNOWLEDGEMENT</b> .....	iv
<b>ABSTRACT</b> .....	v
<b>LIST OF TABLES</b> .....	viii
<b>CHAPTER ONE: INTRODUCTION</b> .....	1
1.1. Background of the study .....	1
1.1.1 Porters Generic Strategies.....	1
1.1.2 Matatu Industry in Kenya .....	3
1.3 Objectives of the Study.....	6
1.4 Value of the Study .....	6
<b>CHAPTER TWO: LITERATURE REVIEW</b> .....	8
2.1 Introduction.....	8
2.2 Concept of Competition.....	8
2.2.1 The Five Forces Framework by Porter. ....	8
2.3 Challenges of Competition .....	11
2.4 Competitive Strategy .....	13
2.5 Porter’s Generic Strategies .....	15
2.5.1 Cost Leadership .....	16
2.5.2 Differentiation Strategy .....	17
2.5.3 Focus Strategy.....	18
2.6 Limitations of Porter’s Generic Strategies.....	19
<b>CHAPTER THREE: RESEARCH METHODOLOGY</b> .....	20
3.1 Introduction.....	20
3.2 Research Design.....	20
3.3 Target Population.....	20
3.4 Sample Design .....	21
3.5 Data Collection .....	21
3.6 Data Analysis .....	22
<b>CHAPTER FOUR: DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS</b> .....	23

4.1 Introduction.....	23
4.2 General Information.....	23
4.2.1 Gender of the Respondents .....	23
4.2.2 Age of the Respondents .....	24
4.2.3 Academic Qualifications.....	24
4.2.4 Matatus Owned .....	25
4.3 Forces of Competition.....	26
4.3.1 Bargaining Power of suppliers.....	26
4.3.2 Existence of Alternative Means of Transport .....	27
4.3.3 Commuters Bargaining Power .....	28
4.3.4 Threats of New Entrants in the Matatu Industry.....	29
4.3.5 Intensity of Rivalry amongst Existing Matatu Operators. ....	29
4.3.6 Comparison of Challenges of Five Forces of Competition .....	30
4.4 Porter’s Competitive Strategies .....	31
4.4.1 Differentiation Strategies .....	32
4.4.3 Cost Leadership Strategies.....	32
4.4.3 Comparison of Differentiation and Cost Leadership Strategies .....	33
4.5 Challenges in Implementation of Porter’s Competitive Strategies.....	34
4.5.1 Competence Challenges .....	34
4.5.2 Resource Challenges .....	35
4.5.3 Environmental Challenges .....	35
4.5.4 Comparison of Competence, Resource and Environmental Challenges ....	36
<b>CHAPTER FIVE: SUMMARY, CONCLUSIONS AND</b>	
<b>RECOMMENDATIONS.....</b>	<b>37</b>
5.1 Introduction.....	37
5.2 Summary of Findings.....	37
5.3 Conclusions.....	38
5.4 Limitation of the Study .....	39
5.5 Recommendations for Further Research.....	40
5.6 Recommendation for Policy and Practice.....	40
<b>REFERENCES.....</b>	<b>42</b>
<b>APPENDICES .....</b>	<b>45</b>
APPENDIX 1: Interview Guide.....	45

## LIST OF TABLES

Table 4:1: Gender of the respondents .....	23
Table 4:2: Age of the respondents .....	24
Table 4:3: Respondents academic qualifications .....	25
Table 4:4: Matatus owned.....	25
Table 4:5: Bargaining power of suppliers.....	26
Table 4:6: Existence of alternative means of transport.....	27
Table 4:7: Commuters bargaining power .....	28
Table 4:8: Treats of new entrants.....	29
Table 4:9: Rivalry among existing firms .....	30
Table 4:10: Comparison of challenges of competition .....	31
Table 4:11: Differentiation strategies .....	32
Table 4:12: Cost leadership strategies .....	33
Table 4:13: comparison of differentiation and costs leadership strategies .....	33
Table 4:14: Competence challenges .....	34
Table 4:15: Resource challenges .....	35
Table 4:16: Environmental challenges.....	36
Table 4:17: Comparison of competence, resource and environmental challenges .....	36



# **CHATER ONE: INTRODUCTION**

## **1.1 Background of the study**

A differentiation strategy involves creating a product or service that customers perceive as being unique throughout the industry. The emphasis can be on superior service, technology brand image, proprietary, special features, a strong distributor network or other aspects that might be specific to a given industry. Cost leadership strategy is the strategy that is intended to generate competitive advantage by achieving costs that are lower than all competitors. In the light of the above, this study will evaluate the degree to which these generic strategies are applied in the matatu industry in Nairobi. It will establish those matatus that employ cost leadership strategy and compare their performance with those that use differentiation strategy. This will give findings as to which of the two generic strategies dominate and which one is more effective than the other.

## **1.2 Porters Generic Strategies**

Strategy is a unifying theme that gives coherence and direction to the actions and decisions of an organization. It guides an organization to superior performance by helping it establish competitive advantage. Competitive advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market (Grant, 2000).

A differentiation strategy involves creating a product or service that customers perceive as being unique throughout the industry. The emphasis can be on superior service, technology brand image, proprietary, special features, a strong distributor network or other aspects that might be specific to a given industry. It is appropriate

where the market is competitive or saturated, target customer segment is not price-sensitive and customers have very specific needs which are possibly under-served. It is also appropriate if the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy.

Cost leadership strategy is the strategy that is intended to generate competitive advantage by achieving costs that are lower than all competitors. The rationale behind this strategy is that having lower costs than competitors creates more value because of the greater difference between the firm's costs and the price the firm is able to charge

According to Blair & Boal (2005), firms overall cost leadership are required to develop policies aimed at becoming and remaining the lowest-cost producer and/or distributor in the industry. For instance, they should have strategies aimed at controlling costs, such as construction of efficient-scale facilities, avoidance of marginal customer accounts, tight control of costs and overhead, minimization of operating expenses, reduction of input costs, tight control of labor costs, and lower distribution costs. Such strategy defends the firm against powerful buyers because buyers can drive price down only to the level of the next most efficient producer. Second, it provides flexibility to absorb an increase in input costs, yet competitors may lack such flexibility.

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. Because of their narrow

market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers.

### **1.3 Matatu Industry in Kenya**

The evolution of the matatu, from a quick and easy response to unmet travel demand, to the dominant mode of transport in Kenya, began in the late 1950s. After Kenya's independence in 1963, Africans migrated to Nairobi seeking employment opportunities. Informal settlements began to expand around the city and in areas where there was limited public transport service. Recognizing the opportunity for financial gains while providing a much-needed service, mini-bus pirate taxis, which were largely owned by middle-income people, began offering a transport service from rural areas and from informal settlements around the city. Due to high demand, the number of matatus, increased. The matatu industry has played a central role in mobility, politics and economics, solidifying its role and importance in Kenya's cultural fabric. As Nairobi became dependent upon matatus to transport people to and from various destinations located in the metropolitan area, there were more than 20,000 in the Nairobi Metropolitan Area today (Mutongi 2011).

The matatu industry could be described as organized chaos. The lack of a political champion is believed to be a major obstacle in developing a progressive plan for matatus, thus leading to a disorganized industry. Thousands of people are operating matatus independently and competing against each other. Although the community has been vocal by writing articles in daily newspapers and posting responses on blogs regarding the need for a champion, the government continues to ignore public demand. An added possible obstacle to change is also that allegedly many politicians are currently absentee owners and profit from matatus.

Poor driving seems to impact all the stakeholders in the matatu industry. Matatu drivers tend to drive recklessly, as their income and job security is dependent upon daily passenger loads yielding the daily profit mark set by the matatu owners. To accomplish this, they break traffic laws, weave in and out of traffic, cut off other vehicles, use sidewalks to bypass traffic jams, putting pedestrians at risk and speed when possible.

Relating to security issues, as the congestion worsens, people spend more time on the road but at a standstill, creating opportunities for crimes to be committed. This is because, matatu industry is considered an “open” sector and as such, there are many unemployed youth who loiter, creating havens for anti-social activities such as drug use, petty theft, prostitution and violence (Khayesi 1999). Other key issue in the matatus industry is that the police harass them and pull them over even though they have not done anything illegal. Further, Purchasing a matatu and recovering initial costs is a concern for owners. This can be initially difficult but general expectation is that a sizable profit can be realized in a relatively short time period.

#### **1.4 Research Problem**

Competitive strategy is part of business strategy that deals with management plan for competing successfully by building sustainable competitive advantage that will outmanoeuvre rivals and defend against competitive pressures. Porter (1996) defines competitive strategy as deliberately choosing a different set of activities to deliver a unique mix of value; these are the basis of competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The

two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus. According to Kiringa (2006), a company competitive strategy consists of business approaches and initiatives it undertakes to attract customers and fulfil their expectations to withstand competitive pressures and to strengthen market position.

In Nairobi, Kenya Matatu industry is one of the sectors that have experienced exponential growth in the recent past. Nairobi has the highest number of matatu routes. Matatu operators face competition from other source of transport modes available in the city, these include bus services such as Stagecoach and Citibus, taxis that are available throughout the city, private car hires such as the Apolo tours and finally railway transport passing through a few estates within the city. Above all the number of operating matatus has increased tremendously. Several matatu have come up with various strategies to ensure that they can withstand the competition. These include the type of music they play, colour of the matatu, art graffiti, comfort of the seats, catchy names, charging low fares and installation of DVD players.

Major research themes on the matatu sector in Kenya have been on: origin, growth and legal status (Aduwo 1990; Kapila et al. 1982; Muchira et al. 1994); efficiency and quality of service (Aduwo 1990); employment (Kapila et al. 1982); role in secularism (Shorter and Onyanha 1997); contribution to road traffic injuries (Muyia 2001; Khayesi 1999); There have been also studies carried out on competitive strategies which have focussed on other sectors such as petroleum industry (Murage, 2001), micro-enterprises (Okanda, 2004), Mulaa (2004), competitive strategies adopted by

small scale enterprises in exhibition halls in Nairobi. These studies have looked at industries such as manufacturing, energy but none has looked at competitive strategies employed by matatu operators. Since there is intense competition in the industry there is need to look at the competitive strategies being adopted in matatu industry. This study will therefore seek to answer the following questions: What are the challenges of competition faced by firms in the matatu industry in Kenya? How are porter's competitive strategies applied by firms in the matatu industry in Kenya to cope with the competition? What are the challenges of application of porter's competitive strategies for firms in the Matatu industry in Kenya?

## **1.5 Objectives of the Study**

The objectives of the study will be;

- i. To determine challenges of competition faced by firms in the matatu industry in Kenya.
- ii. To determine Porter's competitive strategies applied by firms in the matatu industry in Kenya to cope with the competition.
- iii. To establish challenges of application of Porter's competitive strategies for firms in the Matatu industry in Kenya

## **1.6 Value of the Study**

Matatu owners: the study will provide owners of the matatus with information on general state of competition in the industry and strategies being adopted to overcome competition in the industry.

To the government the study will be used to highlight role played by Matatu industry in national development and help it in formulation of policies that will create a conducive environment for Matatu transport business. Further aspiring entrepreneurs: the study will give them important insights on potential opportunities available in the market and strategies required for survival.

To researchers and academicians this study will add to the existing pool of knowledge on competitive strategies adopted by different industries. It will also help them in understanding the nature of matatu industry in Kenya and build on it for further research.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

In this chapter the study reviews the literature that has been published regarding the Porter's Competitive strategies.

### **2.2 Concept of Competition**

The nature of response to competition forms the nature of a firms' strategy. Strategy is the direction and scope of the firm over a long term. It is the systematic choices about how to deploy resources to achieve goals (Grant, 2000). These strategic responses must be forward looking as it concerns itself as to the organization shall be in the future. In the fight for market share, competition is not manifested only in the other players, rather, competition in an industry is rooted in its underlying economics and competitive forces exists that go well beyond the established combatants in a particular industry. Customers, suppliers, potential entrants and substitute products are all competitors that may be more or less active depending on industry (Porter, 1979).

#### **2.2.1 The Five Forces Framework by Porter.**

Porter (1980) argues that most business must respond to five basic competitive forces that drive industry competition. These five basic forces are threat of new entrants, bargaining power of buyers, threat of substitutes, bargaining power of suppliers and rivalry among existing firms. The collective strength of these forces determines the ultimate profit potential in the industry where profit is measured in terms of long term return or invested capital.



New entrants to an industry usually bring new capacity and desire to gain market share. This in turn can bid down prices or inflate the incumbents' costs which in turn can generally reduce profitability in the industry. The threat of entry will depend on the extent to which there are barriers to entry (Johnson and Scholes, 2002). If entry barriers are low and newcomers expect little retaliation from the existing competitors, then threat of entry is low. Threats of entry are factors that need to be overcome by new entrants if they are to compete successfully in a given industry. Porter identified major sources of barriers to entry which are; economies of scale, product differentiation, capital requirements, channels of distribution and switching costs.

Powerful customers (buyers) can force down prices, demand better quality or more services and play competitors against each other, all at the expense of industry profits. Buyers are powerful if they have negotiating leverage relative to industry participants especially if they are price sensitive. According to Porter in this framework, buyers exercise more power when they are large volume buyers, when the product is a significant aspect of their costs or purchases, when the products in the industry are standard or undifferentiated, when potential for backward integration of buyer group exists and when the buyer has full information about supplier costs, demand and market prices.

Suppliers can exert bargaining power on participants in an industry by reducing quality of purchased good and services, charging higher prices or by shifting costs to industry participants. Powerful suppliers can squeeze profitability out of an industry that is unable to pass on cost increase in its prices (Pearce and Robinson, 2002). A supplier group exerts more power in an industry if it is dominated by a few

companies, there are no substitute products for sale in the industry, if the industry is not an important customer for the suppliers, if their product is an essential input to the buyer's business, if the supplier group's products are differentiated and if forward integration of supplier group exists.

A substitute product is one that can perform the same function as the product the industry already produces. Substitute products normally come as a result of industry competition, and to a great extent have an influence on profitability within the industry. An industry can distance itself from substitutes through product performance, marketing and advertising. According to Porter (1998), substitutes that deserve most attention are those that are subject to trends that improve their price performance compared to the industry's product and those that are produced by industries that earn high profits.

Competition rivals are organizations with similar products or services aimed at the customer group (Johnson and Scholes, 2002). Rivalry among existing competitors may be in form of price competition, advertising battles, introducing new and unique products, attractive customer services and warranties. Porter (1998) views that the intensity of rivalry is the result of factors like equally balanced companies, slow growth within an industry, high fixed costs, lack of product differentiation, diverse competitors, high stakes investment and high risk of industry exit. The degree to which rivalry drives down an industry profit potential depends on intensity with which companies compete and on the basis which they compete.

Competition is at the core of success or failure of firm's performance. Porter (1980) argues that most business must respond to five basic competitive forces that drive industry competition. Porter's five force model is powerful tool for systematically diagnosing the chief competitive pressure in the market and assessing how strong and important each one is. A proper analysis of the five forces will help a firm to choose one of Porter's generic strategies that will effectively enable the firm to compete profitably in an industry.

### **2.3 Challenges of Competition**

Business all over the world are faced with challenges posed by the changing and turbulent environment, the rate, direction and magnitude of this competition must therefore be the concern of every top executive entrusted with running any organisation. The business world is never static (Brown and Eisenhardt, 1998). Achieving competitive advantage has to be recognised as the single important goal of a firm, Porter (1980). However the competitive advantage of an organisation may be eroded because the competitive forces any change or competitors manage to overcome adverse forces. Organisations may then be unable to respond to this erosion of their competitive advantage.

Without proper competitive strategies firms will have few economic reasons for existing and will finally with away. Although identification of sources of competitive advantage has become a priority, application of right strategies is still a concern to many organisations. The success of every organisation is determined by its responsiveness to the environment. Porter (1985) argues that to be able to retain competitive advantage, organisations need to examine both external and internal environment and respond accordingly.

Price competition has become increasingly intense in recent years. If firms engage in lowering prices to attract clients, a price war may unfold rapidly. However this may lead to increase in price sensitivity of products or services offered and a strained relation with suppliers. Because of fast competitive reactions, the price war pioneer remains relatively expensive, and is thus motivated to continue with the price drop.

Competition in free market economy provides three kinds of benefits. The first of these benefits concerns maintaining price competition and eliminating entry restrictions. Competition prohibits price fixing, market divisions and tying schemes. By eliminating price fixing and market division agreements, competition agencies can reduce costs for consumers leaving them with more money to spend on other goods. The second benefit concerns the improvement of standards of living through innovation. Innovation is the key result of a well functioning competitive market. As a result it promotes better services to consumers by providing them with more and often better choices. Finally, the third benefit centres on social mobility and social cohesion.

For a firm to sustain competition in the market it requires adequate capital expansion and if the firm is to maintain its position it ought to have sufficient financial strength to withstand aggression by competitors for choice market. The ability and values of the company executive will also determine the company performance in times of stiff competition. These executives play an important role in putting strategies into actions. Some executives turn potential sales into actual sales and can also control costs of the firm.

Competition has intensified dramatically over last decade in virtually all parts of the world. Kenyan business environment is no exception organisation have to constantly adapt their activities and internal configurations to reflect the new external realities and failure to do so may put the future success of an organisation in jeopardy, (Aosa, 1998). Gone are the days of protected markets and dominant market positions. In matatu sector some of the competitive challenges include: lack of adequate capital, lack of qualified personnel to implement strategies, lack of government support, lack of access to credit facilities from financial institutions, lack of proper training for the drivers and touts and emerges of vigilant groups like Mungiki that control Matatu operations in some routes.

## **2.4 Competitive Strategy**

Ansoff and Mcdonell (1990) define competitive strategy as the distinctive approach, which a firm uses or intends to use to succeed in the market. Competitive strategies provide a framework for the firm to respond to various changes within the firm operating environment. According to Porter (1998) competitive strategies aim at establishing a profitable and sustainable position against forces that determine industry competition. Firms develop competitive strategies that enable them develop strategic initiatives and maintain competitive edge in the market (Grant, 1998).

There are two types of competitive business strategy cost leadership and product differentiation (Porter, 1980). Firms pursuing cost leadership attempt to gain advantage by lowering their costs below those of competing firms. While those

pursuing differentiation attempt to gain advantage by increasing the perceived value of the products or service to customers.

The goal of competitive strategy is to find a position in the industry where company best defends itself against competitive forces or uses them in favour. Companies pursue competitive strategies to gain competitive advantage that allows them to outperform and achieve above average profits. Developing a competitive strategy is essentially developing a broad formula of how a biz is to compete, what it's goals should be and what policies are needed to carry out these goals. Competitive strategy grows out of an understanding or rules that guide competition. If a firm is to prosper within an industry it must establish a competitive advantage over its rivals. It focuses on improving the competitive position of a company's products within the specific market segment that the company serves (Wheelen and Hunger, 1996).

Competitive strategy is a key area of strategy and must grow out of sophisticated understanding of the rules of competition that determine industry attractiveness. Johnson & Scholes (1997) state that competitive strategy is the basis on which a business unit achieve competitive advantage by providing their customers with what they want or need, better or more effectively than their competitors. Porter (1998) explains that every firm competing in an industry has competitive strategy whether explicit or implicit. The goal of competitive strategy is to find a position in the industry where the company best defend itself against competitive forces or use them in favour. According to Porter (1985), the key to a successful competitive strategy is to establish a position which is less vulnerable to attack from competitors and erosion from buyers, suppliers and substitute goods.

The core of company's competitive strategy consists of internal initiatives to deliver superior value to customers, but it also includes offensive and defensive moves to counter the manoeuvring rivals, actions to shift resources around to improve the firms long term competitive capabilities, market position and tactical efforts to respond to whatever market conditions prevailing at the moment (Thompson and Strickland, 2003)

Industry analysis is oriented towards an assessment of industry attractiveness and as such, competitive strategies must grow out of sophisticated understanding of the rules of competition that determines industry attractiveness. Competitive strategies therefore aim to establish a profitable and sustainable position against the forces which determine competition (Lowe, 1994).

## **2.5 Porter's Generic Strategies**

Porter (1998) calls his strategies generic because they are not firm or industry depended. They can be applied to a firm in any industry. These strategies are three named cost leadership, differentiation and focus strategy. A firm relative position within the industry will determine whether its profitability is above or below the industry average. The fundamental basis of above average profit in the long run is sustainable competitive advantage. According to Porter (1985) there are two basic types of competitive advantage firm can possess. Low cost and differentiation, the two basic types of competitive advantage combined with scope of activities for which a firm seeks to achieve lead to the three generic strategies for achieving above average performance in an industry.

The table below shows the two basic strategies for achieving competitive advantage.

**Table 2.5 Porter’s generic strategies**

<b>Target Scope</b>	<b>Advantage</b>	
	<b>Low Cost</b>	<b>Product Uniqueness</b>
<b>Broad (Industry wide)</b>	Cost Leadership Strategy	Differentiation Strategy
<b>Narrow (Market Segment)</b>	Focus Strategy (Low cost)	Focus Strategy (Differentiation)

Source: Adapted from Porter, M.E (1980). Competitive Advantage: Creating and Sustaining Superior Performance. The Free Press

### **2.5.1 Cost Leadership**

A cost leadership strategy is one which a firm strives to have the lowest cost in the industry and offer its products and services to a broad market at the lowest prices. According to Thompson and Strickland (2003), a cost leadership strategy entails a firm sets out to become the low cost producer in its industry for a given level of quality. Porter (1980) states that the characteristics of cost leadership strategy include low level of differentiation, aim for average customer, use of knowledge gained from past experience and addition of new products only after the market demands them. The sources of cost leadership are varied and depend on structure of the industry. A firm acquires this advantage by improving efficiencies, accessing lower cost material and avoiding some costs. If competing firms are unable to lower their cost by similar amount, the firm will be able to sustain competitive advantage based on cost leadership. If a firm can achieve and sustain overall cost leadership then it will be an



above average performer in its industry, provided it can command prices at or near industry average.

Cost leadership has advantages in the firm that succeed in this strategy usually have adequate capital, skills, experience and efficient channels of distribution. However it has risks, for example other firms may lower their costs as well. Their competitors may leapfrog their production capabilities due improvement in technology as such eliminate the competitive advantage.

### **2.5.2 Differentiation Strategy**

Ndubai (2003), states that a differentiation strategy is one in which a firm offers products or services with unique feature that customers value. A firm selects one or more attribute that buyers in an industry perceive as important and uniquely positions itself to meet those needs. Grant (1998) argues that differentiation is not about pursuing uniqueness for the sake of being different, but it's about understanding the products or services and the customers. According to Coutler (2005), the key characteristics of differentiation strategy is perceived quality whether real or not. This may be through superior product design, brand image, technological features, customer service and dealers network.

Kitoto (2005) observes that for a company to be successful in using differentiation it has to study buyers' needs and behaviour carefully to learn what they consider important with value and what they are willing to pay for it. Thompson and Strickland (2003) argue that differentiation strategy tends to work best in market circumstances whenever there are many ways to differentiate a product or service and buyers perceive the difference as having value.

Firms can differentiate their products or services by altering or modifying products features, linking different functions within the firm, introducing the product at the right time, exploring location advantage, mixing products, linking with other firms and reputation (Porter, 1980). The risks associated with differentiation strategy include imitation by competitors and changes in customer tastes.

### **2.5.3 Focus Strategy**

Focus strategy involves targeting a particular market segment. It rests on the choice of a narrow competitive scope within an industry and serving that segment more efficiently and effectively than competitors. The focus strategy has two variants: cost focus where a firm seeks a cost advantage in its target segment and differentiation focus where a firm seeks differentiation in its target segment. Both variants of focus strategy rest on differences between a focuser's target segment and other segment in the industry (Porter, 1985).

Porter (1998) states that the advantage of focus strategy includes having power over buyers since the firm may be the only source of supply as such buyers do not have a strong bargaining power. Customer loyalty also protects a firm from threat of new entrant and threats of substitute product. Some of the risks associated with focus strategy include being at the mercy of powerful suppliers since the firm is only able to buy in small quantities, small volumes mean higher production cost, the firm may not enjoy lower cost advantage arising from economies of scales. Changes in customer taste may also lead to change in target segment.

## **2.6 Limitations of Porter's Generic Strategies**

The three generic strategies are not compatible with one another. A firm attempts to achieve an advantage on all fronts. It may achieve no advantage at all. Therefore according to Porter (1980) to be successful over long term, a firm must select only one of the three generic strategies, otherwise with more than one strategy a firm risk being stuck in the middle and may not achieve competitive advantage. However, there is a disagreement between scholars on this aspect of analysis. Kay (1993) and Miller (1992) cited empirical examples of successful companies like Toyota and Benetton which have adopted more than one generic strategy. Both companies used the generic strategies of differentiation and low cost simultaneously, which led to success of the companies. It is important for analyst to bear in mind that Porter's generic strategies should be considered as part of broader strategic analysis. The generic strategies only provide a good starting point for exploring the concepts of cost leadership and differentiation.

From the literature above, it is clear that the competitive environment is continuously changing. Such changes have led to increase in competition forcing firms to respond by adapting strategies to ensure they achieve sustainable competitive advantage. Sustaining competitive advantage leads to long term success of the firm. This study therefore seeks to establish competing challenges faced by Matatus transport and strategies adopted in response to such challenges.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter presents the research design and methodology that will be used to carry out the research. It presents the research design, the population, sample size and sampling procedure, data collection and analysis.

### **3.2 Research Design**

This study adopted the survey research design. A survey research design is where data is collected from many members of the population and hence this study will be a sample survey. This study sought to compare the study units of different profiles regarding the objectives of the study and hence a survey was considered the most appropriate. Busha and Harter (1980) argue that when a population is too big, the researcher can directly question only a sample of the population.

There are two basic types of survey: cross sectional survey and longitudinal survey. Cross-sectional surveys are used to gather information on a population at a single point in time while longitudinal survey gathers data over a period of time. Cross-sectional survey allows the collection of a large amount of data from a sizeable population at a single point in time. Therefore, cross-sectional survey was used for this study.

### **3.3 Target Population**

The populations of this study consisted of all matatu operating in Nairobi. Currently it is estimated that there are 15,000 in Nairobi operating in 83 routes as per Nairobi online Directory as at 31<sup>st</sup> December 2010.

### **3.4 Sample Design**

The sampling for this study was based on list of membership of matatu owners available from the Matatu Owners Association. A sample was drawn using simple random sampling procedure. A sample of 60 was used for this study. Cooper and Schindle (1998) concur that a sample of size 30 and above is considered representative of a population for the purpose of data analysis and generalization. The sample random sampling will be used based on sampling frame obtained from the matatus owners association.

### **3.5 Data Collection**

In this study, emphasis was given to primary data. The data was collected using structured questionnaire which contained close ended and Likert scale type of questions. (See appendix I). The questionnaire has four sections. Section A will capture demographic information about respondents. Section B captures information on challenges of competition faced in the matatu industry while Section C captures information on Porter's competitive strategies applied by firms in the matatu industry in Kenya to cope with the competition. The last section (Section D) captures information on challenges of application of porter's competitive strategies for firms in the matatu industry in Kenya.

A pilot testing was done first. This was done in order to ensure reliability of data collection tool. The pre-test was done on a sample of five respondents from population but not on a sample the ones that finally filled the questionnaire. After the pre-test, the questionnaires were appropriately amended. The amended questionnaire were then administered to the respondents using a drop and pick method.

### **3.6 Data Analysis**

Data was analyzed by content analysis, inferential and descriptive statistics. The following descriptive statistics methods were used for data analysis; frequencies, percentages, mean scores and standard deviation.

Means was used to determine which out of five Porter's forces of competition poses the greatest challenge of competition faced in the matatus. All the five forces were ranked according to their mean scores, to show which has least challenges and which has most challenges of competition. Mean was also used to establish between differentiation and cost leadership which of the two is most utilized to face competition in the matatu industry. This was done by comparing mean scores of the two sets of strategies. Finally, means also used to establish the greatest challenges to strategy implementation. All the three set of such challenges namely competence, resource and environmental challenges were ranked in terms of their means.

The findings were presented in frequency tables. Data analysis was purely quantitative.

## **CHAPTER FOUR: DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS**

### **4.1 Introduction**

This chapter presents the analysis of the data through the semi structured questionnaire. This chapter is structured as follows. First, the analysis of the general information on the respondents, second challenges of competition faced by matatus, thirdly an analysis of application of Porter's competitive strategies and finally an analysis of challenges of application of porter's competitive strategies by firms in the matatu industry in Nairobi, Kenya. Of the 60 questionnaires distributed for this research, 40 questionnaires were returned giving a response rate of 66.67%, which was considered good for subsequent analysis.

### **4.2 General Information**

#### **4.2.1 Gender of the Respondents**

The respondents were asked to fill in details of their gender. The results are as shown in the table below.

**Table 4:1 Gender of the respondents**

<b>Gender</b>	<b>Frequency</b>	<b>% Percentages</b>
<b>Male</b>	28	70%
<b>Female</b>	12	30%
<b>Total</b>	<b>40</b>	<b>100%</b>

From the study majority of the respondents were male, 70% while only 30% of the respondents were female.

#### 4.2.2 Age of the Respondents

The respondents were also expected to reveal their ages and the results are as shown in table below.

**Table 4:2 Age of the respondents**

<b>Years</b>	<b>Frequency</b>	<b>% Percentages</b>
<b>25-34</b>	21	53%
<b>35-44</b>	8	20%
<b>45-54</b>	5	13%
<b>55-64</b>	6	15%
<b>65 and above</b>	0	0%
<b>Total</b>	<b>40</b>	<b>100%</b>

On the age of the respondents, the study revealed that the majority of respondents were aged 25-34 years as showed by 53%, followed by 20 % of respondents who were aged 35-44 years. The study also showed that none of the respondent was 65 years and above.

#### 4.2.3 Academic Qualifications

The study also sought to find out the respondents highest academic qualifications. The respondents were asked to fill in the highest academic qualifications that they posses.

The results are as shown in table 4.3



**Table 4:3 Respondents academic qualifications**

<b>Qualifications</b>	<b>Frequency</b>	<b>% Percentages</b>
<b>Diploma</b>	8	20%
<b>Degree</b>	21	53%
<b>Masters</b>	5	13%
<b>Others</b>	6	15%
<b>Total</b>	<b>40</b>	<b>100%</b>

According to the study, the majority of respondents were graduates as shown by 53%, 13% of the respondents had a masters degree, while only 20% of the respondents had diplomas.

#### **4.2.4 Matatus Owned**

Most of the respondents owned one matatu. The respondents were asked to write the number of matatus owned. The responses were as presented in the table below.

**Table 4:4 Matatus owned**

<b>No. of matatus</b>	<b>Frequency</b>	<b>% Percentages</b>
<b>One</b>	24	60%
<b>Two</b>	7	18%
<b>Three</b>	5	13%
<b>Four</b>	3	8%
<b>Five</b>	1	3%
<b>Total</b>	<b>40</b>	<b>100%</b>

### 4.3 Forces of Competition

The first objective of this study sought to determine the challenges of competition faced by firms in the matatu industry in Kenya. The respondents brought out some of the main sources of competition that they have been facing in the matatu industry. These forces of competition affect the profitability of the industry as a whole. The data was scored using a 5 point scale to rate the impact of the challenges of competition. With 1= not at all, 2= little extent, 3=moderate extent, 4= great extent, 5=very great extent.

#### 4.3.1 Bargaining Power of suppliers

The respondents were asked to rank contributing factors that make bargaining power of suppliers a challenge. The table below shows findings of this challenge in matatu firms.

**Table 4:5 Bargaining power of suppliers**

<b>Contributing factor</b>	<b>Mean</b>	<b>Std. deviation</b>
The market being dominated by a few large suppliers	2.67	1.03
Lack of substitutes for some spares parts	2.95	1.02
Investors purchase vehicles individually and not as a group	2.72	1.34
There high cost of switching from one supplier to another	2.38	1.14
Possibility of supplier entering the commuting industry	2.49	1.33
<b>Grand mean</b>	<b>2.64</b>	

Lack of substitutes for some spares is the largest contributor of bargaining power of mechanics and suppliers of matatus and their spare parts because it has the largest average score of 2.95 while the least is possibility of supplier entering the transport

industry mean score of 2.49. Nevertheless, in general, this bargaining power is not a major challenge in the matatu industry because the overall average is 2.64.

### 4.3.2 Existence of Alternative Means of Transport

The respondents were asked to rank contributing factors to existence of alternative transport as a challenge. The results are shown in table below.

**Table 4:6 Existence of alternative means of transport**

<b>Contributing factor</b>	<b>Mean</b>	<b>Std. deviation</b>
Lack Brand loyalty of customers	3.10	1.28
Close customer relationships	2.98	1.33
Low cost of Switching to other means of transport	2.55	1.24
Low fare of other means of transport	2.55	1.24
Current trends by customers of using particular matatus	3.05	1.07
<b>Grand mean</b>	<b>2.85</b>	

The greatest contributor of the challenge Existence of alternative means of transport is Lack Brand loyalty of customers with a mean score of 3.10. While the least contributing factors are Low cost of switching to other means of transport as well as Low fare of other means of transport (2.55 each). In overall, challenge Existence of alternative means of transport is not a significant challenge as it has a grand mean of 2.85.

### 4.3.3 Commuters Bargaining Power

The respondents were asked to rank contributing factors to commuters bargaining power as a challenge. The table below shows the findings of how buyer bargaining power affects matatu firms.

**Table 4:7 Commuters bargaining power**

<b>Contributing Factor</b>	<b>Mean</b>	<b>Std. deviation</b>
Commuters bargain as a group at matatu terminus	2.77	1.51
Large number of matatu operators	4.35	0.70
High daily fixed costs	4.15	0.89
Possible substitutes like taxis, car high or personal cars	2.60	1.08
Customers can easily switch to alternative transports	2.60	0.90
Customers being price sensitive	3.45	1.24
Customers know the cost of operating a matatu	1.98	1.10
<b>Grand mean</b>	<b>3.13</b>	<b>1.06</b>

The strongest contributor of commuter's bargaining power is large number of matatu operators with a mean of 4.35, the least is customer's knowledge of cost of operating a matatu with a mean of 1.98. Commuter's bargaining power is very significant in the matatu industry because on average, its effect in terms of challenge has been rated at 3.13.

#### 4.3.4 Threats of New Entrants in the Matatu Industry

The respondents were asked to rank contributing factors to threats of new entrants in the matatu industry as a competition challenge. The findings are shown in the table below.

**Table 4:8 Treats of new entrants**

<b>Contributing factors</b>	<b>Mean</b>	<b>Std. deviation</b>
Matatus business requiring Low initial investments	2.92	1.22
High profits earned by existing matatu operators	2.73	0.75
Lack of Brand loyalty of by the customers	3.00	1.18
Lack of legal restrictions and copy rights	3.23	1.44
Cheap labour	2.33	1.21
Lack of good customer relations by current matatu operators	3.45	1.32
<b>Grand mean</b>	<b>2.94</b>	

At a mean score of 3.45 lack of good customer relations by current matatu operators is the greatest contributing factor to the challenge of threats of new entrants in the matatu industry, while cheap labour is the least at a mean score of 2.33. Nevertheless, this challenge is not very significant in the industry because its average rate is 2.94 points.

#### 4.3.5 Intensity of Rivalry amongst Existing Matatu Operators.

The respondents were asked to rank contributing factors to rivalry amongst existing matatu operators as a competition challenge. The table below shows findings on this challenge.

**Table 4:9 Rivalry among existing firms**

<b>Contributing factors</b>	<b>Mean</b>	<b>Std. deviation</b>
Large number of matatu operators	4.15	1.10
Most matatu operators having similar strategies	4.03	1.12
Inability for an one to differentiate his services from others'	3.95	0.97
High barriers for exiting the matatu industry	2.88	1.64
<b>Grand mean</b>	<b>3.75</b>	

At a grand mean of 3.75, the Intensity of Rivalry amongst existing matatu operators is very significant challenge in the said industry. The greatest contributor to this challenge is the large number of matatu operators with a mean of 4.03. The least contributing factor to this challenge is high barriers for exiting the industry with a mean of 2.88.

#### **4.3.6 Comparison of Challenges of Five Forces of Competition**

The researcher compared the five forces of competition in matatu industry to determine which has the most effect on the business. The results are shown in the table below.

**Table 4:10 Comparison of challenges of competition**

<b>Forces of Competition</b>	<b>Mean</b>	<b>Std. deviation</b>
Bargaining power of mechanics and suppliers	2.64	1.17
Commuters bargaining power	3.13	1.06
Existence of alternative means of transport	2.85	1.23
Threats of new entrants in the matatu industry	2.94	1.19
Intensity of Rivalry amongst existing matatu operators	3.75	1.21
<b>Grand mean</b>	<b>3.06</b>	

Intensity of Rivalry amongst existing matatu operators is the strongest challenge in the matatu industry as this has a mean of 3.75 while bargaining power of mechanics and suppliers of matatus and their spare parts is the least challenge with a mean of 2.64.

#### **4.4 Porter's Competitive Strategies**

The second objective of this study sought to establish Porter's competitive strategies adopted by firms in the matatu industry in Nairobi Kenya. The researcher used five point scale to rate the extent to which porter's competitive strategies are applied in matatu industry. With 1=not at all, 2=little extent, 3=moderate extent, 4=great extent, 5=very great extent.

#### 4.4.1 Differentiation Strategies

The respondents were asked to rank the extent to which they employ differentiation strategy. The findings are presented in the table below.

**Table 4:11 Differentiation strategies**

<b>Strategies</b>	<b>Mean</b>	<b>Std. Deviation</b>
Introducing new services to commuters	2.33	1.19
Differentiating services from competitors	2.93	1.12
Offering broader range of services than competitors	2.53	1.24
Utilizing market research to identify new services	2.51	1.48
Investment in quality services	3.33	1.36
<b>Mean</b>	<b>2.72</b>	

Investment in quality services in the differentiation strategy that is most utilized in the matatu industry with a mean of 3.33. The least utilized differentiation strategy is that of Introducing new services to commuters at a mean of 2.33. At large, the average rate for all the differentiation strategies is 2.72.

#### 4.4.2 Cost Leadership Strategies

The Findings on application of cost leadership strategies by matatu firms is shown in table 4.12.



**Table 4:12 Cost leadership strategies**

<b>Strategies</b>	<b>Mean</b>	<b>Std. deviation</b>
Achieving lower cost of services than competitors	2.90	1.14
Making services more cost efficient	2.88	1.16
Improving the cost required to manage employees	2.88	1.22
Improving the utilization of available services/facilities	3.20	1.22
Analyzing costs associated with various services	2.98	1.39
<b>Grand mean</b>	<b>2.96</b>	

Improving the utilization of available services/facilities is the cost leadership that is most utilized in the matatu industry as it has a mean of 3.2 while making services more cost efficient and improving utilization of available services have the least mean of 2.88.

#### **4.4.3 Comparison of Differentiation and Cost Leadership Strategies**

The researcher did a comparison between the two strategies to find out which is the widely applicable in matatu industry. The findings are shown in the table below.

**Table 4:13 comparison of differentiation and costs leadership strategies**

<b>Strategies for competition</b>	<b>Mean</b>	<b>Std. Deviation</b>
Differentiation Strategies	2.72	1.28
Cost Leadership Strategies	2.96	1.23

Cost leadership strategies have a grand mean of 2.96 which is higher than 2.72 for differentiation. Therefore, this implies that most operators in the matatu industry pay more attention to cost leadership than differentiation strategies.

## 4.5 Challenges in Implementation of Porter's Competitive Strategies

The third and final objective of this study was to establish challenges of application of porter's competitive strategies for firms in the matatu industry in Kenya. These challenges were divided into three, namely: competence challenges, resource challenges and environmental challenges. The data was scored using a 5 point scale to rate the impact of the challenges of competition. With 1= not at all, 2= little extent, 3=moderate extent, 4= great extent, 5=very great extent.

### 4.5.1 Competence Challenges

The researcher found it necessary to find out which of the competence challenges hinder the application of porter's strategies. The findings are show in the table below:

**Table 4:14 Competence challenges**

<b>CHALLENGE</b>	<b>Mean</b>	<b>Std. Deviation</b>
Inability to train employees	3.08	1.25
Inability to get Skills	3.03	1.27
Lack of good Leadership	3.45	1.26
Lack of right Technology	3.10	1.34
Poor Branding	3.40	1.45
Lack of Research	4.00	1.26
<b>Grand mean</b>	<b>3.34</b>	

Inability to train employees, Inability to get Skills, Lack of good Leadership, Lack of right Technology, Poor Branding as well as Lack of Research are all very significant competence challenges that adversely affect the implementation of strategies of competition because each has a mean score of above 3. The greatest of all is lack of

Lack of Research, which has a mean of 4. Consequently, competence challenges to strategy implementation are very significant in the matatu industry with a grand mean of 3.34.

#### 4.5.2 Resource Challenges

The researcher found it necessary to find out which of the resource challenges hinders implementation of strategies in matatu firms. The findings are shown below.

**Table 4:15 Resource challenges**

<b>Contributing factors</b>	<b>Mean</b>	<b>Std. Deviation</b>
Employees	2.98	1.49
Finance	4.25	0.98
<b>Grand mean</b>	<b>3.61</b>	<b>1.24</b>

At a grand mean of .3.61, Lack of resources is also a significant challenge to strategy implementation, with finance challenge being the greatest contributing factor with a mean of 4.25.

#### 4.5.3 Environmental Challenges

The respondents indicated that they also face environmental challenges while trying to implement strategies. The findings are shown in the below table.

**Table 4:16 Environmental challenges**

<b>Contributing factors</b>	<b>Mean</b>	<b>Std. Deviation</b>
Culture	2.43	1.32
Government	4.13	1.11
Society	2.63	1.25
Competition	3.80	1.18
<b>Grand mean</b>	<b>3.24</b>	<b>1.22</b>

At a grand mean of 3.24, environmental challenges to strategy implementation are also significant, with those attributed to the government being the greatest contributors at a mean of 4.13. The least factor is culture with a mean of 2.43.

#### **4.5.4 Comparison of Competence, Resource and Environmental Challenges**

The researcher also sought to find out among the three challenges which had the most impact in hindering adoption of competitive strategies. Findings are shown in the table below.

**Table 4:17 Comparison of competence, resource and environmental challenges**

<b>CHALLENGE</b>	<b>Mean</b>	<b>Std. deviation</b>
Competence Challenges	3.34	1.30
Resource Challenges	3.61	1.24
Environmental Challenges	3.24	1.22

Competence, Resource and Environmental Challenges all very significant barriers to strategy implementation as each has a mean of more than 3. However, the greatest challenges to strategy implementation is resource challenges with a mean of 3.61, the least is environmental challenge at 3.24.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter gives a summary of the findings, discussions and conclusions drawn from the study. This chapter incorporates suggestions and comments give by respondents in the questionnaire.

### **5.2 Summary of Findings**

This study had three objectives which were; to determine challenges of competition faced by firms in matatu industry in Kenya, to determine Porter's competitive strategies applied by firms in matatu industry to cope with competition and finally the third objective was to establish the challenges of application of Porter's competitive strategies for firms in the matatu industry in Kenya. A survey of matatu firms was carried out.

The study indicated that there are various sources of competition facing matatu operators in Nairobi, Kenya. The main sources of this competition are threat on new entrants, great rivalry among matatu operators and passengers bargaining power. The grand mean for challenges of competition was 3.06 which therefore conclude that they face the challenges to a moderate extent.

Intensity of rivalry was the the highest among all the challenges of competition for matatu firms. Intense rivalry exists between matatu firms in Nairobi because of the limited size of the market. The challenge of high competition therefore implies that

matatu firms need to craft strategies that allow them to hold against rivals. As a result the owners have to apply aggressive strategies to capture customer attention. Some of strategies employed include choosing specific routes, painting the matatus, installing DVDs and playing certain genre of music.

The study also indicated that most matatus owners were aware of strategies and the cost leadership strategy was most applicable of the Porter's generic strategies. This is because it is difficult to differentiate the services offered by one matatu from another. There is also a lot of imitation among matatu operators and it is therefore hard to start a new service or product without others coping.

Matatu operators encountered a number of challenges in adopting competitive strategies. This includes; imitation by other matatus, increase in number of competitors, huge initial capital requirements, unpredictable government policy and inability to differentiate services. However from the study the main challenge in the application of porter's competitive strategies was the resource challenge with a mean of 3.61. It was clear that employees and availability of funds were major obstacles to the application of competitive strategies in the matatu firms industry.

### **5.3 Conclusions**

The study has shown that matatu owners do employ competitive strategies to cope with the high competition that is faced by firms in the matatu industry. However it has also shown that most of these firms do not use research so as to understand what is happening in the external environment so as to plan for changes and be able to cope with these external changes positively.

The study established an understanding of differentiation strategy among the matatus owing to nature of their responses. Porter (2009) points out that differentiation provides insulation against competitive rivalry because of brand loyalty by customers. It also creates entry barriers and increases the margins avoiding the need for low cost position. This is commonly done by playing different kind of music, names and operating different routes. However the surveyed matatus indicated that their profitability is pegged on their ability to attract and carry more passengers and not on their ability to offer a unique service and charge a premium for it.

Although these competitive strategies are employed the study shows that it's to a little extent with a mean of 2.7. It is therefore important to educate matatu owners on the importance of developing strategies in order to be successful and sustainable in a turbulent environment. It is also evident from the study that limited resources hindered effective implementation the Porter's competitive strategies in the matatu industry. The major resource constraint is lack of funds to invest in new vehicles and invest in quality services. The inability to train and retain qualified staff was also a constraint to strategy implementation.

#### **5.4 Limitation of the Study**

The respondents were matatu owners. However some of them were not very conversant with the operations of their matatus. Others referred the interviewer to their drivers and touts as they has no clue how their matatus are operated on the roads, which routes they are operated on and what challenges they encounter on a daily basis. Even for the forty respondents, they had to be persuaded three or four times in order to respond. Although the forty respondents were enough for analysis, it would

have been more comprehensive study if all the sixty chosen respondents would have responded.

Time was a limiting factor. The researcher is in full time employment and therefore did not have adequate time for data collection. Equally, most matatu owners were busy in their business and most struggled to get time to fill in the questionnaire. It also took long collecting questionnaire because some of the respondents kept them and never bothered to answer.

## **5.5 Recommendations for Further Research**

The study sought to find out the application of porter's competitive strategies by matatu firms in Nairobi Kenya. It was very interesting that only 30% of the respondents were female, I would suggest a further research on factors that make matatu industry to be dominated by male owners.

The study mainly focused on matatus operated in Nairobi, further research would be necessary to identify strategies and challenges faced by matatu operators in other major towns in Kenya like Mombasa, Kisumu and Nakuru. It is possible that each town has different challenges so this study would not suffice to make a conclusion on application of Porter's competitive strategies in the matatu transport industry in the whole of Kenya.

## **5.6 Recommendation for Policy and Practice**

Matatu industry is a very competitive transport industry. In order for one to be successful and sustainable there is need to develop a strong competitive advantage.



This competitive advantage can be achieved by using either cost leadership or differentiation strategy.

The environment in which the matatus operate is dynamic and changes from time to time. This study therefore recommends that matatu operators should come up with strategies to adapt to changing environment that will ensure their survival and success. Matatu owners should on a continuous basis conduct environmental analysis so as to detect any change that would affect them on time and come up with strategies that would shield them.

The study also recommends that matatu owners should recruit staffs that have necessary skills and competencies in transport services. matatu owners are essentially ghost owners. Most of them have no idea where their assets are. They never know who is driving or touting their vehicles. They do not know where their vehicles are, what time they will come home, if at all they will come. As such I recommend that matatu owners should demand for application letters, CVs, school certificates, pay their crew through bank and put them on a medical scheme. This would result in accountability, reduce the number of accidents and also reduce the cost incurred in the repairs of matatus.

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## APPENDICES

### 6.1 APPENDIX 1: Interview Guide

#### SECTION A: GENERAL INFORMATION

Please tick the category you fall in

1. Gender:

Male  Female

2. Age group:

25 – 34 years  35 – 44 years  45 – 54 years

55 – 64 years  65 years and above

3. What is your highest qualification achieved?

Diploma  Degree

Masters  Others (please specify) \_\_\_\_\_

4. How many matatus do you own? [            ]

5. In how many routes do your matatus operate [     ]

6. How many years have you been Matatu industry?

1 – 5 years  6 – 10 years  11 – 15 years

16 – 20 years  21 years and above

7. Compared to the amount of your investments, how in terms of the portion of your wealth have invested in the following sectors (Tick where applicable)

Investment Sectors	Level of investment compared to Matatu			
	Not Invested	Less than as in Matatu	Same as in Matatu	More than in matatu
Agriculture				
Real estates such as land and buildings				
Financial products such as shares and insurance policies				
Other Commercial businesses				

## SECTION B: CHALLENGES OF COMPETITION

To what extent do you encounter challenges from each of the following? Rate on a 5-

Piont scale where:

**1= Not at all 2= Little extent 3= Moderate extent 4= Great extent 5= Very**

**Great extent**

(Tick Accordingly)

CHALLENGE	1	2	3	4	5
<b>Bargaining power of mechanics and suppliers of matatus and their spare parts</b>					
The market being dominated by a few large suppliers					
Lack of substitutes for the particular some spares					
Investors purchase vehicles individually and not as a group					
There high cost of switching from one supplier to another					
Possibility of supplier entering the commuting industry					
<b>Commuters bargaining power</b>					
Commuters bargain as a group at matatu terminus					
Large number of matatu operators					
High daily fixed costs					
Possible substitutes like taxis, car high or personal cars					
Customers can easily switch to alternative transports					
Customers being price sensitive					
Customers know the cost of operating a matatu					
<b>Existence of alternative means of transport</b>					
Lack Brand loyalty of customers					
Close customer relationships					
Low cost of Switching to other means of transport					
Low fare of other means of transport					
Current trends by customers of using particular matatus					
<b>Threats of new entrants in the matatu industry</b>					
Matatus business requiring Low initial investments					
High profits earned by existing matatu operators					
Lack of Brand loyalty of by the customers					
Lack of legal restrictions and copy rights					
Cheap labour					
Lack of good customer relations by current matatu operators					
<b>Intensity of Rivalry amongst existing Matatu operators</b>					
Large number of matatu operators					
Most matatu operators having similar strategies					
Inability for an one to differentiate his services from others'					
High barriers for exiting the matatu industry					

**SECTION C: STRATEGIES FOR COMPETITION**

To what extent do you apply the following strategies for competition? Rate on a 5-Piont scale where: (Tick Accordingly)

**1= Not at all 2= Little extent 3= Moderate extent 4= Great extent 5= Very**

**Great extent**

<b>STRATEGIES FOR COMPETITION</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Introducing new services to commuters					
Differentiating services from competitors					
Offering broader range of services than competitors					
Utilizing market research to identify new services					
Investment in quality services					
Achieving lower cost of services than competitors					
Making services more cost efficient					
Improving the cost required to manage employees					
Improving the utilization of available services/facilities					
Analyzing costs associated with various services					

**SECTION D: CHALLENGES TO STRATEGY IMPLEMENTATION**

While implementing strategies for competitive advantage, to what extent do you encounter challenges from each of the following? Rate on a 5-Piont scale where:

**1= Not at all 2= Little extent 3= Moderate extent 4= Great extent 5= Very Great extent** (Tick Accordingly)

<b>CHALLENGE</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Competence Challenges</b>					
Inability to train employees					
Inability to get Skills					
Lack of good Leadership					
Lack of right Technology					
Poor Branding					
Lack of Research					
<b>Resource Challenges</b>					
Employees					
Finance					
<b>Environmental Challenges</b>					
Culture					
Government					
Society					
Competition					