RESPONSE STRATEGIES OF SUPERMARKETS IN NAIROBI CENTRAL BUSINESS DISTRICT TO COMPETITION

BY

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DECLARATION

This Management Research Project is my original work and has not been submitted for another Degree qualification of this or any other University or Institution of learning.

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This Management Research Project has been submitted for examination with my approval as the University Supervisor.

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ACKNOWLEDGEMENT

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To my Parents, Siblings, Lecturers, and fellow Classmates,

THANK YOU

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ABSTRACT

Industry growth in Kenya has made the environment conducive to competition. Changes that accompany this growth have made the environment even more hostile to the firms and industries within. This hostility represents rivalry among firms and in such a situation firms will always compete in order to achieve their objectives efficiently and effectively. The goal of every individual firm is to have an advantage over their rivals in every aspect and dimension of the competition. To achieve this they have to adopt strategies to effectively and efficiently respond to competition within their industry.

Effective response is inevitable among firms as a resolute to counter the effects of change and competition in their environment. This study therefore sought to establish the various Response Strategies that Supermarkets within the Nairobi Central Business District (NCBD) adopt to address the issue and effects of competition in their industry.

A census study was conducted in this research. The population of study comprised of 26 supermarkets licensed as large retailers operating within the Nairobi Central Business District. A semi structured questionnaire was used to collect primary data for this study. The questionnaire was administered through personal interview to the respondent who was the manager in charge of the supermarket. 18 supermarkets responded. This represents 69.2% response rate.

The data collected was analysed using descriptive statistics and represented in the form of percentages of the total respondents observed, and also bar graphs were used to represent a multiple response results observed in various sections in this study.

The study revealed that supermarkets within the NCBD are aware of the existence of competition in their industry, it has affected them in various ways and they adopt strategies in response to those effects. These strategies they adopt are common and they have managed to survive and differentiate themselves by the way they implement those
strategies. However, some of them face difficulties in developing, adapting or implementation of those strategies due to various reasons, mainly internal but nevertheless, they still manage to overcome this shortfall to ensure that they remain competitive in their industry. All the supermarkets observed are active players in their industry, or consider themselves to be, and despite their awareness to this issue and effects of competition, they are not giving up or plan to, but they are all optimistic and confident to continually respond and wade through those issue and effects of competition, to achieve their goals and objectives.

In view of their common strategic approach in response to the effects of competition, the study recommends the development of ‘unique strategies’ among the supermarkets in order to boost their effectiveness and efficiency in this course and gain a comparative advantage in their industry. Their strategies should also be shaped to reflect and accommodate changes associated with the dynamics, diversities and demands of modern lifestyle. The study had some limitations, one of them being the lack of response from some of the supermarkets targeted for this study and also the much clarification that the study had to seek from the respondents in order to establish a meaningful response on the issues examined in this study. In light of these limitations, the study has made suggestions for a case study on the supermarkets in order to effectively establish through quantitative means, the effects of competition and the effectiveness of the adopted strategies.
CHAPTER 1: INTRODUCTION

1.1 BACKGROUND

In this era of business where goods and services flow without barriers, competition among firms is a common phenomenon (Odette, 2001). This phenomenon as observed by Porter (1991) is not merely about incentives and pressure to keep prices in line with minimal feasible costs and maintaining firm’s operations at low cost, but much more important, its about exploring new potentially better ways of doing things.

Liberalization of the economy, ease of entry into markets, improved infrastructure and supportive policies, information technology and the media, change in consumer’s lifestyle and improved income, growth in industrial and manufacturing sectors and urban migration are some of the factors that have made the environment conducive to firm’s growth. There is no restriction to these, but a constriction on the firms as their industry becomes increasingly saturated and uncomplimentary to their moves and objectives. Change in variables within the environment causes an equal effect as above. Competition is rife in such a situation and context, its all about attempts by one firm to outperform the other, getting the best or probably more and securing an indefinite lease in that industry. Whatever the means, this act is becoming a common scenario across many sectors in Kenya today. Firms invest significantly on those means.

Competition is neither a matter of coincidence nor bad lack as observed by Porter (1980). Infact, competition is healthy to the development of an industry. In modern economy, competition gauges the extent of market liberalization, innovation and progress. The retail sector, (which includes the supermarket) has portrayed a tremendous growth which serves as an important indicator to the country’s growing economy (Neven and Readorn, 2005). The variables within their environment have also exhibit change patterns and behaviors. The consequence of all these, has been an increased competition and rivalry among firms within this sector. As we observe these patterns and behaviors, we are conscious to note firm’s endurance to those effects in their industry.
1.1.1 RESPONSE STRATEGIES

Within an industry, firms continually agitate for effectiveness and efficiency in achieving their end objective. These objectives (in a homogenous industry) are similar in nature, and since they are all in pursuit of the same goal, the economics logic informs us on the ‘scarcity’ nature of resources (Nevin, 1966). It is this phenomenon that induces rivalry and competition among firms and as a result, firms strive to create and maintain a match between their strategy, environment and internal capabilities in order to survive and succeed upon their rivals (Grant, 2000; Ansoff and McDonnell, 1990).

Firms must formulate strategies which provide them with direction cues that will permit them to achieve their objectives while responding to opportunities, threats (forces) and changes in their environment (Schendel and Hofer, 1979; Porter, 1980; Ansoff and McDonnell, 1990). According to Strage (1992), the key aspect of the firm’s environment is the industry or industries in which it competes. Industry structure has a long influence in determining the competitive rules of the game as well as the strategies potentially available to the firm. Firms thus develop strategies in response to their industry competitiveness. Strategic response is all about the actions that a firm takes or considers in addressing its position in an industry, relative to other occupants in that industry with a view of maximizing it’s potential to achieve their desired objectives.

Fubara (1986) observed that an environment which constantly upset a plan, demands for a continued response in terms of planning and constant monitoring of that environment. Johnson and Scholes (1999), Pearce and Robinson (1997), view the relationship between firms and their environment to be complex both at the micro and macro level. These complexities makes it difficult for firms to plan and forecast on their environment (Ansoff and McDonnell, 1990). Firms existing in such a context have to develop strategies in light of these alluring complexities, in order to ensure their continued existence and success. They need to respond to those forces (external or internal) affecting their industry (Kotler and Burnes, 1998).
The goals of a response strategy for any business unit in an industry is to find a position where it can best defend its interests against all the competitive forces or influence them in its favor (Strage, 1992; Porter, 1980; Mwai, 2001). Their survival depends on their response capability (ies) in building or enhancing their competitive advantage. According to Koch (1995), a good strategy is the commercial logic of a business that defines why a firm can have a competitive advantage and survive in a competitive industry.

1.1.2 SUPERMARKETS IN KENYA

A supermarket by definition is a departmentalized self-service store offering a wide variety of food and household merchandise. It is larger in size and has a wide selection than a grocery store, kiosk or shops. A supermarket occupies a large floor space either on a single level or an entire building with multiple levels. They are mostly situated near residential areas or in places of high population like towns and city center, in order to ensure convenience to consumers. Its basic appeal is the availability of broad selection of goods all under a single roof at relatively low prices. Other advantages include ease of parking and the convenience of shopping hours that extend far into the evening.

Most supermarkets in Kenya are similar in design and layout due to trends in marketing. Some of the supermarkets are either part of a chain that owns or control (sometimes by franchise) other supermarkets located in the same or other towns for example, Uchumi, Nakumatt, Ukwala and Tusker (now Tusky) supermarket which are well established in more than three towns including Nairobi. Majority of the supermarkets are often supplied from the distribution centers of small business. They also have a direct link with manufacturers, producers and farmers. Most supermarkets in Kenya typically sell a wide variety of products. We can classify them as either food or non food products.

A supermarket operates in a very competitive environment. The nature and intensity of this competition is dependant on the number of supermarkets existing in a given area, size of the individual supermarket referring to the available goods that can be found in that supermarket, population in that given area and their demographic attributes, suppliers
channels and level of promotional activities available or that can be effectively implemented in an area given the available media channels and many other variables.

There has been a rapid growth and development of supermarkets in Kenya especially during the last two decades. Uchumi supermarket was the first supermarket to be developed in Kenya around 1975. As a pioneer supermarket, it was situated in the capital city, Nairobi, and it enjoyed a satisfactory business during that time which enabled it to expand and open up more outlets within Nairobi and in other towns. Over the period a lot of supermarkets came up such as Ukwala, Tusker Mattresses (now Tusky), Jack and Jill, Nakumatt, Woolmart, Tesco and many other supermarkets now spread throughout the country with majority concentrated in Nairobi. Most of the big supermarkets in Kenya today like Ukwala and Nakumatt developed progressively from small shops and stores to supermarkets.

According to a research conducted by Neven and Readorn (2005), it was found that between 1990 and 2003, supermarkets in Kenya grew by a rate 18% per year. They also found that supermarkets spread from the capital to intermediate and small towns, with 44% of supermarket sales and 58% of supermarket stores located outside Nairobi in 2003.

According to Neven and Readorn (2005), this rapid growth of supermarkets in Kenya is a new phenomenon which took off since the mid-1990s. They observed this growth to be driven by three main factors. First, they observed the urbanization growth in Kenya to be very rapid. The urban population grew by 36% between 1975 and 2000. The urban population is observed to grow at a rate of 4.7% and is expected to surpass the rural population by 2013. These factor as they observed contribute to increased consumer's dependency on supermarket services. Some attributes associated with urban lifestyle go hand in hand to elicit this effect, popularizing the supermarkets over other related sectors. Secondly, they observed that trade and domestic liberalization which started in 1993, also including liberalization and stabilizing policies, import licensing removal and price liberalization had several effects to supermarkets growth and development, there since
and thirdly, Kenya’s supermarket sector growth, as they observed has been almost completely indigenous and endogenous. However as they observed, inter-chain competition in domestic investment has been very vigorous, playing the role of foreign versus domestic chains investment competition seen elsewhere.

The supermarket industry in Kenya has certainly assisted many manufacturing firms, small businesses and producers of various commodities including farmers to dispose and sell their products effectively and efficiently to the benefit of all parties involved. Neven and Readorn (2005) observed that the growth of supermarkets has stimulated the rise of a new class of farmers. Their growing market share implies that they are becoming increasingly important as transformers of the marketing industry. However, this increased growth of supermarkets particularly in Nairobi’s Central Business District has turned into a form of industry concentration. Definitely, they all feel the pressure but they have not cowered to this.

1.2 RESEARCH PROBLEM

As an industry progress in terms of growth (number of firms in an industry), one phenomenon becomes clear, that competition among firms increase by growth and changes in their environment (Fubara, 1986; Porter, 1991; Strage, 1992; Kotler and Burnes, 1998; Neven and Readorn, 2005). Competition becomes inevitable and even more intense where common resources have to be shared among many firms in an industry (Nevin, 1966). In such a situation, various measures are considered by firms as means to achieve, develop or enhance their competitive advantage amidst the existing competition and rivalry (Porter, 1980).

The supermarket industry in Kenya has changed very much due to changes in their environment and it also has experienced a continued growth over the last decade (Neven and Readorn, 2005). The growing population, change in consumers lifestyle and improved income earnings among urban residents, markets liberalization, increased local production and manufacturing of various goods and products, improved infrastructure
and transport systems are some of the factors that affects the general outlook and performance of this industry. The retail sector in general, has attracted new entrants who operate on the periphery as hawkers operating on the streets or small-micro traders operating in mini stalls which have cropped up everywhere in the city. There existence has induced fear and they have affected the supermarket industry in terms of shifting customers, pricing of goods, and most importantly, assurance of quality in goods and products.

1.4 Scope of the Study

There are 26 supermarkets operating within the Nairobi Central Business District (town area), as per the Nairobi City Council Department of Licensing. Their presence and concentration in this area is noticeable and with some operating on the same street with entrances facing their rivals, it is interesting to know ‘how’ they manage to open their doors and stay in operation. The ‘how’ in this statement denotes to ‘strategy’, which we seek to highlight in this research. Various authors have focused on explaining how firms can achieve a competitive advantage in the face of competition (Ansoff and McDonnell, 1990; Porter, 1980; Johnson and Scholes, 1999). These same scholars have prescribed various strategies that firms can employ to address the issue of competition and succeed upon their rivals. Though theoretical, their practical applications and benefits in most firms is something yet to be realized.

1.5 Importance of the Study

Despite the relevance and growth of the supermarket industry in Kenya, there is no evidence of any published empirical literature focusing on the competitive behavior/pattern and survival tactics/strategies of this industry. Some research have however been done focusing on the retail sector in general, giving a shy overview of the supermarket industry i.e. Karemu (1993), Neven and Readorn (2005), while many others looked at the strategic responses of large firms to competition (Bett, 1995; Njau, 2000; Mwanthi, 2003; Kombo, 1997; Chepkwony, 2001). The increased competition among supermarkets and the changing environment and other factors surrounding them certainly calls for their individual prowess and tact to ensure their sustainability and survival. How do they achieve this?
1.3 RESEARCH OBJECTIVE
This study had one objective which was to establish the various Response Strategies adopted by Supermarkets in Nairobi’s Central Business District to deal with competition in their industry.

1.4 SCOPE OF THE STUDY
This research focused on supermarkets in Nairobi’s Central Business District. The primary objective was to establish their perception towards competition and their response to this phenomenon within their industry. The context was confined to only include those supermarkets situated within the Nairobi Central Business District (Town Area) or commonly referred to as CBD proper, well established, licensed and traders of a wide range of products and not the small or minimarts. Taken into consideration outside this context were those supermarkets that have a significant effect to the subject observed. In the context of this research, the environment composed of the other supermarket regarded as a competitor and a source of competition.

1.5 IMPORTANCE OF THE STUDY
This study is important to various stakeholders and retail sectors. First, to managers of retail sectors and in any other form of business with interest to understand, evaluate and explore strategies in response to effects of competition. Secondly, to researchers interested to follow up on this study and develop its findings further and assist in drafting policies or identify new strategies for the sector also to investors who would like to join the retail sector or get an insight and develop knowledge about the sector and finally, the study will be important as a source of reference to other studies.
CHAPTER 2: LITERATURE REVIEW

2.1 THE CONCEPT STRATEGY

Strategy, as defined by Andrew (1971) is a pattern of decisions in a company that determines and reveals its objectives, purposes or goals. It produces the principle policies and plans for achieving those goals that defines the range of business the company is to pursue, the kind of economic and non economic contribution it intend to make to its shareholders, employees and the community.

Newman, Logan and Hegarty (1989) viewed strategy as the result of rational planning process mainly performed by the top management of an organization. These strategies, as they observed, aimed to summarize the way a company relates to its environment, focus on how a company will conduct its activities so as to perform its activities better and also assist in building integrated action which as they observed, insists on a good fit between the mission in the operating design and its set priorities. In line with this statement, Ansoff and McDonell (1990) observed strategy as the link between a business and its external environment. When firms talk of ‘strategic management’ they are concerned with establishing strategies that enables them to pursue their objectives in consistency with the organization capabilities in continued response to environmental demand.

Ohmae (1983) thought of strategy in terms of competitive advantage. It is that thing that distinguishes us from our opponents and makes us perform better than them. Yavitz and Newman (1982) argued that strategy is not a response to short term fluctuation in the operating environment nor is it the response to the frequent short term report, but a long term commitment of the firm to achieving their objectives.

Porter (1980) viewed strategy in terms of firm’s positioning within its industry based on their unique attributes. This unique attributes are the firms resources and as Mintzberg (1973) observes, strategy is a pattern of decision making which focuses on resource allocations in an attempt to reach a market position consistent with a firm’s environment. Hax and Majluf (1996) defined strategy in terms of its relative context. They viewed
strategy as the definition of the competitive domain of the firm and a response to external opportunities and threats and internal strengths and weaknesses. Webb (1989) observed strategy as a process of deciding the future course for a business. Chandler (1966) focused on the relationship between strategy and structure as dependant on each other. There is no strategy without structure and vise versa and in way of definition, he observed them as those aspects of a firm that are wider and more durable than the particular technologies and other routines it employs at any moment or even its extent core capabilities, and which in effect guide the internal evolution of this.

From the observations made by the above scholars we can conclude that the definition of strategy is observed in ‘context’. A firm’s response to fluctuations in its environment or to competition within its industry is dependant on its capability in terms of its resources. They will strive to achieve a competitive advantage in their environment, or achieve a competitive edge over their rivals through whatever means possible. The ‘means’ determines the nature and strength of the strategy (ies) adapted.

2.2 FIRMS AND THE ENVIRONMENT

Understanding the environment is an essential element of the development of strategy (Lynch, 1997). The environment refers to the immediate surrounding of a firm (Pearce and Robinson, 1997). It contains variables that affect the firm’s operations. Without these variables, it is impossible for firms to exist and so we might say that firms are environment dependant (Ansoff and McDonnell, 1990). But it is these same variables that produce constraints to a firms operations mainly due to there changing patterns.

At the micro level of a firms environment, there are customers, suppliers, competitors, substituting firms, creditors, labors and in a liberal economy, new comers. At the macro level, we observe the technology, economic, ecological, social-cultural and the political variables (Pearce and Robinson, 1997). All of these variables are very important in determining firm’s performance, harmony in existence, profitability, growth and survival. If all these variables remained constant, then firms will operate in harmony and achieve
their objectives efficiently and effectively. But this is not the case and never will be, for the environment is always in turbulence (Ansoff and McDonnell, 1990). It is these turbulences that cause difficulties, uncertainties and unpredictability in firms operations, as well as influence the firm’s strategy (ies) and strategic choices. The environment forces surrounding the firm can be severe according to changeability which refers to the complexity and novelty status of the change, and also it can be severe depending on the predictability nature of the force, referring to the rate of change (Lynch, 1997; Ansoff and McDonnell, 1990).

Kotler and Burnes (1998) argued that the external environment forces are forcing industries (various firms) to change. These forces of change, as they observed, are driven by the consumers or the market. Johnson and Scholes (1999) observed that organizations exist in the context of a complex environment and as a result, they develop strategies in view of their capability for survival, growth and development. They also observed that the change in the environment give rise to opportunities for organizations but also exerts threats on it.

Given the unpredictability caused by changes in the environment, Ansoff and McDonnell (1990) comment that firms have to plan and develop new strategies because past successes will no longer be an extrapolable measure of future success. They noted that one major cause of difficulties among firms when it comes to enacting a competitive niche in their environment is as a result of their rigid ingrained viewpoint, from, viewing the environment through the eyes of the firm’s traditional product line to viewing the environment as a field of future needs which any competitor may choose to address.

Teece et al (1997) argued that organizations need to develop various capabilities to accommodate changing requirements and provide new competence from situation inside and outside the organization. Pearce and Robinson (1997), contributing to this issue regarding the nature of relationship between firms and their environment, observed on the need for firms to take a greater stride in managing, maintaining and improving this relationship. They argued that even if an organization has no outstanding competence and
capabilities, they must factor strategies to fit particular firms’ desired resources and capabilities.

Johnson and Scholes (1999) looked at the role of managers as change agents and argued that managers need to consider different ways in which strategies might need to change depending on how the business environment behaves. If a firm is experiencing a change in its performance e.g. falling profits reduced customers, they must immediately respond before such situation turns chronic. They should also change in order to maintain an equilibrium position between them and their environment.

Suave (2002) argued that the environment is a critical factor for any organization’s survival and success. The forces of the external environment, as he observed, are so dynamic and interactive that their impact on any single element cannot wholly be disassociated from impact of other element. However, as Tan and Tan (2005) observe, firms do not just react to environmental changes. Instead they proactively enact their environment. The environment is not just a source of influence for the firms, it is created by them. Firms create and are created by opportunities.

Maintaining a harmonious relationship between firms and their environment is crucial (for the sake of the firm). This can be easily achieved but hard to maintain. In the long run, players in the same industry pursue almost similar goals and objectives which are mainly to increase their profits or their market share, and become leaders in their industry either through product superiority, service provision, or through other forms that tend to differentiate them from the other players in their industry. These actions elicit a counter response within that industry and as Porter (1980) observed, where firms are numerous, the likelihood of mavericks is great and some firms may habitually believe they can make a move without being noticed. But in a free market, there is no room for such because no one desires to be left behind.
2.3 RIVALRY AMONG FIRMS

Porter (1980) argued that the intensity of competition in an industry is neither a matter of coincidence nor bad luck, rather competition in an industry is rooted in its underlying economic structure and goes beyond the behaviors of current competitors. He observed that rivalry occurs because one or more competitors either feel the pressure or sense an opportunity to improve position. Firms will always go for that opportunity which guarantees to give them an edge over their competitors. Thompson et al (2007) observed that in a competitive market, all firms are subject to offensive challenge from rivals. The drive behind competition in an industry develops when entrepreneurs at all stages, try to distinguish themselves from others (Nootenboom, 2000).

According to Porter (1980), some form of competition notably price competition, is highly unstable and quite likely to leave the entire industry worse off from stand point of profitability. Price cuts are quickly and easily matched by rivals. But as a consequence, they lower revenue and reduce profitability. Advertising battles may expand demand or enhance the level of product/service differentiation in an industry for the benefit of all firms. But still within this situation, firms will try to outperform each other. The greatest risk occurs when gaps and opportunities for new entrants appears in an industry. This will further raise competition and even sweep out the previous dominant players in that industry. Consumer’s support and preferences to such products on the basis of lower prices and non considerate to quality, is a greater detriment to any industry involved.

Intense rivalry is the result of various interacting factors (Porter, 1980). These factors present a challenge to firms within a given industry. Each firm is affected differently and they also respond differently to any given challenge as presented by those factors. He observed that, where firms are numerous, the likelihood of mavericks is great and some firms may habitually believe that they can make a move without being noticed. Every firm has a right to succeed and in a situation of industry congestion, it is a matter of survival for the fittest. Survival, continuity and regularity are the basic feature of a business (Balunywa, 2001). What about an industry with few firms? Rivalry still exists in this context and it can be even more intense than in industry with many firms.
Slow industry growth turns competition into a market share game for firms where they resolve to expansion (Porter, 1980). Market share competition is a great deal in every industry. Rapid industry growth ensures that firms can improve results just by keeping up with the industry and where all their financial and managerial resource may be consumed by expanding within the industry. Most firms choose this alternative instead of moving out of the industry. Where variables within the environment seem favorable to the firm’s existence, they tend to concentrate on those factors, and develop fear for change.

In order to increase and ensure sales of goods, most firms will reduce their prices. This pressure reduces profits in certain industries (Porter, 1980). As more firms willingly engage in ‘slightly above the cost’ pricing, they move into a new level of rivalry: ‘the price war’. At this level he who is willing to sell goods at a lower price than the competitor carries the day. The risk associated with this form of rivalry is that firms will be forced to operate at uneconomical grounds.

Lack of differentiation is another cause of rivalry among firms (Porter, 1980). This occurs where the product or service is perceived as a commodity. Choice by buyers is largely based on price and service and this is where competition revolves. Warfare among firms also intensifies because buyers exhibit preferences and loyalties to particular firms in terms of their brands. In such situation firms will try to use various persuasive measures to get the better share of the stock of consumers in the market.

Competitors take different and unique approach to different issues and situations. This is because of their differences in developing or approach to strategies. They have different goals and objectives. Strategic choice right for one firm may be unconvincing or not a suitable choice to the other. This diverse nature of firms has been observed by Porter (1980) as a cause of rivalry among firms.

Rivalry in an industry, according to Porter (1980), becomes even more volatile if a number of firms have high stake in achieving success. In some situations, the goals and strategies of some firms may not only be diverse but even more destabilizing because
they are expansionary and involves potential willingness to sacrifice profitability in the course. Where markets are competitive, industry growth in terms of numbers of firms tend to be encouraged by the inadequate regulation, low capital requirement and availability of resources. Porter (1980) observed that, ‘change in rivalry may also occur when new personality are introduced into the industry and as an industry matures, its growth rate decline resulting in intensified rivalry, declining profit and often shakeout’

2.4 RESPONSE STRATEGIES TO COMPETITION

As competitive pressure in an industry escalates, it becomes increasingly important for firms to make quick responses to the changing competitive landscape, thus it is imperative for firms to recognize the strategic implications of competing in changing environmental context (Tan and Tan, 2005). Having a strategy is very important and, as Bruce and Langdon (2000) observes, without a strategy operational decisions could have a negative impact on the long term objective of the firm.

A genuine strategy is always needed when the potential actions or responses of opponents can seriously affect the endeavour’s desired outcome regardless of that endeavour’s organizational level in the total enterprise (Quinn, 1999). Nutt and Backoff (1992) observed that strategy changes the organization by changing its direction so that ‘ideals’ can be realized. The essence of developing competitive strategy (ies) is to relate a firm to its environment (Strage, 1992) and as Odette (2001) argues, the basic task of a business strategy is survival.

Schendel and Hofer (1979) observed that organizations respond to turbulence in the environment by formulating new strategies which provides directional cues for the organization that permit it to achieve its objectives while responding to opportunities and threats in the environment. The key aspect of the firm’s environment is the industry or industries in which it competes. Industry structure has a long influence in determining the competitive rules of the game, as well as the strategies potentially available to the firm (Strage, 1992).
Thompson et al. (2007) argued that all firms in a competitive market (industry) are subject to offensive rivalry challenges. This, as Davidson (1972) observed, develops when one player in the industry attempts to improve its position which is considered as offensive by other players in that industry. Porter (1980) argued that it is important for any firm in an industry to analyze existing competitors as well as future competitors with a view of understanding their future goals, current strategies, their capabilities, vulnerability and assumptions. This will place them in a better position to formulate an effective and efficient response to face off any form of competitive challenge.

Nooteboom (2000) noted that competition does not take the form of everyone doing the same thing and pushing prices to marginal costs, but rather replacing products and practices by ones that are better, being more efficient or satisfying preferences more closely or generating novel perspective for production or consumption. Firms have to develop strategies in line with all those needs that they aspire. Strage (1992) argued that the goal 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 all the competitive forces or influence them in its favour.

According to Porter (1980), firms need to develop strategies that aim to position them in such a way that their capabilities provide them with best defense against the existing array of competitive forces. They also need to develop strategies that focus on influencing the balance of forces through strategic moves that will improve their firm’s relative position in its industry and on top of that, they have to develop strategies that aim to anticipate shifts or changes in the factors underlying those forces and prescribe how to respond to them, thereby enabling the firm to exploit competition by choosing a strategy appropriate to the new competitive balance before rivals recognize it.

The concept of ‘choice’ plays a very important role in terms of firms positioning. According to Mwai (2001), strategic positioning means making strategic choices and as Porter (1991) observes, the essence of strategy is choice. There is no one way to position a firm within an industry, but many positions involving different choices of the type of
advantage sought and the scope of the advantage. Rindova and Fombrun (1999) observes that firms construct their distinctive strategic position through strategic investments which create value to industry constituents by providing them with options that satisfy their interest, they also make strategic projection that secure favorable evaluation of other firms within their industry. Firms also develop strategic plots to reflect continuity of the firm and account for consistency between their material resources and culture as well as between its strategic investment and projection.

In an industry where firms have similar characteristics e.g. in a homogenous industry where firms produce similar products or offer similar services, adaptation and implementation of any strategy must be done in time in order to ensure an effective and efficient operation of the firm. This will also enable the firm to keep up with the change, minimize wastage and reduce costs. Most firms find it difficult to deal with competition in their industry in the long run, due to slow response to the alterations in their industry and environment.

According to Porter (1980), once the force affecting competition in an industry and their underlying case have been identified, the firm is in a position to identify its strengths and weaknesses relative to the industry. An effective competitive strategy takes an offensive or defensive action in order to create a defendable position against the competitive forces. Nooteboom (2000) observed that in an industry, competence-destroying innovation is advantageous to new entrants while competence-enhancing innovation perpetuate integrate incumbents.

Competitive advantage develops as firms within an industry strategically target each other in their environment. It results both from actions initiated by firms and those taken by other firms in response (Rindova and Fombrun, 1999). Thompson et al (2007) argued that the purpose of defensive strategies are to lower risk of being attacked, weaken the impact of any attack that occurs and influence challengers to aim their efforts at other rivals. While defensive strategies usually don’t enhance a firm’s competitive advantage, they can definitely help fortify its competitive position, protect its most valuable
resources and capabilities from imitation and defend whatever competitive advantage it may have.

Firm’s strategies have to be designed and tailored to suit the context and nature of competition in their industry. Ansoff and McDonnell (1990) observed that the trend today is to broaden the firm’s strategic perspective to include resources as well as market opportunities. In many firms today, business re-engineering is a common practice. This, as explained by Muhoho (2001), is the fundamental re-examination of the way a firm does its business to produce a dramatic improvement in performance through integrated approach to align the firm’s infrastructure, people, process and technology with strategy in order to improve the firms overall position in its industry and differentiate themselves.

Strategy in itself is a differentiating factor (Porter, 1980). Different firms take different approaches in developing and implementing strategies and they also respond differently to competition in their industry. The approach(es) they take are largely dependant on their capabilities in terms of resources which they can efficiently and effectively accumulate and employ in such situations. Ansoff and McDonnell (1990) observe that resources constraints increasingly impose limit on what the firm can do in their industry. Kombo (1997) observed that firms in the motor vehicle industry responded to competition by introducing new technologies and making adjustment in their product development. They also undertake differentiation measures and segmentation by targeting their customers with improved services. In the tobacco industry, Mwanthi (2003) observed that companies concentrated and focused their resources on brand development as a way of differentiating themselves and increasing their competitiveness. Karemu (1993) observed that large scale retail sector practiced minimum budgetary form of strategic management planning as a way of enhancing their competitiveness. Bett (1995) observed that firms in the dairy industry responded to competition by making adjustment in their marketing mix. In the brewing sector, Njau (2002) observed that firms made substantial adjustment in their strategic variables as a way of fighting off competition. In the oil industry, Chepkwony (2001) observed that firms concentrated on strategic planning, formed
alliances and undertook cost reductive measures as well as enhanced research and development in order to increase their competitiveness.

From the above examples, we can see that firms develop and adapt different strategies in response to competition in their industry. The effectiveness of those strategies are measured in terms of goals and objectives that the firm realizes over a set period of time. A good strategy, in the words of Koch (1995), is the commercial logic of a business that defines why a firm can have a competitive advantage.
CHAPTER 3: RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

A census study was conducted in this research. According to Frankfort and Nachmias (1996), also Cooper and Schindler (2003), this method is appropriate for research studies where the population is small in size (less than 30), and not adversely dispersed thus chances of contacting all participants is high and also where sampling cannot effectively reflect and lead to generalization of an observed phenomenon due to the small size of the population and the differences that might exist between them which cannot be ignored. The aim of this research study was to establish the Response Strategies of Supermarkets in Nairobi Central Business District to competition.

3.2 POPULATION

The population observed in this study comprised of all the supermarkets that are licensed as large retailers and operate within the NCBD, Town Area. A list was obtained from the Nairobi City Council Department of Licensing which revealed 26 supermarkets to be operating in this area (see appendix 1).

3.3 DATA COLLECTION

Primary Data was collected by way of a semi-structured questionnaire (see appendix 3). The questionnaire had one section and it was administered through personal interview by the researcher to the respondent, who was the Manager in charge of the supermarket. This method was preferred in this study due to the small size of the population which could be conveniently reached and contacted and also due to the need to provide clarification where necessary.
3.4 DATA ANALYSIS

The Data collected was analysed using descriptive statistics. The Data was first checked for completeness and then tabulated according to the chronological order of the questionnaire and summed up according to the choices made. This was later converted into percentage of the total respondents in each category. Some sections of these results with multiple responses were presented in the form of Bar graphs. The results were used to interpret observations made in this study in order to establish the Response Strategies of Supermarkets in Nairobi Central Business District to competition.
CHAPTER 4: DATA ANALYSIS AND FINDINGS

4.1. SUPERMARKETS IN NCBD

Out of the 18 supermarkets observed within the NCBD, 11 were developed between 1996 and 2005. This represents 61% of the total supermarket operating within this area. 7 out of these 11 supermarkets were actually developed through expansion or 'branching out' from previously existing supermarkets. This is a significant observation in this study as it seeks to illustrate the period when growth of this industry was intense and consequently, the beginning or intensification of competition among supermarkets in this area.

The legal status of the supermarkets was also inquired in this study. 50% of the supermarkets observed are private limited company, 33% exist as limited partnership while 16% of the supermarkets we observed were public limited company. No supermarket observed exist as a sole proprietorship entity.

88% of the supermarkets observed were either part of a branch or a chain with other supermarket (s). Most of the supermarkets observed in this study have different views on how they would like to be identified in the market by their customers. 66.7% consider themselves as reliable to their customers, 61.1% as friendly and 50% as cheap in terms of product pricing. 16.1% would like to be identified as unique while 22.2% as modern. No supermarket observed wanted to be identified by their customers as expensive.

The study also sought to establish whether the supermarkets were aware of other participants in their industry. This is important in this study as it would enable as to establish whether or not, the individual supermarket perceive the existence of rivalry in there industry. All of the supermarkets observed admitted that they were aware of the existence of the 'other' supermarket around them. 88% of the population observed viewed this existence of the 'other' supermarket as a competition to there supermarket. This observation also highlighted the inter-chain competition that exist in a company supermarket and that performance was measured on the individual performance, not as a group. When it come to rating the intensity of this competition, 50% thought that this
competition was high, 33% thought that it was moderate while only one (0.05%) rated the competition as low.

4.2 EFFECTS OF COMPETITION TO SUPERMARKETS IN NCBD

The effects of competition to supermarkets observed in this study were also inquired. A scale of 1(one) to 3 (three) was used to measure the intensity of these effects to various variables identified as common denominators in all supermarkets. The scale of 1(one) was issued to indicate low effect, scale of 2(two) to show moderate effect and the scale of 3 (three) was used to show high effect of competition on the customers, profits, sales, industry competitiveness and achievement of goals and objective variables in the individual supermarkets in this study. The results are shown in the bar graphs figures. The vertical scale shows the respondents in percentage form out of the total 18 supermarkets observed. The horizontal scale represents the intensity of this effect.

Figure 1: Effect of competition to supermarket’s customers

Source: Interview

Figure 1 shows the effect of competition to customers in various supermarkets. 16.7% of the supermarkets observed felt the effect competition on there customers was not severe (low). However 50 % felt the impact of competition on their customers was moderate while 27.7% of the supermarkets observed felt that the impact of competition on their customers was high and as a result, they are losing out customers to their competitors.
Figure 2: Effect of competition to supermarket’s suppliers

Source: Interview

Figure 2 shows the effect of competition to supermarket’s suppliers. 72.2% of the supermarkets observed have not experienced any effect on their suppliers as a result of competition. However 16.7% felt this effect was moderate on their suppliers and they have had difficulties dealing and negotiating with them.

Figure 3: Effect of competition on supermarket’s profits

Source: Interview

Figure 3 shows the effect of competition on the supermarket’s earnings in terms of profits. 22.2% of the supermarkets observed felt the impact of competition have affected their profits level but not significantly (low) while 50% felt the impact of competition to have affected their profits moderately. Only one supermarket, 0.05% of the total respondents admits to experience a downfall in its profits due to competition.
Figure 4: Effect of competition to supermarket’s sales

Source: Interview

Figure 4 shows the effect of competition on the sales level of the supermarket. 22.2% of the supermarkets observed considered the effect of competition on their sales level to be low while 50% considered the effect of competition on their sales level to be high. However 11.1% of the supermarkets observed felt they have been highly affected in terms of sales due to competition and as a result their operations have been slowed down.

Figure 5: Effect of competition to on supermarket’s competitiveness

Source: Interview

Figure 5 shows the effect of competition to the supermarkets competitiveness. This section aimed to establish how supermarket’s judged their position within their industry.
27.8% felt they have been shaken by the effect of competition but not very much thus low. 55.6 percent felt the effect of competition have moderately affected their position while 11.1% felt the impact of competition to have highly affected their position thus competitiveness within their industry has gone down.

Figure 6: Effect of competition to supermarket’s achievement of goals and objectives

![Bar chart showing the effect of competition on supermarkets' goals and objectives]

Source: Interview

Figure 6 shows the effect of competition to the supermarket’s achievements of goal and objective. 33.3% of the supermarkets observed felt that this effect impacted on them but not very significantly (low). However, 38.9% felt this effect of competition was moderate while 11.1% felt the effect was high and it has significantly affected them in achieving their goals and objectives.
4.3 RESPONSE STRATEGIES OF SUPERMARKET IN NCBD TO COMPETITION

The main concern of this research was to inquire into the strategies that supermarkets in NCBD utilize to counter the effects of competition in their industry. Various response mechanisms (strategies) to competition was presented to the respondents who had to choose appropriately, by ticking a ‘Yes’ or ‘No’ choice against the various choices provided, to illustrate how they respond to the effects of competition. Clarification was sought on some of the choices made by the respondents, for further understanding. Those responses are discussed herein.

In responding to competition, 94% of supermarkets observed use advertisement as a strategy in response to competition. 4 out of the 18 supermarkets observed currently employ indoor screen advertising. This is a new trend in marketing where the supermarket use television sets strategically placed inside the shopping premise to display and advertise goods available inside the supermarkets as well as advertise products on behalf of the producers and manufacturers of various products. They also use this strategy to attract customers and increase sales in their supermarket. This strategy appeared to be popular among most of the supermarkets observed.

94.4% of the supermarkets respond to the effects of competition through sales promotion, which most of them conduct occasionally, especially during seasons when demand for certain products are high. Some explained that they do this as a way of attracting customers into their supermarket and luring them away from shopping in other supermarkets.

This study also sought to establish whether some of the supermarkets are operating in merger with their previous competitors to boost their competitiveness in the market or have acquired other supermarket (s) inline with this objective. Out of all the supermarkets observed in this study, none have entered into merger with their competitors however 33.3% have since acquired or has been acquired by other supermarkets. In response to
the effect of competition, 83.3% of all the supermarkets observed in this study conduct internal assessment (swot analysis) to gauge themselves and their competitors. The same ratio of the population observed admitted to be concerned with their rivals move and thus, analyse them to note whatever thing they do. But only 44.4% admitted to emulating their competitor’s move.

In response to the effects of competition, 22.2% of the supermarkets observed have since cut down on their workforce, retaining just a few necessary employees to undertake multiple roles and duties within the supermarket. Some explained that the effect of competition on sales meant that they have to undertake this measure in order to reduce and keep their operation costs at minimum. 55.6% of the supermarkets observed said they did consider reducing their operation costs as a response strategy to the effects of competition, mainly through the reduction of their workforce.

11.1% of the supermarkets observed have reduced their level of operation as a response to the effect of competition. This involved the reduction of products in the supermarket shelves to a level where it matches their demand in order to reduce costs and losses. In relation to this, 94.4% of the supermarkets observed, respond to the effects of competition by occasionally reducing the prices of some products during sale period or in sales promotions, in order to bring in more customers and increase sales of products in their supermarket.

66.7% of the supermarkets operating within the NCBD stay open long into the late night hours. Some of the respondents observed are considering following suit to what one of the supermarket (situated outside NCBD) has done, in order to operate on a 24 hour basis. They explained that the change was necessary as most customers (according to their statistics) shop during ‘after office’ hours and beyond. By operating under this new condition, they hope to attract more customers, reduce shopping rush, and increase their sales volume. In line with this, we also inquired whether they operate on weekends as
they normally do during weekdays. 72.2% of all the supermarkets observed operate normally throughout the week and in weekends.

88.9% of the supermarkets observed occasionally rearrange their shelves and increase shelves space for certain products during seasons when demand for those products is high. Rearrangement of shelve or products in shelves served many purpose as they all had a different objective in conducting this measure, as a response to the effects of competition. In overall, it is meant to increase shopping space and reduce customers congesting in lanes between shelves, it was also meant to ease customer’s access to certain products, it also serves to make robotic shoppers see and consider buying other products which they normally surpass and to some, they conduct this measure in order to achieve an effective display of products, avoid confusion to customers by sectioning their premise, categorizing the products and labeling the shelves and products as well as indicating the prices of those products on the shelves or on the product. In relation to this statement, we also inquired whether they have considered to or they already have improved or redecorated there premise as a measure in response to competition. 77.7% of the supermarkets observed have taken this measure as a response to competition. 16.6% of all the supermarkets observed recently changed its logo (name) and they explained that this measure was taken as part of the changes conducted in the supermarket, which aims to differentiate and improve its image in the industry. Also in response to the effects of competition, 88.9% of all the supermarkets observed focus on their customer’s needs and demands, so as to retain and fully satisfy them.

Specialization in selling of certain products as a response to the effect of competition was not regarded by any of the supermarkets observed in this study. They all sold varieties of goods and products. However, only one, representing 0.05% of all the supermarkets observed sell only known/common brand in their supermarket. In this study, we also sought to establish whether they offer warranty to any of the goods they sell, especially electronic products. 83.3% of all the supermarkets observed offer warranty to any product that has this status attached to it by their respective manufacturer, and where it does not
exist in such goods, they don’t create one, but advise their customers accordingly. This as
some explained, was done in good faith to ensure the quality of any of the products they
sell to their customer.

In response to the effects of competition, 66.7% of the supermarkets observed in this
study accept conventional mode of payment beside cash. Some of the supermarkets
observed issue credit facilities in conjunction with an identified banking institution, to
enable their customers to buy goods from their shop without restrictions on the mode of
payment and also as a way of attracting customers to shop in their supermarket under
such credit facilities. Some credit facilities even allow their customers to claim ‘cash
back’ on the goods purchased at the check out point of the supermarket. Beside offering
and accepting credit facilities, 72.2% of all the supermarkets observed have continually
introduced new services inside their premises in conjunction with other companies, with
a view of bringing in more customers, to shop in there premises. 27.7% of the
supermarkets observed conduct other activities which they incorporate into the operations
of the supermarket. These activities include the selling of the supermarket’s own branded
products such as milk, rice, bread and cooking fat.

In terms of planning, 22.2% of all the supermarkets observed resort to short term
planning while 50% resort to long term plans in responding to the effects of competition
Planning, as some explained, involves the daily routine in their operations, which they
can change depending on the environment. Such plans are also modified depending on
the effects of competition on sales level. None of the supermarkets observed plans to
relocate or considers this as a response to the effects of competition.
4.4 DIFFICULTIES EXPERIENCED BY SUPERMARKETS IN ADOPTING RESPONSE STRATEGIES

44.4% of all the supermarkets observed within the NCBD felt that the government does not fully support their industry. They identified sideline policies, bylaws and taxation as the major impediments to their effective operations and plans. They also showed discontent in government initiatives in restricting unfair competition i.e. from hawkers and proliferating small/micro traders who have now affected the retail sector in general. They also felt that not enough has been done to curb the increase of imported products which have affected the local industries, whom some of them are their major suppliers. They went further to pointing fingers at each other with blames of unfair competition especially in terms of pricing of products. They felt that the government needs to intervene on these issues. In contrary to these observations, those who answered in support of the government felt that the government is making an effort to support them, and wipe out unfair competitors in the industry. The mandatory use and application of Electronic Tax Register in business and local government action to curb and contain hawking was referred in these observations.

In this study, we also sought to establish whether the supermarkets in NCBD face or experience any difficulty (ies) in designing, adapting or implementing their strategies and establish the cause of these impediments, if any. The results of the respondents are shown in the bar graph (figure 7). The vertical scale represents the percentage of all the respondents observed who answered ‘Yes’ to either one of the three questions asked. The horizontal scale represents the three factors contained and observed in the questions.
Figure 7: Difficulties experienced by supermarkets in designing (D), adapting (A) or implementing (I) strategy (ies)

Source: Interview

From the figure above, 27.8% of the supermarkets observed experience difficulties in designing strategies in response to competition. 33.3% experience difficulties in adapting strategies for the same course while 44.4% have difficulties when it comes to implementing or putting those strategies into action.

The study established that the difficulties supermarkets in NCBD experience in designing, adapting or implementing their strategies vary across different supermarkets observed. A list of various causes of difficulties commonly identified in firms observed in related studies was presented to the respondent who made a choice (s) appropriately to establish the cause of difficulty they face in designing, adapting or implementing their strategy (ies). 22.2% of all the supermarkets observed experience difficulties due to cost implications, 11.1% due to lack of time, 16.7% due to Beuracracy or red tape within their hierarchical system, 27.8% consider the rapid changes within their industries to be the cause of these difficulties, 22.2% relate the difficulties to lack of response by customers, 22.2% had issues with their past experiences and 33.3% of the respondents felt that they...
did not have adequate capacity, in terms of resources, to either design, adapt or implement their strategy (ies).

SUMMARY

The study also established from the respondents' observations that the future outlook of the supermarket industry in terms of competition is not likely to change, but rather intensify. Despite this, they all have an optimistic view of the future, to be the best, to be the leading, to be the biggest, to attract more customers, to open up more branches not just within the NCBD, but also country wide, to be more reliable by offering wide range of products and services to customers and one of the supermarket observed is aiming higher to one day compete with the giants of this business at the international level.
CHAPTER 5: SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 SUMMARY

The observations made in this study have affirmed that competition exist among the supermarkets operating within the Nairobi Central Business District. All the supermarkets observed in this study are aware of the existence of other supermarket(s) around them. 88% viewed the other supermarket(s) as their competitors, with the intensity of these competition rated as ‘high’ by 50% of the respondents observed in this study. This competition has affected them in various ways but mostly, moderately to all the variables that we observed. They are conscious to these effects and are not sleeping through it, they are responding through various means to safeguard their position and interests in their industry.

The strategies they pursue in response to competition are not complex, but common. They also seem to have preference toward certain strategies as observed in cases where the response rate was more than 70% on a particular strategy, making those strategies even more common. They are conscious about their environment and rivals within their industry and as a result, over 80% of them conduct internal assessment to gauge themselves as well as their competitors in terms of competitiveness with a view of enhancing whatever advantage they posses in their industry, in order to effectively and efficiently respond to the effects of competition. Some even confess to emulate what their competitors do and of course, it works. Whatever the means, they certainly work well for each one of them, because no one is planning to shut down their business or relocate, they are all optimistic about the future and their position in the industry.

The effects of competition are of great concern to the supermarkets observed in this study. All their response strategies, as established in this study, are aimed towards achieving various objectives to curtail the effects of competition and enhance their individual competitiveness in their industry. However, in pursuit of these goals, they experience difficulties in developing, adapting or implementing those response strategies.
but mostly in implementation due to various reasons mainly, internal. Nevertheless, they have managed to achieve their objectives in response to the effects of competition.

5.2 RECOMMENDATIONS
In an industry where firms goals and objectives revolve around resources pursued by all, satisfaction and success is limited and constraint by competition that ensue in their quest (Nevin, 1972; Odette, 2001; Ansoff and McDonnell, 1990; and Porter, 1991). As far as established in this study, the response strategies of the supermarkets in NCBD to competition have achieved their intended purpose, thus effective. But given the common pattern of their strategies in response to competition, most of them seem to share a competitive advantage in unison. Individually, they lack comparative advantage in such association. Firms need to strike uniqueness in all their pursuits and approaches. Uniqueness enables a firm to achieve comparative advantage over their rivals and achieve their goals and objectives more efficiently and effectively (Porter, 1980; Rindova and Fombrun, 1999; Thompson et al, 2007. and Nooteboom, 2000). Thus, we recommend that supermarkets strive to achieve and include the above element in their strategies in order to respond more effectively and efficiently to the effects of competition. We also recommend that those strategies developed, should reflect, accommodate as well as necessitate changes associated with increasing population and urban growth, changing lifestyle and all their dynamics, diversities, demands.

5.3 LIMITATIONS OF THE STUDY
A response rate of 69.2% was achieved in this research study. Given that this was a census study, the non response was unexpected thus a limitation to this research. Some observations made in this study varied considerably among the supermarkets observed prompting for much clarification from the respondents in order to establish a meaningful response on the issues examined in this study. Nevertheless, efforts were made to achieve the objective of this research study and explanations in regard to various issues was sought from the respondents where necessary, to give a comprehensive picture of ‘the
Response Strategies of Supermarkets in Nairobi Central Business District, to Competition

5.4 SUGGESTIONS FOR FURTHER RESEARCH

In this study, we observed the response strategies of supermarkets in Nairobi central business district, town area, to competition. We suggest that those response strategies identified in this study, be further examined individually, to establish their effects or significance in application among the various supermarkets within this area and beyond., a case study should also be conducted in each individual supermarket, in order to quantitatively measure and establish the effects of competition and the effectiveness of the strategies adopted in response to those effects of competition.

5.5 CONCLUSION

The level of competition in the supermarket industry within the context observed in this study is high, in fact, very high that each individual participant in this industry resort to various measures, with an aim to stay afloat and competitive in respite of the impact and effects resulting from competition. This has been verified by the general observations made and as per the evaluation of the data collected in this study.

However, it appears that none of the supermarkets observed really has an authentic strategy that could differentiate them from others. In general terms, this could indicate a major weakness in the industry in terms of competitiveness, innovation and progress but this is not the case witnessed in this study. Despite pursuing and utilizing almost similar strategies, the supermarkets within the NCBD have achieved uniqueness by the way they apply those strategies, making their industry more competitive, innovative and progressive. This supports Neven and Reardon’s (2005) observations that the growth of the Kenyan supermarkets has been largely indigenous and endogenous with inter-chain competition been very vigorous. In the face of competition, the goal of any response strategy in any sector or industry is survival (Odette, 2001) and this is the objective of the
response strategies applied by every supermarket observed in this study. However, we reserve the opinions as recommended in this study, that in order for supermarkets to gain comparative advantage and achieve their goals and objectives more efficiently and effectively amidst the effects of competition, they need to develop and adopt unique strategies. Their strategies should also reflect and accommodate changes and modern lifestyle.

The retail sector will continue to grow and attract new entrants. Whatever their entry level, they will always induce a spiral affect to every firm within the sector whether big or small. A firm’s survival will depend on their tolerance to changes and competitiveness within their industry. This will only be achieved through effective strategic response, as exhibited by the supermarkets observed in this study. Given their good merit, the supermarket industry is set to grow with competition being its major propellant and response strategy as its guide, defining the path and direction which the industry will follow.
REFERENCES


## Appendix 1

### LIST OF SUPERMARKETS WITHIN NAIROBI CENTRAL BUSINESS DISTRICT

<table>
<thead>
<tr>
<th>Name of supermarket</th>
<th>No of branches within the NCBD, Town Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nakumatt</td>
<td>2</td>
</tr>
<tr>
<td>Ukwala</td>
<td>6</td>
</tr>
<tr>
<td>Jack and Jill</td>
<td>1</td>
</tr>
<tr>
<td>Tusky</td>
<td>5</td>
</tr>
<tr>
<td>Naivasha</td>
<td>1</td>
</tr>
<tr>
<td>Tesco</td>
<td>3</td>
</tr>
<tr>
<td>Eastleigh</td>
<td>2</td>
</tr>
<tr>
<td>Woolmart</td>
<td>3</td>
</tr>
<tr>
<td>Ebrahim's</td>
<td>1</td>
</tr>
<tr>
<td>Uchumi</td>
<td>2</td>
</tr>
<tr>
<td><strong>total</strong></td>
<td><strong>26</strong></td>
</tr>
</tbody>
</table>

*Source: Nairobi City Council Licensing Department.*
DATE........................................

TO WHOM IT MAY CONCERN

The bearer of this letter is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The project is entitled: Supermarkets in WCB to Competition

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

J.T. KARIUKI
CO-ORDINATOR, MBA PROGRAM
Appendix 3
INTERVIEW GUIDE

This interview guide is designed to collect information on Response Strategies of Supermarkets in Nairobi Central Business District to competition. All information gathered in this research will be treated with utmost objectivity and confidentiality to the subject matter.

Your contribution will be of great assistance to the compilation of this research.

Thank you,

Date; ............................................

Questions;

1. Position of the respondent ...........................................................

2. What is the name of this supermarket? ...........................................

3. When was this supermarket founded? ............................................

4. What is the legal status of this supermarket?
   (a) sole proprietorship
   (b) private limited company
   (c) limited partnership
   (d) public limited company
   (e) Other (specify) ...........................................

5. Is this supermarket part of a branch or a chain with other supermarket?
   (Yes) (No)
6. How would you like your customers to identify your supermarket? *You can choose more than one;*

- (a) Reliable  
- (b) Modern  
- (c) Cheap  
- (d) Unique  
- (e) Expensive  
- (f) Friendly  
- (g) Exclusive  
- (h) Others.............

7. Are you aware of existence of other supermarkets around you?  
   (a) Yes  
   (b) No

8. Do you see their existence as a competition to your supermarket?  
   (a) Yes  
   (b) No

9. If yes, how can you rate this competition?  
   a. High  
   b. Moderate  
   c. Low

10. How has this competition affected your supermarket in terms of customers, suppliers, profits, sales volume, your industry position and your goals and objectives?  
    *Use the table with a five point scale to answer this question, where 1=no effect, 2=moderate effect not good not bad, 3=great effect.* Tick appropriately.
<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td></td>
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<tr>
<td>Suppliers</td>
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<tr>
<td>Profits</td>
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<tr>
<td>Sales</td>
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<tr>
<td>Your industry position</td>
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<tr>
<td>(competitiveness)</td>
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<td></td>
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<tr>
<td>Achievement of goals</td>
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<tr>
<td>and objectives</td>
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</tbody>
</table>

Others: ........................................

11. How is your supermarket responding to those effects resulting from competition?

<table>
<thead>
<tr>
<th>Response to effects of competition.</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertisement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales promotion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merger with competitors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expansion of the business</td>
<td></td>
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<tr>
<td>Offer extended services</td>
<td></td>
<td></td>
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<tr>
<td>Use contracts in dealing with suppliers</td>
<td></td>
<td></td>
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<tr>
<td>Change suppliers</td>
<td></td>
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<tr>
<td>Reduce number of employees</td>
<td></td>
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<tr>
<td>Extend opening hours</td>
<td></td>
<td></td>
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<tr>
<td>Open full days on weekends</td>
<td></td>
<td></td>
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<tr>
<td>Increase shelf space for certain products</td>
<td></td>
<td></td>
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<tr>
<td>Specialize in selling of certain products</td>
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<tr>
<td>Offer warranty on certain products</td>
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<tr>
<td>Reduce costs</td>
<td></td>
<td></td>
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<tr>
<td>Improve on structural outlook</td>
<td></td>
<td></td>
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<tr>
<td>Redecoration of the premises</td>
<td></td>
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<tr>
<td>Change or improve logo</td>
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</tbody>
</table>

45
<table>
<thead>
<tr>
<th><strong>Response to effects of competition</strong></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower prices/competitive pricing</td>
<td></td>
<td></td>
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<tr>
<td>Sell only known/common brands</td>
<td></td>
<td></td>
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<tr>
<td>Focus on shelf display</td>
<td></td>
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<tr>
<td>Accept conventional modes of payment</td>
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<tr>
<td>Short term planning</td>
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<td></td>
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<tr>
<td>Long term planning</td>
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<tr>
<td>Engage in social activities</td>
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<tr>
<td>Offer new services</td>
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<tr>
<td>Change name</td>
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<tr>
<td>Focus on customers needs and demands</td>
<td></td>
<td></td>
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<tr>
<td>Relocate</td>
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<tr>
<td>Diversify into other operations</td>
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<tr>
<td>Reduce level of operation</td>
<td></td>
<td></td>
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<tr>
<td>Acquisition of other supermarket(competitor)</td>
<td></td>
<td></td>
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<tr>
<td>Analyse competitors</td>
<td></td>
<td></td>
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<tr>
<td>Internal assessment (SWOT analysis)</td>
<td></td>
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<tr>
<td>Copy competitors move</td>
<td></td>
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<tr>
<td>Others ...</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

12. Has the government supported this industry in any way to address the issue of competition?

(a) Yes
(b) no

Please explain your answer.
13. Is there any policy (ies) enacted (recently or in the past) that could affect your operations?
   (a) Yes
   (b) No

14. If you answered yes, please state and explain the policy (ies).

15. Do you experience any difficulty (ies) in;
   (a). Designing strategy (ies)
       (Yes)   (No)
   (b). Adapting a strategy (ies)
       (Yes)   (No)
   (c) Implementing the strategy (ies)
       (Yes)   (No)

16. If you answered yes in any of the above categories, what is /are the factor(s) Causing these difficulties?

<table>
<thead>
<tr>
<th>Cause of difficulties to Number 11 above</th>
<th>Tick appropriately.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs implications</td>
<td></td>
</tr>
<tr>
<td>Lack of time</td>
<td></td>
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<tr>
<td>Beuracracy or red tape</td>
<td></td>
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<tr>
<td>Lack of expertise</td>
<td></td>
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<tr>
<td>Rapid industry change</td>
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<tr>
<td>No reason</td>
<td></td>
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<tr>
<td>Lack of response from customers/other targets</td>
<td></td>
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<tr>
<td>Past experiences</td>
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<tr>
<td>Inadequate resources</td>
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</tbody>
</table>

Others ...................................................................
17. What do you see as the future outlook of this industry (the supermarket sector) in terms of competition?

18. What is your long term objective in this industry?

THANK YOU.